

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SDS GROUP BERHAD (“SDSG” OR THE “COMPANY”) DATED 23 AUGUST 2019 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“Bursa Securities”) website at www.bursamalaysia.com (“Website”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M&A Securities Sdn Bhd (“M&A Securities”), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and SDSG take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 23 August 2019 and will close at 5.00 p.m. on 23 September 2019.

In the event the Closing Date is extended, SDSG will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

S.D.S
SINCE 1987



PROSPECTUS

S.D.S
SINCE 1987
SDS GROUP BERHAD

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SDS GROUP BERHAD
(Company No. 1241117-T)
(Incorporated in Malaysia under the Companies Act, 2016)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING PUBLIC ISSUE OF 104,296,800 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- 20,291,200 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 23,132,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES/PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- 60,873,600 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE PRICE OF RM0.23 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent



M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Prospectus has been registered by the SC. The registration of this Prospectus, should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The SC is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 137.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

THIS PROSPECTUS IS DATED 23 AUGUST 2019



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Kawasan Perusahaan Ringgan Pulai,
81200 Johor Bahru, Johor

+ 607 288 8305 (Hunting Line)
+ 607 556 7116 (Fax)

info@sdsgroups.com

Our Directors and Promoters (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

Admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") is not to be taken as an indication of the merits of our IPO, our Company, or our shares.

This Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("CMSA") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Approval has been obtained from Bursa Securities for the listing of and quotation for our Shares (as defined herein) on 11 February 2019. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Securities Commission ("SC") has on 18 February 2019 approved the resultant equity structure of our Company under the equity requirement for public listed companies pursuant to our Listing (as defined herein).

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (a) We and our Adviser do not endorse and is not affiliated in any way with the Third Party Internet Sites and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (b) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (b) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

All terms used are defined under "Definitions" commencing from page vii.

The indicative timing of events leading to our Listing is set out below:

Events	Tentative date
Issuance of this Prospectus/Opening of Application	23 August 2019
Closing of Application	23 September 2019
Balloting of Application	26 September 2019
Allotment of IPO Shares to successful applicants	3 October 2019
Date of Listing	7 October 2019

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used are defined under "Definitions" commencing from page vii.

All references to "SDSG" and the "Company" in this Prospectus are to SDS Group Berhad (1241117-T). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or one decimal place (for percentages) or one sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" and "Technical Glossary" appearing after this section. Words denoting singular shall include plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, where no source is stated, such information can be assumed to originate from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites does not form part of this Prospectus.

The exchange rates below are applied in this Prospectus unless specified otherwise:

	<u>FYE 2016</u>	<u>FYE 2017</u>	<u>FYE 2018</u>	<u>FYE 2019</u>
RM to SGD 1				
Average rate	2.9175	3.0487	3.0646	3.0083
Closing rate	2.8976	3.1643	2.9494	3.0142

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (a) Demand for our products and services;
- (b) Our business strategies;
- (c) Our future plans;
- (d) Our financial position;
- (e) Our future earnings, cash flows and liquidity; and
- (f) Our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (a) The economic, political and investment environment in Malaysia and globally; and
- (b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 - "Risk Factors" and Section 11 - "Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

SDSG or Company	: SDS Group Berhad (1241117-T)
SDSG Group or Group	: SDSG and its subsidiaries, collectively
City Cake	: City Cake House Sdn Bhd (517331-P)
Daily Bakery	: Daily Bakery Sdn Bhd (190769-H)
SDS B&C	: SDS Bakery & Cafeteria Sdn Bhd (359313-D)
SDS Enterprise	: SDS Enterprise Sdn Bhd (1143371-K)
SDS Food	: SDS Food Manufacturing Sdn Bhd (243124-V)
SDS Top Baker	: SDS Top Baker Sdn Bhd (794534-T), formerly known as SDS Bakeries Sdn Bhd
Super Arrow	: Super Arrow Trading Pte Ltd (200819157G)

GENERAL:

ACE Market	: ACE Market of Bursa Securities
Acquisitions	: Comprising Acquisition of City Cake, Acquisition of SDS Food, Acquisition of SDS Enterprise and Acquisition of Super Arrow, collectively
Acquisition of City Cake	: Acquisition by SDS B&C of 51% equity interest in City Cake from SDS Tan Properties for a purchase consideration of RM445,200, satisfied by the issuance of 42,890 new shares in SDS Food at an issue price of approximately RM10.38 per share, which was completed on 4 July 2019
Acquisition of SDS Enterprise	: Acquisition by SDSG of the entire equity interest of SDS Enterprise from Tan Kee Jin and Tan Yon Haw for a purchase consideration of RM26,360, satisfied by the issuance of 263,600 new Shares at an issue price of RM0.10 per Share, which was completed on 5 July 2019
Acquisition of SDS Food	: Acquisition by SDSG of the entire equity interest of SDS Food from the SDS Food Vendors for a purchase consideration of RM28,994,890, satisfied by the issuance of 285,752,600 new Shares at an issue price of approximately RM0.10 per Share, which was completed on 5 July 2019
Acquisition of Super Arrow	: Acquisition by SDSG of the entire equity interest of Super Arrow from Tan Kim Seng, Tan Kim Chai, Tan Yon Haw and Tan Yong Thye for a purchase consideration of RM1,551,080, satisfied by the issuance of 15,510,800 new Shares at an issue price of RM0.10 per Share, which was completed on 5 July 2019

DEFINITIONS (Cont'd)

Act	: Companies Act, 2016
ADA	: Authorised Depository Agent
Adviser or Sponsor	: M&A Securities
Application	: Application for IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
Application Form(s)	: Printed application form(s) for the Application accompanying this Prospectus
ATM(s)	: Automated Teller Machine(s)
Board	: Board of Directors of SDSG
Bursa Depository or Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CAGR	: Compound annual growth rate
CCC	: Certificate of fitness for occupation or certificate of completion and compliance or its equivalent issued by the local authorities or principal submitting person (whichever is applicable)
CDS	: Central Depository System
CDS Account	: Account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
Closing Date	: The date adopted in this Prospectus as the last date for acceptance and receipt of Application
CMSA	: Capital Markets & Services Act 2007
Constitution	: Constitution of our Company
Depository Rules	: Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
Director	: An executive director or a non-executive director within the meaning of Section 2 of the Act
EBIT	: Earnings before interest and tax
EBITDA	: Earnings before interest, tax, depreciation and amortisation
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
Electronic Share Application	: Application for IPO Shares through a Participating Financial Institution's ATM

DEFINITIONS (Cont'd)

EPS	: Earnings per share
FYE	: Financial year ended/ending 31 March, as the case may be
GP	: Gross profit
IFRS	: International Financial Reporting Standards
IMR or Protégé	: Protégé Associates Sdn Bhd (675767-H), our Independent Market Researcher
IMR Report	: Independent Market Research Report titled "Strategic Analysis of the Bakery Products Market with an Overview of the Restaurant and Cafeteria/Canteen Market in Malaysia" dated 24 July 2019
Internet Share Application	: Application for IPO Shares through an online share application service provided by Internet Participating Financial Institutions
Internet Participating Financial Institution(s)	: Participating financial institution(s) for Internet Share Application as listed in Section 15
Initial Public Offering or IPO	: Initial public offering comprising our Public Issue
IPO Price	: Issue price of RM0.23 per Share
ISO	: International Organisation for Standardisation
IPO Share(s)	: New Share(s) to be issued under our Public Issue
Issuing House	: Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
JAKIM	: Jabatan Kemajuan Islam Malaysia
IT	: Information technology
LAT	: Loss after tax
LPD	: 24 July 2019, being the latest practicable date for ascertaining certain information contained in this Prospectus
Listing	: Listing of and quotation for our entire enlarged share capital of RM54,560,604 comprising 405,823,900 Shares on the ACE Market
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities, as amended from time to time
Listing Scheme	: Comprising our Public Issue and Listing, collectively
M&A Securities	: M&A Securities Sdn Bhd (15017-H)
Malaysian Public	: Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia

DEFINITIONS (Cont'd)

Market Day(s)	: Any day(s) between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
MFRS	: Malaysian Financial Reporting Standards
MITI	: Ministry of International Trade and Industry Malaysia
MyIPO	: Intellectual Property Corporation of Malaysia
NA	: Net assets
NBV	: Net book value
NL	: Net liabilities
OEM	: Original equipment manufacturer
Official List	: List specifying all securities which have been admitted for listing of Bursa Securities and not removed
Participating Financial Institution(s)	: Participating financial institution(s) for Electronic Share Application, as listed in Section 15
PAT	: Profit after tax
PBT	: Profit before tax
PE Multiple	: Price-to-earnings multiple
Pink Form Allocations	: Allocation of 23,132,000 IPO Shares under our Public Issue to our eligible Directors, employees and business associates/persons who have contributed to the success of our Group
Placement Agent	: M&A Securities
PPE	: Property, plant and equipment
Promoters	: Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping, Tan Yong Heng, Tan Kee Jin and SDS Tan Properties, collectively
Prospectus	: This prospectus dated 23 August 2019 in relation to our IPO
Public Issue	: Public issue of 104,296,800 IPO Shares at our IPO Price
QMS	: Quality management system
ROC	: Registrar of Companies
R&D	: Research and development
SC	: Securities Commission Malaysia

DEFINITIONS (*Cont'd*)

SDS Food Vendors	:	Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping, Tan Yong Heng and SDS Tan Properties, collectively
SDS Tan Properties	:	SDS Tan Properties Sdn Bhd (348948-T)
Share(s) or SDSG Share(s)	:	Ordinary share(s) in SDSG
SI CDA or Depository Act	:	Securities Industry (Central Depositories) Act, 1991
sq ft	:	Square feet
Underwriter	:	M&A Securities
Underwriting Agreement	:	Underwriting agreement dated 18 July 2019 entered into between our Company and M&A Securities for the purpose of our IPO
UK	:	United Kingdom
USA	:	United States of America
<i>CURRENCIES:</i>		
RM and sen	:	Ringgit Malaysia and sen respectively
SGD	:	Singapore Dollar
USD	:	United States Dollar

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TECHNICAL GLOSSARY

This glossary contains an explanation of certain technical terms used throughout this Prospectus in connection with our business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

F&B	:	Food and beverage
hub-and-spoke model	:	A system of centralising a core operation at a designated premise that will serve or provide support to the needs of all its nearby related premises
point-of-sales	:	Place where sales are made. From a retail perspective, it means the place where a consumer completes a transaction, such as a check-out or payment counter
shelf life	:	The length of time for which a product remains fit for consumption

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TABLE OF CONTENTS

1.	CORPORATE DIRECTORY	1
2.	PROSPECTUS SUMMARY	
2.1	PRINCIPAL STATISTICS RELATING TO OUR IPO	5
2.2	GROUP STRUCTURE AND BUSINESS MODEL	5
2.3	COMPETITIVE STRENGTHS	7
2.4	BUSINESS STRATEGIES	7
2.5	RISK FACTORS.....	8
2.6	DIRECTORS AND KEY SENIOR MANAGEMENT.....	9
2.7	PROMOTERS AND SUBSTANTIAL SHAREHOLDERS	10
2.8	UTILISATION OF PROCEEDS	11
2.9	FINANCIAL AND OPERATIONAL HIGHLIGHTS	11
2.10	DIVIDEND POLICY.....	14
3.	APPROVALS AND CONDITIONS	
3.1	APPROVALS AND CONDITIONS	15
3.2	MORATORIUM ON OUR SHARES.....	16
4.	PARTICULARS OF OUR IPO	
4.1	OPENING AND CLOSING OF APPLICATION PERIOD.....	18
4.2	IMPORTANT TENTATIVE DATES	18
4.3	DETAILS OF OUR IPO	18
4.4	SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS.....	21
4.5	OBJECTIVES OF OUR IPO	21
4.6	BASIS OF ARRIVING AT OUR IPO PRICE	22
4.7	TOTAL MARKET CAPITALISATION UPON LISTING.....	22
4.8	DILUTION.....	22
4.9	UTILISATION OF PROCEEDS	24
4.10	BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION	27
4.11	SALIENT TERMS OF THE UNDERWRITING AGREEMENT	28
4.12	TRADING AND SETTLEMENT IN SECONDARY MARKET	31
5.	INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT	
5.1	PROMOTERS AND SUBSTANTIAL SHAREHOLDERS	33
5.2	DIRECTORS	39
5.3	KEY SENIOR MANAGEMENT	54
5.4	BOARD PRACTICE	60
5.5	RELATIONSHIPS AND/OR ASSOCIATIONS	64
5.6	EXISTING OR PROPOSED SERVICE AGREEMENTS	64
5.7	DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT	64
5.8	BENEFITS PAID OR INTENDED TO BE PAID.....	65
6.	GENERAL INFORMATION ON OUR GROUP	
6.1	INFORMATION ON SDSG	66
6.2	DETAILS OF OUR RESTRUCTURING	66
6.3	SUBSIDIARIES	73
6.4	MATERIAL CONTRACTS	74
6.5	TRADEMARKS	76
6.6	PROPERTY, PLANT AND EQUIPMENT	80
6.7	PUBLIC TAKE-OVERS.....	85

TABLE OF CONTENTS (Cont'd)

7.	BUSINESS OVERVIEW	
7.1	OUR HISTORY	86
7.2	DESCRIPTION OF OUR BUSINESS	87
7.3	BUSINESS PROCESSES	95
7.4	KEY ACHIEVEMENTS AND MILESTONES	104
7.5	PRINCIPAL MARKETS.....	104
7.6	SALES AND MARKETING	105
7.7	EMPLOYEES	109
7.8	MAJOR CUSTOMERS.....	111
7.9	MAJOR SUPPLIERS	114
7.10	SOURCES AND AVAILABILITY OF RAW MATERIALS.....	117
7.11	SEASONAL OR CYCLICAL EFFECTS.....	118
7.12	INTERRUPTION IN THE BUSINESS	118
7.13	TECHNOLOGIES USED OR TO BE USED.....	118
7.14	QUALITY CONTROL PROCEDURES OR QUALITY MANAGEMENT PROGRAMMES	119
7.15	RESEARCH AND DEVELOPMENT	120
7.16	COMPETITIVE STRENGTHS	121
7.17	BUSINESS STRATEGIES AND PROSPECTS	124
8.	EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA	127
9.	RISK FACTORS	
9.1	RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS.....	137
9.2	RISKS RELATING TO OUR INDUSTRY	141
9.3	RISKS RELATING TO THE INVESTMENT IN OUR SHARES	143
9.4	OTHER RISKS	144
10.	RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST	
10.1	RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS	145
10.2	CONFLICT OF INTEREST	156
11.	FINANCIAL INFORMATION	
11.1	HISTORICAL FINANCIAL INFORMATION.....	159
11.2	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	166
11.3	LIQUIDITY AND CAPITAL RESOURCES	195
11.4	BORROWINGS	197
11.5	TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES	202
11.6	MATERIAL CAPITAL COMMITMENTS, LITIGATION AND CONTINGENT LIABILITIES.....	202
11.7	KEY FINANCIAL INDICATORS.....	203
11.8	IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES.....	208
11.9	IMPACT OF INFLATION.....	208
11.10	IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES.....	208
11.11	DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE.....	210
11.12	TREND INFORMATION.....	210
11.13	DIVIDEND POLICY.....	211
11.14	CAPITALISATION AND INDEBTEDNESS	212
12.	ACCOUNTANTS' REPORT	213
13.	REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED FINANCIAL INFORMATION.....	330

TABLE OF CONTENTS (Cont'd)

14.	STATUTORY AND OTHER INFORMATION	
14.1	SHARE CAPITAL	353
14.2	CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES.....	353
14.3	CONSTITUTION	356
14.4	GENERAL INFORMATION	362
14.5	REPATRIATION OF CAPITAL AND REMITTANCE OF PROFITS.....	362
14.6	CONSENTS	363
14.7	DOCUMENTS FOR INSPECTION	363
14.8	RESPONSIBILITY STATEMENTS.....	364
15.	SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE	
15.1	OPENING AND CLOSING OF APPLICATION PERIOD.....	365
15.2	METHODS OF APPLICATIONS.....	365
15.3	ELIGIBILITY.....	366
15.4	APPLICATION BY WAY OF APPLICATION FORMS	367
15.5	APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS	368
15.6	APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS	368
15.7	AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE.....	368
15.8	UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS.....	369
15.9	SUCCESSFUL APPLICANTS	370
15.10	ENQUIRIES.....	371
APPENDIX I	MAJOR APPROVALS, LICENSES AND PERMITS	372
APPENDIX II	PROPERTIES OWNED AND RENTED BY OUR GROUP	397

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Residential Address	Nationality/ Profession	Gender
Lim Pang Kiam	Independent Non-Executive Chairman	64, Jalan SS 22/27 Damansara Jaya 47400 Petaling Jaya Selangor	Malaysian/ Director	Male
Tan Kim Seng	Managing Director	2, Jalan Bukit Kempas 2/13 Taman Bukit Kempas 81200 Johor Bahru Johor	Malaysian/ Director	Male
Tan Kim Chai	Executive Director	26, Jalan Bukit Kempas 2/10 Taman Bukit Kempas 81200 Johor Bahru Johor	Malaysian/ Director	Male
Tan Yon Haw	Executive Director	E2-02-11, Nusavilla Jalan Jati 11 Taman Nusa Bestari Jaya 81300 Skudai Johor	Malaysian/ Director	Male
Tan Kee Jin	Executive Director	9, Jalan Setia Tropika 4/15 Taman Setia Tropika 81200 Johor Bahru Johor	Malaysian/ Director	Male
Phang Sze Fui	Independent Non-Executive Director	17, Jalan PP 4/12 Taman Putra Prima 47130 Puchong Selangor	Malaysian/ Accountant	Female
Azahar bin Baharudin	Independent Non-Executive Director	Lot 11253, Jalan Melor 2 Sungai Kantan 43000 Kajang Selangor	Malaysian/ Director	Male
Dato' Albert Ding Choo Earn	Independent Non-Executive Director	68A, Jalan Dedap 13 Taman Johor Jaya 81100 Johor Bahru Johor	Malaysian/ Lawyer	Male

1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
Phang Sze Fui	Chairwoman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Azahar bin Baharudin	Member	Independent Non-Executive Director
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Azahar bin Baharudin	Chairman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

NOMINATING COMMITTEE

Name	Designation	Directorship
Lim Pang Kiam	Chairman	Independent Non-Executive Chairman
Azahar bin Baharudin	Member	Independent Non-Executive Director
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Dato' Albert Ding Choo Earn	Chairman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Tan Kee Jin	Member	Executive Director

REGISTERED OFFICE	:	5-9A, The Boulevard Offices Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone number: +603-2282 6331
HEAD OFFICE	:	5, Jalan Selatan 8 (Off Jalan Kempas Lama) Kawasan Perusahaan Ringan Pulau 81200 Johor Bahru Johor Telephone number: +607-288 8305
EMAIL ADDRESS AND WEBSITE	:	Email address: info@sdsgrups.com Websites: http://sdsgrups.com and http://www.topbaker.com.my

1. CORPORATE DIRECTORY (*Cont'd*)

- COMPANY SECRETARIES** : Siew Suet Wei (MAICSA 7011254)
(Chartered Secretary, Fellow of the Institute of Chartered Secretaries and Administrators)
- Lim Yen Teng (SSM PC No. 201908000028)
(Master in Business Administration from Universiti Tunku Abdul Rahman)
- 5-9A, The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
- Telephone number: +603-2282 6331
- AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO** : Crowe Malaysia PLT (LLP0018817-LCA & AF1018)
(converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath)
- E-2-3 Pusat Komersial Bayu Tasek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor
- Telephone number: +607-288 6627
Partner's name: Fong Kiat Keong
Approved number: 03048/06/2021 J
(Chartered Accountant, Member of Malaysian Institute of Accountants and Member of CPA Australia)
- SOLICITORS FOR OUR IPO** : Lee & Tengku Azrina
Unit 13-01, Level 13
Menara Landmark
12, Jalan Ngee Heng
80000 Johor Bahru
Johor
- Telephone number: +607-223 8828
- INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn Bhd (675767-H)
Suite C-06-06, Plaza Mont' Kiara
2, Jalan Kiara
Mont' Kiara
50480 Kuala Lumpur
- Telephone number: +603-6201 9301
Managing Director's name: Seow Cheow Seng
(Master in Business Administration from Charles Sturt University, Australia and Bachelor of Business majoring in Marketing from RMIT University, Australia)

1. CORPORATE DIRECTORY (Cont'd)

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	M&A Securities Sdn Bhd (15017-H) 45-11, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone number: +603-2284 2911
ISSUING HOUSE AND SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone number: +603-2783 9299
LISTING SOUGHT	:	ACE Market

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2. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

2.1 PRINCIPAL STATISTICS RELATING TO OUR IPO

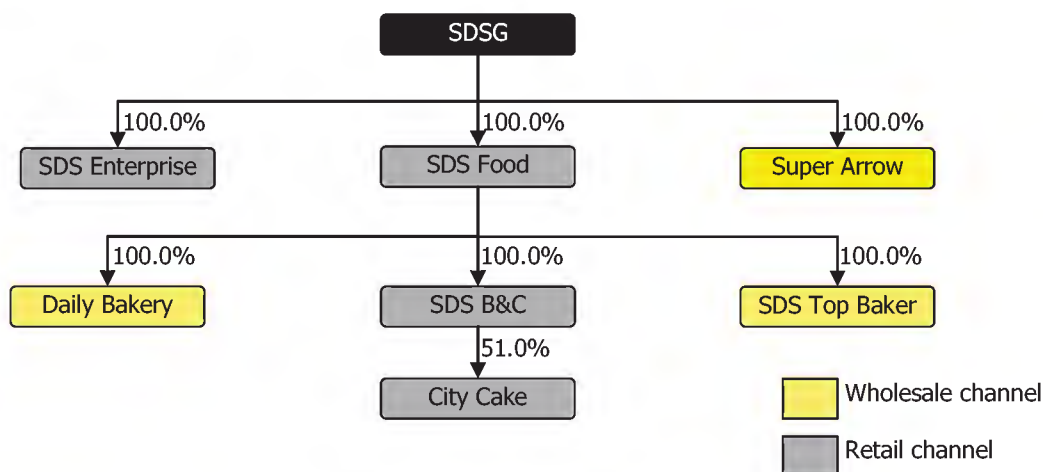
The following statistics relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

No. of Shares to be issued under the Public Issue	104,296,800
Enlarged no. of Shares upon Listing	405,823,900
IPO Price per Share	RM0.23
Market capitalisation (calculated based on our IPO Price and enlarged number of Shares upon Listing)	RM93,339,497

Further details on our IPO are set out in Section 4.3.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

We were incorporated in Malaysia on 1 August 2017 under the Act as a public limited company under our present name. We were incorporated to facilitate the Listing and our principal activity is that of investment holding. As at LPD, our Group structure is set out below:

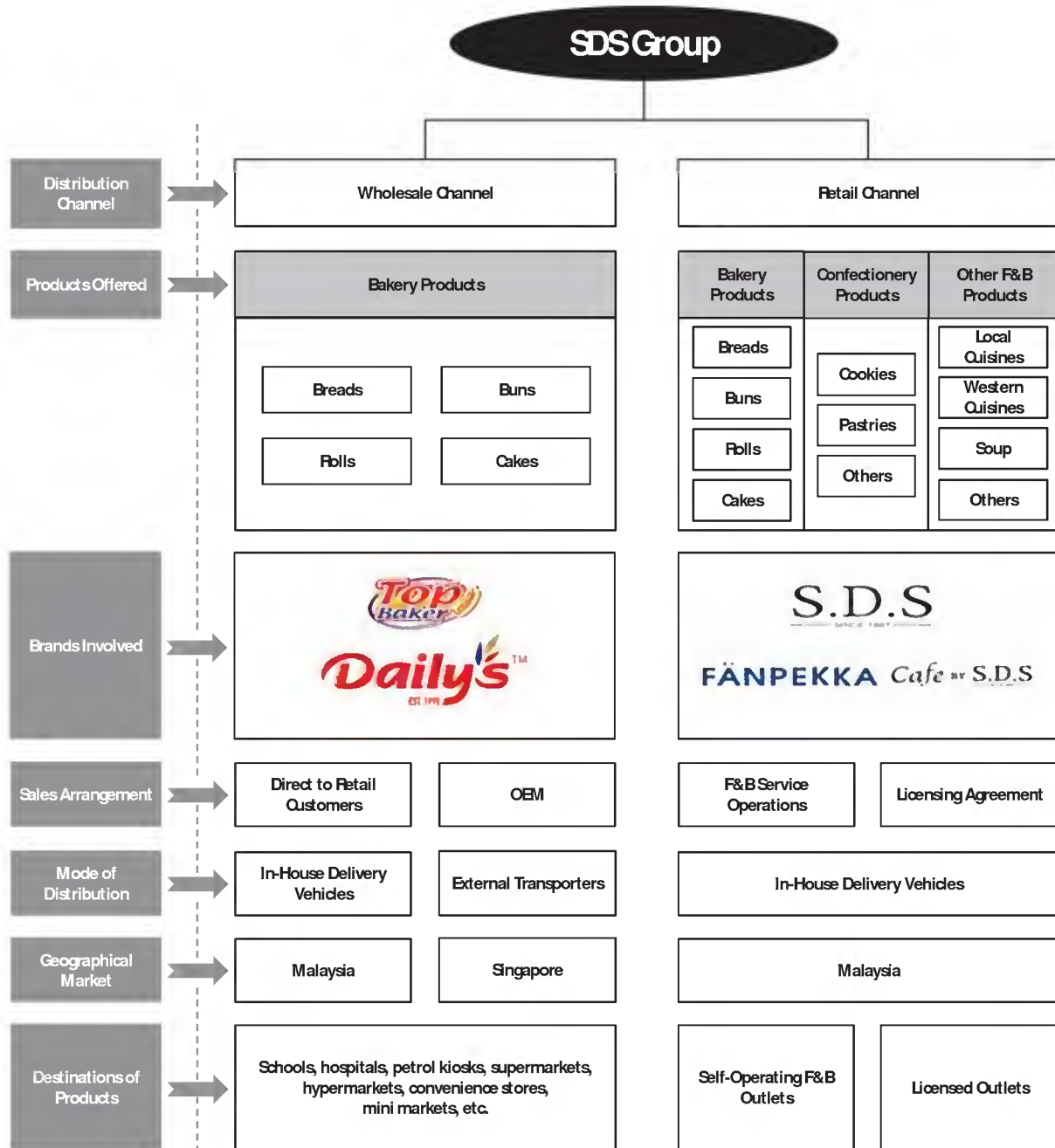


Our principal markets are Malaysia and Singapore. For FYE 2016 to 2019, we generated between 83.8% and 91.4% of our revenue in Malaysia with the remaining revenue mainly derived from Singapore.

2. PROSPECTUS SUMMARY (Cont'd)

Through our subsidiaries, our Group is principally involved in the manufacturing and distributing of bakery products as well as operating F&B outlets. Our products are sold via the wholesale and retail channels.

An overview of our Group's business model is depicted below:



Further details of our Group and our business model are set out in Sections 6 and 7.

2. PROSPECTUS SUMMARY (*Cont'd*)

2.3 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

- (a) We have the capability to undertake extensive logistics activities to support the distribution of our wholesale bakery products with our sizeable fleet of delivery vehicles, in-house team of logistics personnel as well as various depots located across Peninsular Malaysia;
- (b) Our brands, 'SDS', 'Top Baker' and 'Daily's', have become recognised in the markets that we serve. Based on our revenue growth, we believe that we have generated goodwill over the years with consumers identifying us for the quality products carried under our brands;
- (c) We have an extensive portfolio of products and we review our product offering constantly to incorporate new flavours and international elements into our product design and menu;
- (d) Our central kitchen ensures uniformity in ingredients, presentation and quality of all products sold at our F&B outlets and enables us to achieve economies of scale;
- (e) Our fully automated sandwich loaf production line in Seremban minimises contamination and provides uniformity in terms of quality and size; and
- (f) We have a strong and experienced key senior management team, which is led by our Managing Director, Tan Kim Seng, and Executive Director, Tan Kim Chai who each has more than 30 years of working experience in the bakery industry.

Further details of our competitive strengths are set out in Section 7.16.

2.4 BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over a period of 24 months from the date of our Listing:

- (a) To expand our local geographical footprints outside of Johor, particularly to the central and northern region of Peninsular Malaysia;
- (b) To collaborate with established food delivery service providers to provide door-step delivery of our F&B products to consumers; and
- (c) To venture into the franchising business model to expand our F&B outlets across Peninsular Malaysia.

Further details of our business strategies are set out in Section 7.17.

2. PROSPECTUS SUMMARY (Cont'd)

2.5 RISK FACTORS

An investment in our Shares is subject to risks. Investors should read and understand all the risk factors before making a decision to invest in our Shares. A summary of some of the more important risks is set out below. A more detailed description of the risks associated with our Group and IPO can be found in Section 9.

- (a) As of 31 March 2016, 2017, 2018 and 2019, our net current liabilities position stood at RM12.0 million, RM27.2 million, RM21.7 million and RM14.9 million respectively. Moving forward, we may continue to be in a net current liabilities position. Our PAT margin for FYE 2016 to FYE 2019 are 4.1%, 4.5%, 3.4% and 4.2% respectively and our gearing ratio stood at 1.3 times as at 31 March 2019. Our net current liabilities position coupled with our gearing position, may impair our ability to expand our business and/or declare dividends. In addition, any deterioration in PAT margin may worsen our net current liabilities position;
- (b) We are exposed to high borrowings and financial risks;
- (c) Our expansion will result in higher operating costs as well as depreciation charges, and we cannot guarantee that our business will grow as planned;
- (d) We face risk of food contamination. Any contamination in our products may result in it being unsafe for consumption and will have an adverse impact on our reputation and brand name;
- (e) Our business is dependent on prompt delivery and transportation of our products to ensure product freshness. Delivery disruptions caused by adverse weather conditions and natural disasters could lead to delayed or lost deliveries and may result in interruptions to our business;
- (f) Our business may be affected by changes in consumer preference, disposable income, spending and perception. Such consumer behaviour may change over time and there is no guarantee that the market will continue to be receptive to our brands and products;
- (g) Prolonged disruptions in our manufacturing plants and F&B outlets such as fire, power failure, floods or interruptions in water supply, which are beyond our control could materially and adversely affect us;
- (h) We are dependent on the availability, quality and price fluctuations of raw materials such as food ingredients and packaging materials. Any prolonged disruption in the supply of raw materials or raw materials that do not meet our quality requirements or significant increase in raw materials cost may have a material and adverse effect on us;
- (i) Our proprietary brand names such as 'Top Baker', 'Daily's' and 'SDS' differentiate us from our competitors. Failure to protect or safeguard our intellectual property rights could materially adversely affect the value of our brands and businesses;
- (j) We are required to obtain and maintain a number of licences and permits from the relevant authorities to operate our business. Our licences and permits may be suspended or revoked if we are unable to comply with all regulations or conditions of our licenses and permits; and

2. PROSPECTUS SUMMARY (Cont'd)

- (k) Our operations at the manufacturing plants are dependent on the continued supply of foreign labour. Any substantial shortages in the supply of foreign workers or restrictions on foreign workers usage may disrupt our operations.

2.6 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Lim Pang Kiam	Independent Non-Executive Chairman
Tan Kim Seng	Managing Director
Tan Kim Chai	Executive Director
Tan Yon Haw	Executive Director
Tan Kee Jin	Executive Director
Phang Sze Fui	Independent Non-Executive Director
Azahar bin Baharudin	Independent Non-Executive Director
Dato' Albert Ding Choo Earn	Independent Non-Executive Director
Key senior management	
Tan Kee Meng	Chief Financial Officer
Chi On Kang	Head of Corporate Planning and Marketing
Thong Poh Loong	Production Manager
Tan Siau Ling	Project Manager

Further details of the aforementioned persons are set out in Section 5.

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2. PROSPECTUS SUMMARY (Cont'd)

2.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

Name	Country of incorporation / Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾⁽³⁾		
		Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Tan Kim Seng	Malaysian	99,040,780	(4)4,451,620	32.9	99,040,780	(6)4,701,620	24.4
Tan Kim Chai	Malaysian	98,885,580	(4)4,451,620	32.8	98,885,580	(4)4,451,620	24.4
Teou Chau Hoyk ⁽⁸⁾	Malaysian	18,753,470	-	6.2	18,753,470	-	4.6
Tan Yon Haw	Malaysian	21,366,970	-	7.1	21,366,970	-	5.3
Tan Yong Thye	Malaysian	21,390,160	-	7.1	21,390,160	-	5.3
Tan Yong Ping ⁽⁸⁾	Malaysian	18,753,360	-	6.2	18,753,360	-	4.6
Tan Yong Herrg ⁽⁸⁾	Malaysian	18,753,360	-	6.2	18,753,360	-	4.6
Tan Kee Jin	Malaysian	131,800	-	(5)-	(7)1,131,800	-	0.3
SDS Tan Properties	Malaysia	4,451,620	-	1.5	4,451,620	-	1.1

Notes:

- (1) After completion of Acquisitions; and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively; but before Public Issue.
- (2) After Public Issue.
- (3) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (4) Deemed interested by virtue of their shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
- (5) Represents less than 0.1%.
- (6) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act and the shareholdings of his son, Tan Kee Meng, pursuant to Section 59(11)(c) of the Act (assuming that he will fully subscribe for his Pink Form Allocations).
- (7) Assuming that he will fully subscribe for his entitlement under the Pink Form Allocations.
- (8) Ceased to be substantial shareholder after IPO.

Further details of the aforementioned persons are set out in Section 5.

2. PROSPECTUS SUMMARY *(Cont'd)*

Our Promoters' entire shareholdings after IPO will be held under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6-month period.

Further details on the moratorium on our Shares are set out in Section 3.2.

2.8 UTILISATION OF PROCEEDS

The gross proceeds from the Public Issue of approximately RM24.0 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	(1) Estimated timeframe for utilisation	RM'000	%
Capital expenditure	24 months	6,000	25.0
Repayment of bank borrowings	6 months	7,000	29.2
General working capital	12 months	7,788	32.5
Listing expenses	Immediately	3,200	13.3
Total		23,988	100.0

Note:

(1) From the date of listing of our Shares.

There is no minimum subscription to be raised from our IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.9.

2.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The selected financial and operational highlights included in this section are not intended to predict our Group's financial position, results and cash flows.

2.9.1 Combined statements of profit or loss and other comprehensive income

The following table sets out the financial highlights based on our combined statements of profit or loss and other comprehensive income for FYE 2016 to 2019:

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	93,982	139,333	174,201	187,129
GP	30,072	42,508	52,770	57,100
PBT from continuing operations	4,705	7,965	6,633	9,302
PAT from continuing operations attributable to owners of the Company	3,850	6,151	5,739	7,695
PAT	3,390	6,319	5,890	7,854
GP margin (%) ⁽¹⁾	32.0	30.5	30.3	30.5
PBT margin (%) ⁽¹⁾	5.0	5.7	3.8	5.0
PAT margin (%) ⁽¹⁾	4.1	4.5	3.4	4.2
EPS (sen) ⁽¹⁾⁽²⁾	1.3	2.0	1.9	2.6
Diluted EPS (sen) ⁽¹⁾⁽³⁾	0.9	1.5	1.4	1.9

2. PROSPECTUS SUMMARY (Cont'd)**Notes:**

- (1) Based on continuing operations.
- (2) Calculated based on PAT from continuing operations attributable to owners of the Company divided by the share capital of 301,527,100 Shares before IPO.
- (3) Calculated based on PAT from continuing operations attributable to owners of the Company divided by the enlarged share capital of 405,823,900 Shares after IPO.

Further details on the financial information are set out in Sections 11 and 12. There were no exceptional or extraordinary items during the financial years under review. Our audited financial statements for the financial years under review were not subject to any audit qualifications.

2.9.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group based on our audited statements of financial position as at 31 March 2019 to show the effects of the Acquisitions and Public Issue. It should be read in conjunction with the pro forma combined statements of financial position in Section 13.

	<u>SDSG</u>	<u>I</u>	<u>II</u>	<u>III</u>
	As at 31 March 2019	After Acquisitions	After I and Public Issue	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
TOTAL ASSETS				
Total non-current assets	-	96,818	96,818	102,818
Total current assets	30	27,490	51,478	35,278
	30	124,308	148,296	138,096
EQUITY AND LIABILITIES				
Share capital	(1)	30,573	54,561	53,373
Merger deficit	-	(27,760)	(27,760)	(27,760)
Translation reserve	-	454	454	454
(Accumulated Loss)/ Retained profits	(12)	34,955	34,955	32,943
Equity attributable to owners of the Company	(12)	38,222	62,210	59,010
Non-controlling interests	-	514	514	514
Total equity	(12)	38,736	62,724	59,524
TOTAL LIABILITIES				
Total non-current liabilities	-	43,222	43,222	38,562
Total current liabilities	42	42,350	42,350	40,010
	42	85,572	85,572	78,572
TOTAL EQUITY AND LIABILITIES	30	124,308	148,296	138,096
NA per Share (RM)	(0.12)	0.13	0.15	0.15

Note:

- (1) Represents RM10 only.

2. PROSPECTUS SUMMARY *(Cont'd)*

2.9.3 Key financial indicators

The key financial indicators of our Group for FYE 2016 to 2019 are as follows:

	Audited			
	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Trade receivable turnover (days)	50	45	55	60
Trade payable turnover (days)	60	66	70	71
Inventory turnover (days)	19	16	14	14
Current ratio (times)	0.6	0.5	0.6	0.6
Gearing ratio (times)	1.2	2.0	1.9	1.3
Net current liabilities (RM'000)	11,979	27,217	21,682	14,860

We recorded net current liabilities of RM12.0 million, RM27.2 million, RM21.7 million and RM14.9 million for the FYE 2016 to FYE 2019 respectively. Such net current liabilities position coupled with our gearing ratio may impair our ability to obtain further external borrowings. Our PAT margin for FYE 2016 to FYE 2019 was 4.1%, 4.5%, 3.4% and 4.2% respectively, any deterioration in PAT margin may worsen our net current liabilities position.

We recorded net current liabilities during the past 4 financial years mainly due to the use of cash generated from operations instead of external long term funds, to finance our capital expenditure. We are able to finance our capital expenditure through cash generated from operations as a major portion of our sales are cash basis while the normal credit terms granted to us by our trade creditors ranges from 30 to 120 days. For FYE 2016 to 2019, such capital expenditure mainly relates to delivery vehicles, plant machinery and factory equipment and the acquisition of Daily Bakery.

At this juncture, despite our net current liabilities position, we do not foresee any circumstances which may materially affect our working capital and liquidity. We expect to continue our cash sales to customers and credit terms from our trade creditors are also expected to remain. Moving forward, we may continue to use our cash generated from operations to finance our capital expenditure and as such, may continue to be in net current liabilities position.

Further details on the key financial indicators are set out in Section 11.7.

2.9.4 Operational highlights

As at LPD, we distribute our bakery products to over 10,000 customers under our wholesale channel which includes supermarkets, hypermarkets, convenience stores, mini markets etc. Our bakery products are widely distributed in Johor, Pahang, Terengganu, Kelantan, Perak, Negeri Sembilan, Klang Valley, Melaka and Singapore.

For our retail channel, we operate 33 F&B outlets in Johor. The F&B outlets comprise 18 bakery outlets, 5 cafés and 10 bakery-cum-café outlets.

The wholesale channel remains our primary market. For FYE 2016 to 2019, between 67.4% and 74.5% of our revenue (before inter-segment adjustment) were derived from this channel.

On a geographical basis, Malaysia is the biggest market contributing between 83.8% and 91.4% of our Group's total revenue for FYE 2016 to 2019. The remaining of our revenue was mainly derived from Singapore.

2. PROSPECTUS SUMMARY *(Cont'd)*

2.10 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. Upon Listing, our Board intends to adopt a dividend policy to allow our shareholders to participate in the profits of our Group while ensuring sufficient funds for our continuing operations and future growth.

Further details of our dividend policy and dividend restriction are set out in Section 11.13.

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3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities approval

Bursa Securities had, vide its letter dated 11 February 2019, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance	
(a)	Submission of the following information with respect to the moratorium on the shareholdings of the Promoters to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares;	Complied	
(b)	Approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied	
(c)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To	be complied
(d)	Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of SDSG on the first day of Listing;	To	be complied
(e)	Any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to the Listing;	Complied	
(f)	In relation to the public offering to be undertaken by SDSG, to announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche, in the format prescribed; and (iv) Disclosure of placees who become substantial shareholders of SDSG arising from the public offering, if any, and to ensure that the overall distribution of SDSG's securities is properly carried out to mitigate any disorderly trading in the secondary market; and	To	be complied
(g)	SDSG/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission to the Official List of the ACE Market.	To	be complied

3. APPROVALS AND CONDITIONS (*Cont'd*)

On 23 April 2019, Bursa Securities has granted us an extension of time up to 10 November 2019 to complete our Listing.

3.1.2 SC approval

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated 18 February 2019, approved the resultant equity structure of SDSG under the equity requirement for public listed companies pursuant to our Listing. The approval from SC is subject to the following conditions:

No.	Details of conditions imposed
(a)	SDSG to allocate the difference between the prescribed equity requirement of 12.5% of its enlarged issued share capital and the equity interests of Bumiputera investors upon Listing (allocated via balloting pursuant to the public issue), to Bumiputera investors to be approved by MITI within 1 year after achieving the profit requirement for companies seeking listing on the Main Market of Bursa Securities or 5 years after being listed on the ACE Market, whichever is earlier ("Compliance Date");
(b)	SDSG to submit to the SC, a proposal to comply with the Bumiputera equity condition at least 6 months prior to the Compliance Date; and
(c)	M&A Securities/ SDSG to submit to the SC its equity structure upon completion of the Listing.

3.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those SDSG Shares held by our Promoters as follows:

- (a) The moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (b) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to 45% of our nominal ordinary share capital remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and
- (c) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight line basis) of those SDSG Shares held under moratorium.

3. APPROVALS AND CONDITIONS (Cont'd)

Details of our Promoters and their SDSG Shares which will be subject to the abovesaid moratorium, are set out below:

	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium	
	No. of SDSG Shares	(1)%	No. of SDSG Shares	(1)%
Tan Kim Seng	99,040,780	24.4	59,786,055	14.7
Tan Kim Chai	98,885,580	24.4	59,692,369	14.7
Teou Chau Hoyk	18,753,470	4.6	11,320,549	2.8
Tan Yon Haw	21,366,970	5.3	12,898,191	3.2
Tan Yong Thye	21,390,160	5.3	12,912,189	3.2
Tan Yong Ping	18,753,360	4.6	11,320,483	2.8
Tan Yong Heng	18,753,360	4.6	11,320,483	2.8
Tan Kee Jin	⁽²⁾ 1,131,800	0.3	⁽²⁾ 683,212	0.2
SDS Tan Properties	4,451,620	1.1	2,687,224	0.6
Total	302,527,100	74.6	182,620,755	45.0

Notes:

- (1) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (2) Assuming that he will fully subscribe for his entitlement under the Pink Form Allocations.

The moratorium has been fully accepted by the Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

Separately, the shareholders of SDS Tan Properties, namely, Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng have undertaken not to sell, transfer or assign their shareholdings in SDS Tan Properties during the moratorium period.

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4. PARTICULARS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The period for Application will open at 10.00 a.m. on 23 August 2019 and will remain open until 5.00 p.m. on 23 September 2019. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 IMPORTANT TENTATIVE DATES

Events	Tentative date
Issuance of this Prospectus/Opening of Application	23 August 2019
Closing of Application	23 September 2019
Balloting of Application	26 September 2019
Allotment of our IPO Shares to successful applicants	3 October 2019
Date of Listing	7 October 2019

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.3 DETAILS OF OUR IPO

4.3.1 Listing Scheme

(a) Public Issue

A total of 104,296,800 IPO Shares representing approximately 25.7% of our enlarged share capital are offered at our IPO Price. The IPO Shares shall be allocated in the following manner:

(i) Malaysian Public

20,291,200 Shares, representing 5.0% of our enlarged share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 10,145,600 Shares made available to public investors; and

(bb) 10,145,600 Shares made available to Bumiputera public investors.

(ii) Eligible Directors, employees and business associates/ persons who have contributed to the success of our Group

23,132,000 Shares, representing 5.7% of our enlarged share capital, will be reserved for our eligible Directors, employees and business associates/persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.2.

(iii) Private placement to selected investors

60,873,600 Shares, representing 15.0% of our enlarged share capital, have been reserved for private placement to selected investors.

Upon completion of our Public Issue, our share capital will increase from RM30,572,340 comprising 301,527,100 Shares to RM54,560,604 comprising 405,823,900 Shares.

4. PARTICULARS OF OUR IPO (*Cont'd*)

The basis of allocation for the IPO Shares shall take into account the distribution of the IPO Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid market for our Shares. There is no over-allotment or 'greenshoe' option that will result in an increase in the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

(b) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM54,560,604 comprising 405,823,900 Shares shall be listed on the ACE Market.

4.3.2 Pink Form Allocations

We have allocated 23,132,000 IPO Shares to our eligible Directors, employees and business associates/persons who have contributed to the success of our Group under the Pink Form Allocations as follows:

Category	No. of eligible persons/ corporations	Aggregate no. of IPO Shares allocated
Eligible Directors	5	2,000,000
Eligible employees	192	3,636,000
Business associates/persons who have contributed to the success of our Group	105	17,496,000
	302	23,132,000

The criteria for allocation to our eligible Directors are based on amongst others, the length of their service and their anticipated contributions to our Group.

The criteria of allocation to our eligible employees (as approved by our Board) are based on, *inter-alia*, the following factors:

- (a) The employee must be at least 18 years of age;
- (b) The employee must have his/her employment confirmed in writing; and
- (c) The employees' seniority, position, length of service and contribution to our Group.

The number of IPO Shares to be allotted to those business associates/persons who have contributed to the success of our Group shall be based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group. Business associates/persons who have contributed to the success of our Group include business contacts, suppliers and customers. Business associates/ persons who have contributed to the success of our Group who are our related parties such as Regina Cake House and Sin Lee Hiang Cake House will not be entitled to the Pink Form Allocations.

Save for Tan Kee Jin, our other Executive Directors have opted out of the Pink Form Allocations. Details of the proposed allocation to our remaining Directors and key senior management are as follows:

4. PARTICULARS OF OUR IPO (Cont'd)

Name	Designation	No. of IPO Shares allocated
Directors		
Lim Pang Kiam	Independent Non-Executive Chairman	250,000
Tan Kee Jin	Executive Director	1,000,000
Phang Sze Fui	Independent Non-Executive Director	250,000
Azahar bin Baharudin	Independent Non-Executive Director	250,000
Dato' Albert Ding Choo Earn	Independent Non-Executive Director	250,000
Key senior management		
Tan Kee Meng	Chief Financial Officer	250,000
Chi On Kang	Head of Corporate Planning and Marketing	250,000
Thong Poh Loong	Production Manager	45,000
Tan Siau Ling	Project Manager	90,000
		2,635,000

Pink Form Allocations which are not accepted by certain eligible Directors, employees and business associates/persons who have contributed to the success of our Group will be re-allocated to the other eligible Directors mentioned in the table above, employees and business associates/persons who have contributed to the success of our Group at the discretion of our Board.

4.3.3 Underwriting arrangement

Our Underwriter will underwrite 43,423,200 IPO Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 60,873,600 IPO Shares available for application by selected investors will not be underwritten and have been placed out by our Placement Agent.

Any of our IPO Shares which are not subscribed for by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement. If all of our IPO Shares offered to the Malaysian Public are oversubscribed, shares not subscribed for under the Pink Form Allocations, if any, will be made available for application by the Malaysian Public. Thereafter, any remaining IPO Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

4.3.4 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner.

4. PARTICULARS OF OUR IPO (*Cont'd*)

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

Upon completion of our IPO, our share capital would be as follows:

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	301,527,100	30,572,340
To be issued under our Public Issue	104,296,800	23,988,264
Enlarged share capital upon our Listing	405,823,900	54,560,604

As at the date of this Prospectus, we have only one class of shares, being ordinary shares, all of which rank *pari passu* amongst one another.

The IPO Shares will, upon allotment and issue, rank *pari passu* in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of the IPO Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus in the event of the liquidation of our Group, in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meeting in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held.

4.5 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (a) To enable our Group to raise funds for the purposes specified in Section 4.9;
- (b) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise;
- (c) To increase the brand visibility of 'Top Baker' and 'Daily's' in the bakery industry as well as 'SDS' in the F&B industry in Malaysia;
- (d) To provide an opportunity for the Malaysian Public, our eligible Directors, our employees and business associates/persons who have contributed to the success of our Group to participate in our equity; and
- (e) To gain recognition through our listing status which will enhance our Group's reputation to widen its market reach and customer base, and to retain and attract new, skilled employees from the bakery and F&B industries.

4. PARTICULARS OF OUR IPO (Cont'd)

4.6 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (a) The PE Multiple of approximately 12.1 times based on our pro forma EPS of 1.9 sen for FYE 2019 calculated based on our combined PAT from continuing operations attributable to owners of the Company of RM7.7 million and enlarged number of issued Shares of 405,823,900 Shares upon Listing;
- (b) Our pro forma combined NA per Share as at 31 March 2019 after IPO of RM0.15 based on our pro forma audited combined NA as at 31 March 2019 of RM59.5 million and enlarged share capital of 405,823,900 Shares upon Listing;
- (c) Our historical financial track record for FYE 2016 to 2019 are summarised as follows:

	<u>FYE 2016</u>	<u>FYE 2017</u>	<u>FYE 2018</u>	<u>FYE 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	93,982	139,333	174,201	187,129
GP	30,072	42,508	52,770	57,100
PAT from continuing operations attributable to owners of the Company	3,850	6,151	5,739	7,695

- (d) Our competitive strengths as set out in Section 7.16; and
- (e) Our Group's business strategies and prospects as further described in Section 7.17.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 before deciding to invest in our Shares.

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 405,823,900 Shares upon Listing, our total market capitalisation is estimated to be RM93.3 million upon Listing.

4.8 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma combined NA per Share immediately after our IPO.

Our pro forma combined NA per Share as at 31 March 2019 after the Acquisitions is RM0.13. After giving effect to the Public Issue including adjustments for the estimated listing expenses, our pro forma combined NA per Share as at 31 March 2019 is RM0.15.

This represents an immediate increase in the pro forma combined NA per Share to our existing shareholders of RM0.02, and an immediate dilution in the pro forma combined NA per Share of RM0.08 to our new public investors. The following table illustrates such dilution on a per Share basis:

4. PARTICULARS OF OUR IPO (Cont'd)

	RM
Pro forma combined NA per Share as at 31 March 2019 after taking into account the Acquisitions	0.13
Pro forma combined NA per Share as at 31 March 2019 after taking into account the Acquisitions and Public Issue	0.15
Increase in pro forma combined NA per Share attributable to existing shareholders	0.02
IPO Price	0.23
Pro forma combined NA per Share as at 31 March 2019 after taking into account the Acquisitions and Public Issue	0.15
Dilution in pro forma combined NA per Share to our new public investors	0.08
Dilution in pro forma combined NA per Share as a percentage of IPO Price	34.8%

Further details of our pro forma combined NA per Share as at 31 March 2019 is set out in Section 13.

The following table shows the average effective cost per Share paid by our existing shareholders for Shares acquired by them since our incorporation and up to the date of this Prospectus:

Shareholders	⁽¹⁾No. of Shares	Total consideration	Average effective cost per Share
		RM	RM
Tan Kim Seng	99,040,780	10,041,775	0.10
Tan Kim Chai	98,885,580	10,026,255	0.10
Teou Chau Hoyk	18,753,470	1,902,887	0.10
Tan Yon Haw	21,366,970	2,164,237	0.10
Tan Yong Thye	21,390,160	2,166,555	0.10
Tan Yong Ping	18,753,360	1,902,875	0.10
Tan Yong Heng	18,753,360	1,902,875	0.10
Tan Kee Jin	⁽²⁾ 131,800	13,180	0.10
SDS Tan Properties	4,451,620	451,701	0.10
	301,527,100	30,572,340	0.10

Notes:

- (1) Issued under the Acquisitions; and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively.
- (2) This represents the number of Shares held by him prior to his subscription of the Pink Form Allocations. Assuming he fully subscribes for his Pink Form Allocations, his shareholdings in our Group will increase from 0.03% (131,800 Shares) to 0.3% (1,131,800 Shares). The average effective cost per Share will also increase from RM0.10 per Share to approximately RM0.21 per Share.

Save for the:

- a. Shares received by our existing shareholders under the Acquisitions; and
- b. transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively,

4. PARTICULARS OF OUR IPO (Cont'd)

there was no acquisition or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to LPD.

4.9 UTILISATION OF PROCEEDS

4.9.1 Public Issue

The estimated gross proceeds from the Public Issue of approximately RM24.0 million shall accrue entirely to us and will be utilised in the manner set out below. Pending the utilisation of proceeds for the intended purposes, the funds will be placed in short-term deposits with licensed financial institutions.

<u>Utilisation of proceeds</u>	<u>Reference</u>	⁽¹⁾ <u>Estimated timeframe for utilisation</u>	<u>RM'000</u>	<u>%</u>
Capital expenditure	(a)	24 months	6,000	25.0
Repayment of bank borrowings	(b)	6 months	7,000	29.2
General working capital	(c)	12 months	7,788	32.5
Listing expenses	(d)	Immediately	3,200	13.3
Total			23,988	100.0

Note:

(1) From the date of listing of our Shares.

(a) Capital expenditure

We intend to utilise RM6.0 million of the proceeds to expand our business presence for both the wholesale and retail channels within the northern and central regions of Peninsular Malaysia respectively with the additional capacity from our new manufacturing plant in Seremban.

For the wholesale channel, we plan to utilise RM2.0 million to increase our fleet of 1-tonne lorries (wholesale logistics) for the northern region of Peninsular Malaysia from 18 to 34 units and to increase the number of 16-tonne lorries for the Seremban manufacturing plant from 6 to 8 units.

The delivery vehicles to be purchased are as follows:

<u>Items</u>	<u>Principal usage</u>	⁽¹⁾ <u>Estimated timeframe for utilisation</u>	<u>Purchase quantity</u>	<u>Total cost RM'000</u>
1-tonne lorries	To deliver products from our Northern depots to the final destination	24 months	16	1,472
16-tonne lorries	To transport products from our manufacturing plant in Seremban to the Northern depots for onward distribution	24 months	2	528
				2,000

4. PARTICULARS OF OUR IPO (Cont'd)**Note:**

(1) From the date of listing of our Shares.

For the retail channel, we plan to utilise RM4.0 million to set-up 8 new F&B outlets in the Klang Valley. As at LPD, we have not secured any location for our new F&B outlets. Our Group's strategy is to set up the F&B outlets in shophot setting located within established residential areas in the Klang Valley. We plan to set up 3 F&B outlets within the first year from date of listing of our Shares, and another 5 F&B outlets within the second year from date of listing of our Shares.

The proceeds will be used for set-up cost and to purchase various machineries and equipment for the new outlets as follows:

<u>Items</u>	<u>Principal usage</u>	⁽¹⁾ <u>Estimated timeframe for utilisation</u>	<u>Purchase quantity</u>	<u>Total cost RM'000</u>
General renovation ⁽²⁾	To renovate the F&B outlets to adapt to our store design	24 months	8	3,040
Chilling system	To chill or refrigerate bakery and other food products	24 months	8	560
Air-conditioning system	To cool our outlets for customers' comfort	24 months	8	240
Point-of-sales system	Cash register to monitor sales to customers	24 months	8	160
				4,000

Notes:

(1) From the date of listing of our Shares.

(2) General renovation includes interior design and fittings.

Our business strategies to increase our fleet of lorries to expand to the central and northern regions of Peninsular Malaysia as well as increase the number of F&B outlets are expected to provide business growth in terms of revenue increase and earnings contribution.

4. PARTICULARS OF OUR IPO (Cont'd)

(b) Repayment of bank borrowings

We have historically relied on bank overdrafts and other trade facilities such as bankers' acceptance and finance lease liabilities to supplement our working capital requirements. We intend to utilise RM7.0 million of the proceeds to reduce the following:

- (i) Firstly, to fully redeem the third party securities in the form of land and buildings from Hong Leong Islamic Bank Berhad. Such third party securities were provided by our Promoters, namely SDS Tan Properties, Tan Kim Seng, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng together with Ng Yong Lai, a third party business associate of our Promoters. Please refer to Section 10.1.2(b) – Guarantees for further details. Upon full payment of the redemption sum to Hong Leong Islamic Bank Berhad, these third party securities will be discharged.

As at LPD, the outstanding amount for banking facilities (bankers' acceptance and term loans) from Hong Leong Islamic Bank Berhad which are charged against these third party securities is RM4.3 million. However, the final redemption sum will be determined based on the date of repayment. The interest rates for these banking facilities ranges from 3.89% to 6.82%. The expected interest savings is approximately RM0.3 million based on the average interest rate of 5.78% per annum and the amount outstanding as at LPD.

- (ii) The balance after (i) above, will be used to repay our bankers' acceptance in full.

As at LPD, the outstanding bankers' acceptance from Public Bank Berhad amounted to RM0.7 million. The interest rate on these outstanding bankers' acceptances is 4.09% per annum. The expected annual interest savings is approximately RM0.03 million based on the average interest rate of 4.0% per annum for the outstanding bankers' acceptance as at LPD.

- (iii) The balance after (i) and (ii) above, will be used to repay our finance lease liabilities from other various banks.

As at LPD, the outstanding finance lease liabilities from Hong Leong Bank Berhad, RHB Bank Berhad, AmBank (M) Berhad, Hitachi Capital Malaysia Sdn Bhd, Public Bank Berhad, SMFL Hire Purchase (Malaysia) Sdn Bhd, MBSB Bank Berhad, ORIX Credit Malaysia Sdn Bhd and Mercedes-Benz Services Malaysia Sdn Bhd amounted to RM17.8 million. The interest rates on these outstanding finance lease liabilities ranges from 3.60% to 6.80% per annum.

The expected annual interest savings is approximately RM0.1 million based on the average interest rate of 6.0% per annum and the balance amount available to repay the outstanding finance lease liabilities of RM2.0 million after repaying the bankers' acceptance.

Notwithstanding the above interest savings calculation, the actual interest savings may vary depending on the then applicable interest rate.

4. PARTICULARS OF OUR IPO (*Cont'd*)

(c) General working capital

Approximately RM7.8 million of the proceeds are earmarked to supplement the working capital requirements of our Group. The proceeds will be used to finance our day-to-day operations including additional working capital requirements which are expected to increase in line with our Group's expansion plans.

The details of the utilisation are as follows:

General working capital	RM'000
Payment of overheads such as expenses relating to general upkeep and maintenance of our manufacturing plants	1,000
Purchase of raw materials:	
• Food ingredients	6,288
• Packaging materials	500
Total	7,788

Raw materials are our largest cost of sales item (collectively representing 81.9% in FYE 2019) and as such we have allocated more than half of the proceeds earmarked for working capital requirements to pay these purchases. The allocation to working capital is expected to enhance our Group's liquidity and cash flows, so that we will be in a stronger position to expand our business.

(d) Estimated listing expenses

An amount of RM3.2 million is allocated to meet the estimated cost for our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Estimated listing expenses	RM'000
Professional fees ⁽¹⁾	2,250
Fees payable to authorities	70
Underwriting, placement and brokerage fees	700
Printing and advertising fees and other incidental costs	180
Total	3,200

Note:

⁽¹⁾ Includes advisory fees for, amongst others, our Adviser and Sponsor, Solicitors, Reporting Accountants and IMR.

4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION

(a) Brokerage fees

Brokerage is payable in respect of the IPO Shares at the rate of 1.0% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

4. PARTICULARS OF OUR IPO (Cont'd)

(b) Placement fees

Our Placement Agent has agreed to place out 60,873,600 IPO Shares to selected investors. We are obliged to pay our Placement Agent a placement fee of 2.5% of the value of those IPO Shares to be placed out to investors selected by our Placement Agent at our IPO Price.

(c) Underwriting commission

Our Underwriter has agreed to underwrite 43,423,200 IPO Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 3.0% of the total value of the underwritten Shares at our IPO Price.

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with the Underwriter, to underwrite 43,423,200 IPO Shares ("Underwritten Shares") as set out in Section 4.3.3.

The following are the salient terms contained in the Underwriting Agreement:

Conditions Precedent

- (1) The obligations of the Underwriter under the Underwriting Agreement are conditional upon the following being fulfilled within 3 months from:
 - (a) The Underwriter being provided with such reports or confirmation and being satisfied on the Closing Date that:
 - (i) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group taken as a whole from that subsequent to the date of the Underwriting Agreement; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings as set out in the Underwriting Agreement materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;
 - (b) The Underwriter receiving a certificate in the form or substantially in the form contained in Second Schedule (Certificate) of the Underwriting Agreement dated the Closing Date signed by the duly authorised officers of our Company stating inter alia that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as set out in the Underwriting Agreement;
 - (c) The Underwriter receiving copies certified by a director or the company secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the directors:
 - (i) approving the Prospectus and the application forms, the Underwriting Agreement and the transactions contemplated by it; or

4. PARTICULARS OF OUR IPO (Cont'd)

- (ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company;
- (d) the Underwriting Agreement being duly signed by all parties and stamped;
- (e) the issue, offer and subscription of the IPO Shares not being prohibited or impeded by any statute, order, rule, directive, guideline, (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO Shares and/or the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
- (f) The Underwriter being satisfied that our Company has complied with and that the Shares are in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
- (g) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index for at least 3 consecutive market days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;
- (h) There being no breach of and/or failure to perform any of the terms and/or the undertakings contained in the Underwriting Agreement by our Company;
- (i) SC having registered the Prospectus;
- (j) The offering of the IPO Shares having been approved by Bursa Securities and any other relevant authority or authorities and remaining in full force and effect and that all conditions precedent to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (k) The Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof and upon the Underwriter's (in this regard, in its capacity as the placement agent for the 60,873,600 IPO Shares that have been placed out by the Placement Agent to selected investors ("Placement Shares")) receipt of the full subscription monies for the Placement Shares on or before the last date for payment of the Placement Shares;
- (l) The delivery to the ROC of the Prospectus for registration in accordance with the requirements of Sections 154 and 155 of the Act; and
- (m) The launching of the Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing.

(collectively, the "Conditions Precedent")

4. PARTICULARS OF OUR IPO (Cont'd)

- (2) If after the Conditions Precedent have been complied with but our Company decides not to proceed with the IPO, the Underwriter may treat itself as so released or discharged from its obligations.
- (3) The Underwriter may waive all or any of the Conditions Precedent except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement.
- (4) If any of the Conditions Precedent in items (1)(c), (d), (l) and/or (m) above are not satisfied within 3 months from the date of the Underwriting Agreement or such other date the Underwriter and our Company may from time to time agree in writing and/or if any of the conditions in items (1)(a), (b), (e) to (j) to the extent not waived are not satisfied by the Closing Date, the Underwriter after consultation with our Company will thereupon be entitled to terminate the Underwriting Agreement by notice in writing to our Company. In such event the Underwriting Agreement will automatically be terminated and the parties to the Underwriting Agreement will be released and discharged from their obligations, except for the liability of our Company for payments of costs and expenses incurred prior to or in connection with such termination.

Termination

- (5) Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may by notice in writing to our Company given at any time before the Closing Date, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares and pursuant thereto terminate the Underwriting Agreement if:
 - (a) There is any breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement;
 - (b) Our Company withholds any information of a material nature from the Underwriter, which, in the reasonable opinion of any underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of the IPO or the distribution or sale of the IPO Shares;
 - (c) There has occurred, happened or come into effect any material and adverse change to the business or financial condition of our Company or our Group;
 - (d) There has occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter (including without limitation to, acts of government, strikes, national disorder, declaration of a state emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, acts of war, sabotage, acts of God etc) which would have, or can reasonably be expected to have, a material adverse on the business or the operation of our Company or our Group or the success of the IPO or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms;
 - (e) There is the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would materially prejudice the success of the IPO;

4. PARTICULARS OF OUR IPO (Cont'd)

- (f) Any government, requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial and operational condition of our Company; or
 - (g) There is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement.
- (6) Upon the Underwriter serving the notice of termination in accordance with item (5) above:
- (a) the Underwriter will be released and discharged of its obligations without prejudice to its rights; and
 - (b) the Underwriting Agreement will thereafter be of no further force or effect and no party will be under any liability to any others in respect of the Underwriting Agreement, except that our Company will remain liable in respect of:
 - (i) any of our obligations and liabilities in relation to representations, warranties and undertakings and right to be indemnified by our Company;
 - (ii) for full payment of the underwriting commission, costs and expenses already incurred up to the date on which such notice was given and for the payment of any taxes, duties or levies; and
 - (iii) to refund to the Underwriter the subscription monies, if any, relating to the Underwritten Shares without any deduction.

4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, *inter-alia*, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum number of 200 public shareholders, each holding not less than 100 Shares upon admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4. PARTICULARS OF OUR IPO (*Cont'd*)

You should rely only on the information contained in this Prospectus or any applicable Prospectus supplement. Neither we nor our advisers have authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMA.

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation are authorised or lawful to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares. Please refer to Section 15 for further details on the procedures for application for our IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

In the case of an Application by way of Internet Share Application, only an applicant who has a CDS Account and an existing account to their internet financial services with the Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:

Name	Country of incorporation / Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾⁽³⁾				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	%	No. of Shares	No. of Shares	%	No. of Shares		
Tan Kim Seng	Malaysian	99,040,780	32.9	(4)4,451,620	1.5	99,040,780	(6)4,701,620	24.4	1.2
Tan Kim Chai	Malaysian	98,885,580	32.8	(4)4,451,620	1.5	98,885,580	(4)4,451,620	24.4	1.1
Teou Chau Hoyk ⁽⁸⁾	Malaysian	18,753,470	6.2	-	-	18,753,470	-	4.6	-
Tan Yon Haw	Malaysian	21,366,970	7.1	-	-	21,366,970	-	5.3	-
Tan Yong Thye	Malaysian	21,390,160	7.1	-	-	21,390,160	-	5.3	-
Tan Yong Ping ⁽⁸⁾	Malaysian	18,753,360	6.2	-	-	18,753,360	-	4.6	-
Tan Yong Heng ⁽⁸⁾	Malaysian	18,753,360	6.2	-	-	18,753,360	-	4.6	-
Tan Kee Jin	Malaysian	131,800	(5)-	-	-	(7)1,131,800	-	0.3	-
SDS Tan Properties	Malaysia	4,451,620	1.5	-	-	4,451,620	-	1.1	-

Notes:

- (1) After completion of Acquisitions; and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively; but before Public Issue.
- (2) After Public Issue.
- (3) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (4) Deemed interested by virtue of their shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
- (5) Represents less than 0.1%.
- (6) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act and the shareholdings of his son, Tan Kee Meng, pursuant to Section 59(11)(c) of the Act (assuming that he will fully subscribe for his Pink Form Allocations).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(7) Assuming that he will fully subscribe for his Pink Form Allocations.

(8) Ceased to be substantial shareholder after IPO.

Our Promoters and substantial shareholders do not have different voting right from other shareholders of our Group.

5.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

(a) Tan Kim Seng

Tan Kim Seng, a Promoter and substantial shareholder, is also our Managing Director. His profile is disclosed in Section 5.2.2.

(b) Tan Kim Chai

Tan Kim Chai, a Promoter and substantial shareholder, is also our Executive Director. His profile is disclosed in Section 5.2.2.

(c) Teou Chau Hoyk

Teou Chau Hoyk, a Malaysian, aged 62, is a Promoter. She is the wife of Mr Tan Kim Lai, late brother of Tan Kim Seng and Tan Kim Chai. She is the mother of Tan Yon Haw, our Executive Director, as well as Tan Yong Thye, Tan Yong Ping and Tan Yong Heng.

In 1968, she finished her primary education in Sekolah Jenis Kebangsaan (Cina) Kwang Nam, Johor. She has 31 years of experience in the bakery industry. In 1987, she joined Sin Lee Hiang Bakery to oversee the bakery packaging functions. She is currently our Group's Head of Packaging Department.

(d) Tan Yon Haw

Tan Yon Haw, a Promoter and substantial shareholder, is also our Executive Director. His profile is disclosed in Section 5.2.2.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(e) Tan Yong Thye

Tan Yong Thye, a Malaysian, aged 42, is a Promoter and substantial shareholder. He is the son of Teou Chau Hoyk and brother of Tan Yon Haw, Tan Yong Ping and Tan Yong Heng.

In 1996, he finished his Form 5 education at Pei Chun High School in Pontian, Johor. Upon completing his secondary education, he joined his family business, Sin Lee Hiang Bakery as a Marketing Manager responsible for driving product promotional activities. He was a partner in Starlight Telecommunication from 2000 to 2002. He currently holds partnership in various entities including Regina Cake House (from 2003 to present) and Sin Lee Hiang Cake House (from 2003 to present). In April 2010, he joined SDS Top Baker and assumed his current position of Marketing Manager. He works under the supervision of the Head of Corporate Planning and Marketing and is responsible to implement our marketing campaigns and provide sales support in the east coast region of Peninsular Malaysia.

(f) Tan Yong Ping

Tan Yong Ping, a Malaysian, aged 39, is a Promoter. He is the son of Teou Chau Hoyk and brother of Tan Yon Haw, Tan Yong Thye and Tan Yong Heng.

He obtained his Diploma in International Business from Southern College, Johor in 2000. In 2001, he began his career in SDS Food as a Chef and was primarily involved in the baking of cakes. He left the company in 2005. From 2006 to 2014, he worked for various bakeries in Singapore namely, Prima Limited and Bengawan Solo. In 2015, he joined SDS Top Baker in his current position of Assistant Production Manager. He works under the supervision of the Production Manager and is responsible for supervising the operations of the cake department.

(g) Tan Yong Heng

Tan Yong Heng, a Malaysian, aged 37, is a Promoter. He is the son of Teou Chau Hoyk and brother of Tan Yon Haw, Tan Yong Thye and Tan Yong Ping.

He obtained his Bachelor of Business Administration from National University of Singapore in 2004. In 2006, he obtained his professional accounting qualification from the Association of Chartered Certified Accountants of UK. He is a member of the Association of Chartered Certified Accountants of UK since 2009.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In 2004, he started his career in KPMG LLP in Singapore as Audit Associate. He was promoted to Audit Senior and seconded to KPMG China (Shanghai Office) in 2007. In 2010, he returned to work for KPMG LLP in Singapore and was promoted to Audit Manager. During his stint there, he was involved in conducting independent statutory financial audit works such as examining and evaluating internal control, ensuring compliance with other statutory accounting standards and regulatory requirements as well as audit works on several initial public offering activities of clients from various industries.

He left the audit firm in 2012 to join NTUC Enterprises Co-operative Limited as Finance Manager responsible for producing management reports and ad hoc analysis for senior management as well as assisting in the setting up of group financial reporting process and reporting packages for entities across different industries. In 2016, he was promoted to Vice President for Financial Reporting and Analysis responsible for analysing financial and operational performance of entities across various industries as well as working closely with the Chief Financial Officer on financial matters concerning operations pertaining to business strategy, performance management, budgeting, forecasting and sale analysis. As at LPD, he is still holding this position at the company.

(h) Tan Kee Jin

Tan Kee Jin, a Promoter, is also our Executive Director. His profile is disclosed in Section 5.2.2.

(i) SDS Tan Properties

SDS Tan Properties was incorporated in Malaysia on 29 June 1995 under the Companies Act, 1965 as a private limited company under the name of SDS Food Industries Sdn Bhd. The company changed its name to SDS Bakery & Confectionery Sdn Bhd on 27 May 2000 and subsequently adopted its present name on 6 July 2015. The principal activity of SDS Tan Properties is property investment holding.

As at LPD, the share capital of SDS Tan Properties is RM1,700,000 comprising 1,700,000 shares. The Directors and substantial shareholders of SDS Tan Properties as at LPD are as follows:

Directors	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Tan Kim Seng	Malaysian	566,667	33.3	-	-
Tan Kim Chai	Malaysian	566,666	33.2	-	-
Teou Chau Hoyk	Malaysian	113,334	6.7	(1)453,333	26.8
Substantial shareholders					
Tan Kim Seng	Malaysian	566,667	33.3	-	-
Tan Kim Chai	Malaysian	566,666	33.2	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Substantial shareholders	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Teou Chau Hoyk	Malaysian	113,334	6.7	(1)453,333	26.8
Tan Yon Haw	Malaysian	113,334	6.7	-	-
Tan Yong Thye	Malaysian	113,333	6.7	-	-
Tan Yong Ping	Malaysian	113,333	6.7	-	-
Tan Yong Heng	Malaysian	113,333	6.7	-	-
		1,700,000	100.0		

Note:

(1) Deemed interested by virtue of the shareholdings of her children, namely Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng pursuant to Section 59(11)(c) of the Act.

5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings since our Company's incorporation are as follows:

	As at incorporation			After Acquisitions ⁽¹⁾			As at LPD ⁽²⁾⁽³⁾				
	Direct		Indirect	Direct		Indirect	Direct		Indirect		
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares		
Lee San Koon	50	50.0	-	-	-	-	-	-	-		
Nor Suhana binti Zakaria	50	50.0	-	-	-	-	-	-	-		
Tan Kim Seng	-	-	-	99,040,780	32.9	(4)4,451,620	1.5	99,040,780	24.4	(6)4,701,620	1.2
Tan Kim Chai	-	-	-	98,885,580	32.8	(4)4,451,620	1.5	98,885,580	24.4	(4)4,451,620	1.1
Teou Chau Hoyk ⁽⁸⁾	-	-	-	18,753,470	6.2	-	-	18,753,470	4.6	-	-
Tan Yon Haw	-	-	-	21,366,970	7.1	-	-	21,366,970	5.3	-	-
Tan Yong Thye	-	-	-	21,390,160	7.1	-	-	21,390,160	5.3	-	-
Tan Yong Ping ⁽⁸⁾	-	-	-	18,753,360	6.2	-	-	18,753,360	4.6	-	-
Tan Yong Heng ⁽⁸⁾	-	-	-	18,753,360	6.2	-	-	18,753,360	4.6	-	-
Tan Kee Jin	-	-	-	131,800	(5)-	-	-	(7)1,131,800	0.3	-	-
SDS Tan Properties	-	-	-	4,451,620	1.5	-	-	4,451,620	1.1	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Notes:

- (1) Based on the share capital of 301,527,100 Shares after Acquisitions, and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively; but before Public Issue.
- (2) After Public Issue.
- (3) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (4) Deemed interested by virtue of their shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
- (5) Represents less than 0.1%.
- (6) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act and the shareholdings of his son, Tan Kee Meng, pursuant to Section 59(11)(c) of the Act (assuming that he will fully subscribe for his Pink Form Allocations).
- (7) Assuming that he will fully subscribe for his Pink Form Allocations.
- (8) Ceased to be substantial shareholder after IPO.

5.1.4 Persons exercising control over the corporation

Save for our Promoters, we are not aware of any other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	(3) No. of Shares	%	No. of Shares	%
Lim Pang Kiam	Independent Executive Chairman/ Malaysian	-	-	-	-	250,000	(5)	-	-
Tan Kim Seng	Managing Director/ Malaysian	99,040,780	32.9	(4)4,451,620	1.5	99,040,780	24.4	(6)4,701,620	1.2
Tan Kim Chai	Executive Director/ Malaysian	98,885,580	32.8	(4)4,451,620	1.5	98,885,580	24.4	(4)4,451,620	1.1
Tan Yon Haw	Executive Director/ Malaysian	21,366,970	7.1	-	-	21,366,970	5.3	-	-
Tan Kee Jin	Executive Director/ Malaysian	131,800	(5)	-	-	1,131,800	0.3	-	-
Phang Sze Fui	Independent Non- Executive Director/ Malaysian	-	-	-	-	250,000	(5)	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Designation/ Nationality	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	(3) No. of Shares	%	No. of Shares	%
Azahar bin Baharudin	Independent Non- Executive Director/ Malaysian	-	-	-	-	250,000	(5)-	-	-
Dato' Albert Ding Choo Earn	Independent Non- Executive Director/ Malaysian	-	-	-	-	250,000	(5)-	-	-

Notes:

- (1) Based on the share capital of 301,527,100 Shares after Acquisitions and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively; but before Public Issue.
- (2) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (3) Assuming that our Directors will fully subscribe for their respective Pink Form Allocations.
- (4) Deemed interested by virtue of their shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
- (5) Represents less than 0.1%.
- (6) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act and the shareholdings of his son, Tan Kee Meng, pursuant to Section 59(11)(c) of the Act (assuming that he will fully subscribe for his Pink Form Allocations).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.2 Profiles of Directors

Lim Pang Kiam, a Malaysian, aged 56, is our Independent Non-Executive Chairman. He was appointed to our Board on 4 September 2018, and is also Chairman of our Nominating Committee. He is also a member of our Audit Committee, Risk Management Committee and Remuneration Committee.

He obtained a Bachelor of Science (Honours) in Housing, Building and Planning and a Master of Science in Planning from Universiti Sains Malaysia in 1988 and 1989 respectively. In 2002, he was certified as Financial Planner by the Financial Planning Association of Malaysia. He is also a Credit Risk Management specialist. He obtained his chartered membership as a Certified Risk Professional from the Bank Administration Institute for Certification in USA in 2003. He is also a member of the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) since 1999 and was transitioned to an associate of the Asian Institute of Chartered Bankers in 2015 following the transformation of Institute of Bankers Malaysia into Asian Institute of Chartered Bankers. In 2018, he was certified as Chartered Management Accountant and Chartered Global Management Accountant by the Chartered Institute of Management Accountants ("CIMA"). He was also admitted as a fellow member of the Institute of Corporate Director Malaysia during the same year. He was admitted as a member of the Malaysian Institute of Accountants, successfully registered as an ASEAN Chartered Professional Accountant and admitted as a fellow member of CIMA in January, March and April 2019 respectively.

He began his career in BHL Bank Berhad as Credit Officer in 1989, and was promoted to Branch Manager in 1991. In 1999, he left the bank as Branch Manager to join United Overseas Bank (Malaysia) Berhad as Vice President of Business Banking up to 2002. He then joined Affin Bank Berhad as Head of Corporate Banking from 2002 to 2004.

He ventured into the corporate sector when he joined SYF Resources Berhad in 2004 as Executive Director, a position he held until 2008. He was also Independent Non-Executive Director of Pantai Holdings Berhad from 2004 to 2005. He joined Atrium REIT Managers Sdn Bhd from 2009 to 2010 as Executive Director and Chief Executive Officer. In 2010, he joined LCL Corporation Bhd, an interior decoration contracting company, as Chief Executive Officer, a position he held until 2011. In 2010, he also co-founded PNL Business Services Sdn Bhd together with his business partners, where he is still responsible for the day-to-day operations of the company.

In 2013, he was appointed Independent Non-Executive Director of YKGI Holdings Berhad and was redesignated to Independent Non-Executive Chairman in 2014, a position he held until June 2018. He was Independent Non-Executive Director of Kinsteel Bhd from 2014 to 2015. In 2016, he was appointed Independent Non-Executive Chairman of Inta Bina Group Berhad. In July 2018, he was also appointed Independent Non-Executive Director of Engtex Group Berhad.

He presently holds directorship in a number of private limited companies.

Tan Kim Seng, a Malaysian, aged 62, is our Managing Director. He was appointed to our Board on 4 September 2018. He is the co-founder of SDS Food and has spearheaded the business growth of our Group since its inception in 1987. He is responsible for formulating and implementing the overall business strategy and corporate development of our Group.

Tan Kim Seng is considered an industry veteran with 48 years of working experience in the bakery industry. In 1969, he completed his primary education in Sekolah Jenis Kebangsaan (Cina) Tampoi, Johor and immediately apprenticed at his father's pastry shop, Chop Lee Hiang at the young age of 13, where he learned how to make traditional biscuits and other

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

bakery products. He also learned how to operate and manage a bakery business as well as how to sell and market bakery products. Through his many years of experience gained from working with his father, he ventured out together with his brother, Tan Kim Chai and formed a partnership business named Masai Lee Hiang in 1984. Masai Lee Hiang was renamed to Sin Lee Hiang Bakery in 1987 and subsequently corporatised into SDS Food in 1992.

Under the leadership of Tan Kim Seng and his brother, Tan Kim Chai, our Group has grown from a small retail bakery with only 5 employees to an organisation with approximately 1,200 employees.

He presently holds directorship in a number of private limited companies.

Tan Kim Chai, a Malaysian, aged 57, is our Executive Director. He was appointed to our Board on 4 September 2018. He is the co-founder of SDS Food. Prior to FYE 2018, he was mainly responsible for overseeing our wholesale logistic activities. Since the beginning of FYE 2019, he took on the roles of overseeing our Group's sales and marketing division for the wholesale channel.

In 1978, he finished his Lower Certificate of Education (equivalent to Penilaian Menengah Rendah, Form 3) in Sekolah Menengah Perumahan Tampoi, Johor (now known as Sekolah Menengah Kebangsaan Dato' Abdul Rahman Yassin). Tan Kim Chai who has 39 years of working experience in the bakery industry, started working at his father's bakery shop together with his brother, Tan Kim Seng at the young age of 17, where he learned how to make traditional biscuits and other bakery products. He also learned how to manage the finances and logistic functions of a bakery business. In 1984, he formed a partnership business named Masai Lee Hiang together with his brother, Tan Kim Seng. Masai Lee Hiang was renamed to Sin Lee Hiang Bakery in 1987 and subsequently corporatised into SDS Food in 1992. Together with his brother, they transformed our Group from a small retail bakery with only 5 employees to an organisation with approximately 1,200 employees.

Tan Yon Haw, a Malaysian, aged 42, is our Executive Director. He was appointed to our Board on 4 September 2018. He is in charge of our Group's wholesale channel. He is responsible for the day-to-day operations and production activities for our wholesale channel.

In 1994, he finished his Form 4 education at Pei Chun High School in Pontian, Johor. In 1995, he started his career with our Group as a Production Operator involved in the production of bakery products. In 1996, he left our Group to join Sony Electronics (Singapore) Pte Ltd in Singapore as a Machine Operator in the production of printed circuit board. He left the company and returned to Malaysia in 1997.

In 1997, he re-joined our Group as Purchasing Supervisor where he was in charge of the overall procurement of our raw materials. In 2000, he left our Group to set up a mobile phone trading business named Starlight Telecommunication. He dissolved the business in 2004 and re-joined our Group as Production Supervisor in the same year. In 2008, he was promoted to Head of Production, a position he still holds to date.

Tan Kee Jin, a Malaysian, aged 35, is our Executive Director. He was appointed to our Board on 4 September 2018. He is also a member of our Risk Management Committee. He is in charge of our Group's retail channel. He is mainly responsible for developing and implementing strategies to drive our Group's retail revenue and growth.

He obtained a Bachelor of Commerce from University of Western Australia, Australia in 2007. He pursued this degree on a part-time basis in PSB Academy, Singapore while working in various jobs.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

In 2004, he started his career in Mecomb Singapore Limited in Singapore while studying part-time in PSB Academy, Singapore. In Mecomb Singapore Limited, he was a Service Technician where he was involved in the provision of installation, maintenance and repair services on car parking system. He left the company and returned to Malaysia in 2006 to join our Group as an Invoicing Supervisor responsible for overseeing the daily invoicing operations and managing products logistics at all our retail outlets.

In 2008, he was posted to the Business Development Department and held the position of Business Development Executive until 2012. He was subsequently promoted to Business Development Manager and Executive Director of SDS Food in 2012 and 2015 respectively. In 2015, he helmed SDS Food's entire retail channel.

Phang Sze Fui, a Malaysian, aged 47, is our Independent Non-Executive Director. She was appointed to our Board on 4 September 2018, and is also Chairwoman of our Audit Committee and a member of our Risk Management Committee.

She obtained her Advanced Diploma in Commerce from Tunku Abdul Rahman College in 1997. In 1998, she obtained her professional accounting qualification from the Association of Chartered Certified Accountants of UK. She has been a member of the Malaysian Institute of Accountants since 2009 and a fellow member of the Association of Chartered Certified Accountants of UK since 2005.

She began her career as Accounts Executive in Seawood Trading Company in 1992. She subsequently started working with the company on a part-time basis from 1993 until her departure in 1995 to pursue her studies in Tunku Abdul Rahman College. During her tenure with the company, she was involved in the handling of accounting records and related administrative matters. From 1995 to 1997, she pursued her studies on a full-time basis.

Upon obtaining her diploma, she returned to work in 1997 by joining, Messrs Baker Tilly Monteiro Heng as Audit Assistant, where she was primarily involved in various statutory audit assignments. She was subsequently promoted to Senior Audit Manager, Associate Director of Transaction Reporting Division and Executive Director of Transaction Reporting Division in 2005, 2007 and 2011 respectively. During her tenure there, she undertook various responsibilities including leading the audit team to conduct audit and special assignments, liaising with stakeholders, conducting training, ensuring compliance with auditing and accounting standards as well as regulatory requirements and expanding the growth of the Transaction Reporting Division. She left the firm in 2015.

In 2016, she joined Dolphin Application Sdn Bhd (a subsidiary of Dolphin International Berhad) as Corporate Affairs Director responsible for supervising corporate exercises, handling special projects, overseeing investor relations and public relations matters, improving internal control systems and reporting structure, overseeing compliance matters and liaising with stakeholders. She left Dolphin Application Sdn Bhd in 2017 to pursue her own business venture, Avia Alliance Sdn Bhd, a business and accounting consultancy firm.

She was appointed as Independent Non-Executive Director of Kim Teck Cheong Consolidated Berhad and Mestron Holdings Berhad in September 2018 and October 2018 respectively.

Azahar bin Baharudin, a Malaysian, aged 63, is our Independent Non-Executive Director. He was appointed to our Board on 4 September 2018, and is also a Chairman of our Remuneration Committee. He is also a member of our Audit Committee and Nominating Committee.

He obtained his Diploma in Banking Studies from MARA Institute of Technology in 1984.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

In 1978, he began his career in United Asian Bank Berhad as a Clerk providing general office support for the daily banking operations. In 1981, he was promoted to Class 2 Officer and was assigned to work in various divisions within the bank namely, Industrial Financing Division, Credit Administration and Control Division as well as Retail Financing. He left the bank in 1991. During the same year, he joined Affin Bank Berhad as Executive Officer responsible for undertaking credit processing duties. He held several managerial positions in Affin Bank Berhad since 1992. He was later promoted to Head of Credit for the Johor Jaya Branch in 1992 and was subsequently promoted to Deputy Branch Manager of the same branch in 1993. He was promoted to Branch Manager of Kulai Branch and Johor Bahru Business Centre Head in 1994 and 2003 respectively. He left the bank in 2003.

In 2004, he co-founded Murni Alliance Consult Sdn Bhd, a business advisory firm. In 2008, he disposed his shares and resigned as Director from the company. During his tenure in Murni Alliance Consult Sdn Bhd, he also had a short stint with Intralink Techno Sdn Bhd, a manufacturer of fibre glass reinforced plastic company, as General Manager in Business Development from 2006 to 2007.

He was an Independent Non-Executive Director of SerSol Technologies Berhad from 2004 to 2012. After he resigned as Director from Murni Alliance Consult Sdn Bhd in 2008, he only held his role in Sersol Technologies Berhad. In 2011 he joined Messrs Abdul Raman Saad & Associates, a legal firm, as Head of Business Development Units for its Kuala Lumpur office until 2012.

He currently sits on the Board of Directors of 3 public listed companies on the Main Market of Bursa Securities as an Independent Non-Executive Director namely Gromutual Berhad, Solid Automotive Berhad and Power Root Berhad since 2011, 2012 and 2014 respectively.

Dato' Albert Ding Choo Earn, a Malaysian, aged 40, is our Independent Non-Executive Director. He was appointed to our Board on 4 September 2018, and is Chairman of our Risk Management Committee. He is also a member of our Audit Committee, Remuneration Committee and Nominating Committee.

He obtained a Bachelor of Laws from Bond University, Australia in 2002 and was called to the Malaysian Bar in 2005.

He is a lawyer by profession and has been involved in private legal practice since the start of his career. He practised civil general litigation, corporate law and conveyancing law at Messrs Dennis Nik & Wong from 2005 to 2006, Messrs Mak, Ng, Shao & Kee from 2006 to 2007 and Messrs Woon Wee Yuen & Partners from 2007 to 2010. In 2010, he co-founded Messrs Albert Ding, Chng & Co as a partner (which was dissolved in 2011). In 2011, he joined Messrs S P Lee & Associates (now known as Messrs Albert Ding, Lee & Partners) as Managing Partner. As at LPD, he is still the Managing Partner of the law firm.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.2.3 Principal business performed outside our Group

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to LPD:

(a) Lim Pang Kiam

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Present involvement						
PNL Business Services Sdn Bhd	Providing financial management, consulting services and investment holding	Director	1 October 2010	-	32.0	-
PNL Capital Sdn Bhd	Providing financial management, consulting services and investment holding	Director	10 November 2011	-	33.3	-
Subang Industry Park Sdn Bhd	Property investment	Director	10 November 2011	-	-	100.0 ⁽¹⁾
Antara Hijau Sdn Bhd	Property investment and holding	Director	19 September 2011	-	40.0	-
Pedoman Pesaka Sdn Bhd ⁽³⁾	Dormant, previous principal activity was property investment	Director	17 June 2013	-	33.3	-
Westfield Ventures Sdn Bhd	Property investment	Director	12 March 2012	-	-	50.0 ⁽²⁾
PNL Venture Sdn Bhd	Property investment, providing financial and management consultancy services	Director	23 April 2010	-	33.3	-
PNL Land Sdn Bhd	Property investment	Director	3 August 2009	-	-	100.0 ⁽²⁾
Inta Bina Group Berhad	Investment holding company, securing and carrying out construction contracts	Independent Non-Executive Chairman	15 April 2016	-	0.4	-
Rising Salute Sdn Bhd	Property investment	Director	16 December 2016	-	33.3	-
Westfield Holdings Sdn Bhd	Property investment	Director	22 May 2015	-	⁽⁵⁾	-
Scenic Summit Sdn Bhd	Property investment	Director	19 September 2016	-	33.4	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
PNL Trading Sdn Bhd	General trading, investment holding and providing financial and management consultancy services	Director	1 October 2010	-	32.0	-
Tian An Trading Sdn Bhd	General trading of Japanese and Korean food products	-	-	-	33.3	-
Warna Kencana Sdn Bhd	Property investment	Director	26 October 2015	29 April 2016	33.3	-
Cloverchip Sdn Bhd	Property investment	Director	4 December 2015	29 April 2016	33.3	-
Urban Fiesta Sdn Bhd	Property investment	Director	4 December 2015	29 April 2016	33.3	-
Midas Parade Sdn Bhd	Construction, property development and agricultural	Director	18 April 2012	-	25.0	-
Era Pelita Sdn Bhd	Property investment	Director	1 October 2015	29 April 2016	33.3	-
Engtex Group Berhad	Manufacturing of steel-related products	Independent Non-Executive Director	23 July 2018	-	-	-
<u>Past involvement</u>						
Kinsteel Bhd ⁽⁴⁾	Manufacturing and trading of steel products	Independent Non-Executive Director	11 July 2014	23 June 2015	-	-
Rentas Simfoni Sdn Bhd	Struck off in 2017	Director	2 March 2016	29 April 2016	-	-
Eurofront Equity Sdn Bhd	Property investment	Director	5 February 2014	29 April 2016	-	-
Natural Ideas Sdn Bhd	Property investment	Director	5 March 2013	29 April 2016	-	100.0 ⁽²⁾
Faber Green Sdn Bhd	Struck off in 2018	Director	1 October 2010	29 April 2016	-	100.0 ⁽¹⁾
Cocapi Sdn Bhd	Struck off in 2017	Director	5 May 2016	31 May 2016	45.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
YKGI Holdings Berhad	Manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold roller coils	Independent Non-Executive Chairman	3 January 2013	29 June 2018	-	-
Arrowtune Sdn Bhd	Property investment	Director	27 May 2013	29 April 2016	-	-
Asas Bumiraya Sdn Bhd	Struck off in 2018	Director	15 April 2013	29 April 2016	40.0	-

Notes:

- (1) Deemed interest by virtue of his shareholdings in PNL Trading Sdn Bhd pursuant to Section 8 of the Act.
(2) Deemed interest by virtue of his shareholdings in PNL Business Services Sdn Bhd pursuant to Section 8 of the Act.
(3) Striking off in process.
(4) Winding-up in process.
(5) Less than 0.1%.

(b) Tan Kim Seng

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
KS Tan Properties Sdn Bhd	Breeding, processing and sales of bird's nest	Director	19 May 2003	-	50.0	-
SDS Tan Properties	Property investment	Director	29 June 1995	-	33.3	-
SDS Holdings Sdn Bhd ⁽³⁾	Dormant. There are currently no future plans for it	Director	2 October 2017	-	33.3	-
<u>Past involvement</u>						
CL Cake House Sdn Bhd ⁽¹⁾	Trading of cakes, confectionery and seasoned food	Director	28 July 2003	-	-	51.0 ⁽²⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)
Notes:

- (1) Dissolved in 2015 pursuant to Section 272(5) of the Companies Act, 1965.
 (2) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
 (3) Striking off in process.

(c) Tan Kim Chai

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
SDS Tan Properties	Property investment	Director	29 June 1996	-	33.2	-
SDS Holdings Sdn Bhd ⁽¹⁾	Dormant. There are currently no future plans for it	-	-	-	33.3	-
Regina Cake House	Dormant, previous principal activity was distribution of bakery products in Singapore	-	-	-	34.0	-
Sin Lee Hiang Cake House	Dormant, previous principal activity was distribution of bakery products in Singapore	-	-	-	34.0	-

Past involvement

PT Top Baker Indonesia	Manufacturing and distribution of bakery products in Indonesia	Director	23 December 2014	22 November 2017	-	-
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Note:

- (1) Striking off in process.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

(d) Tan Yon Haw

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
SDS Tan Properties	Property investment	-	-	-	6.7	-
Tan Kim Lai Holdings Sdn Bhd ⁽²⁾	Dormant. There are currently no future plans for it	Director	20 September 2017	-	20.0	-
SDS Holdings Sdn Bhd ⁽²⁾	Dormant. There are currently no future plans for it	-	-	-	-	(1)33.3

Notes:

- (1) Deemed interested by virtue of his shareholdings in Tan Kim Lai Holdings Sdn Bhd pursuant to Section 8 of the Act.
(2) Striking off in process.

(e) Tan Kee Jin

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Regina Cake House	Dormant, previous principal activity was distribution of bakery products in Singapore	-	-	-	33.0	-
Sin Lee Hiang Cake House	Dormant, previous principal activity was distribution of bakery products in Singapore	-	-	-	33.0	-

(f) Phang Sze Fui

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Avia Alliance Sdn Bhd	Business management consultancy services	Director	18 July 2017	-	100.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Kim Teck Cheong Consolidated Berhad	Distribution of consumer packaged goods in East Malaysia	Independent Non-Executive Director	28 September 2018	-	-	-
Mestron Holdings Berhad	Manufacturing of steel poles and trading of outdoor lighting products	Independent Non-Executive Director	15 October 2018	-	(1)	-
IWC Performance Innovations Sdn Bhd	Wholesale of a variety of information technology products and other information technology services	Director	17 December 2018	-	3.0	-
<u>Past involvement</u>						
Biogas Sulpom Sdn Bhd	Manufacturer, processor and supplier of biogas	Director	14 December 2016	15 August 2017	-	-
Heng Hup Chiho Recycling (Malaysia) Sdn Bhd	Investment holding, export and import of metal and non-metal waste, scrap and material for recycling and other retail sale of new goods in specialised stores	Director	1 February 2019	10 May 2019	-	-
Note:						
(1) Less than 0.1%.						
(g) Azahar bin Baharudin						
Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Gromutual Berhad	Investment holding, property holdings, development and investment and general and property construction and provision of project management or management services	Independent Non-Executive Director	28 February 2011	-	-	-
Solid Automotive Berhad	Investment holding and provision of management services	Independent Non-Executive Director	9 October 2012	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Power Root Berhad	Investment holding, manufacture and distribution of beverage products and provision of accommodation facilities	Independent Non-Executive Director	28 April 2014	-	-	-
(h) Dato' Albert Ding Choo Earn						
Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
JJ Lions Dialysis Centre	Kidney dialysis treatment, health care & educational centre	Director	1 September 2010	-	-	-
Obor Consultant Malaysia Sdn Bhd ⁽¹⁾	IT and business management consultancy services	Director	7 November 2017	-	5.0	-
Kim Teng Yan Holdings Sdn Bhd	Trading and cultivation of oil palm and rubber	Director	19 November 2011	-	1.0	-
Albert Ding, Lee & Partners	Legal firm	Managing Partner	18 January 2011	-	-	-
Chen Feng 91 Sdn Bhd	Retail sale of household furniture	Director	31 May 2019	-	-	-
CWDing Properties Sdn Bhd	Property investment and provision of management consultancy services	Director	10 April 2019	-	-	-
<u>Past involvement</u>						
DDM Telecommunication Sdn Bhd ⁽²⁾	To provide all types of services in connection with telecommunication equipment & system and related products	-	-	-	50.0	-

Notes:

- (1) Striking off in process.
(2) Dissolved in 2016 pursuant to Section 308(4) of the Companies Act 1965.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

Save as disclosed in Section 10.2.1, the involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Our Executive Directors' involvement in those business activities does not require significant amount of time and does not affect their ability to perform their executive roles and responsibilities to our Group.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies on the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will first then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

- (a) Immediately inform our Board of the conflict of interest situation;
- (b) Make recommendations to our Board to direct the conflicted Director to:
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.2.4 Directors' remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2019 and 2020 are as follows:

FYE 2019	Directors'	Allowance	Salaries	Bonuses	Other	Total
	fees				emoluments	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non- Executive Directors						
Lim Pang Kiam	-	-	-	-	-	-
Phang Sze Fui	-	-	-	-	-	-
Azahar bin Baharudin	-	-	-	-	-	-
Dato' Albert Ding Choo Earn	-	-	-	-	-	-
Executive Directors						
Tan Kim Seng	-	36	165	166	43	410
Tan Kim Chai	-	46	97	150	34	327
Tan Yon Haw	-	84	102	140	35	361
Tan Kee Jin	-	84	150	176	47	457
PROPOSED FOR FYE 2020						
	Directors'	Allowance	Salaries	Bonuses	Other	Total
	fees				emoluments	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non- Executive Directors						
Lim Pang Kiam	50	5	-	-	-	55
Phang Sze Fui	38	5	-	-	-	43
Azahar bin Baharudin	38	5	-	-	-	43
Dato' Albert Ding Choo Earn	38	5	-	-	-	43
Executive Directors						
Tan Kim Seng	-	24	264	(1)	-	288
Tan Kim Chai	-	60	192	(1)	-	252
Tan Yon Haw	-	42	210	(1)	-	252
Tan Kee Jin	-	42	210	(1)	-	252

Note:

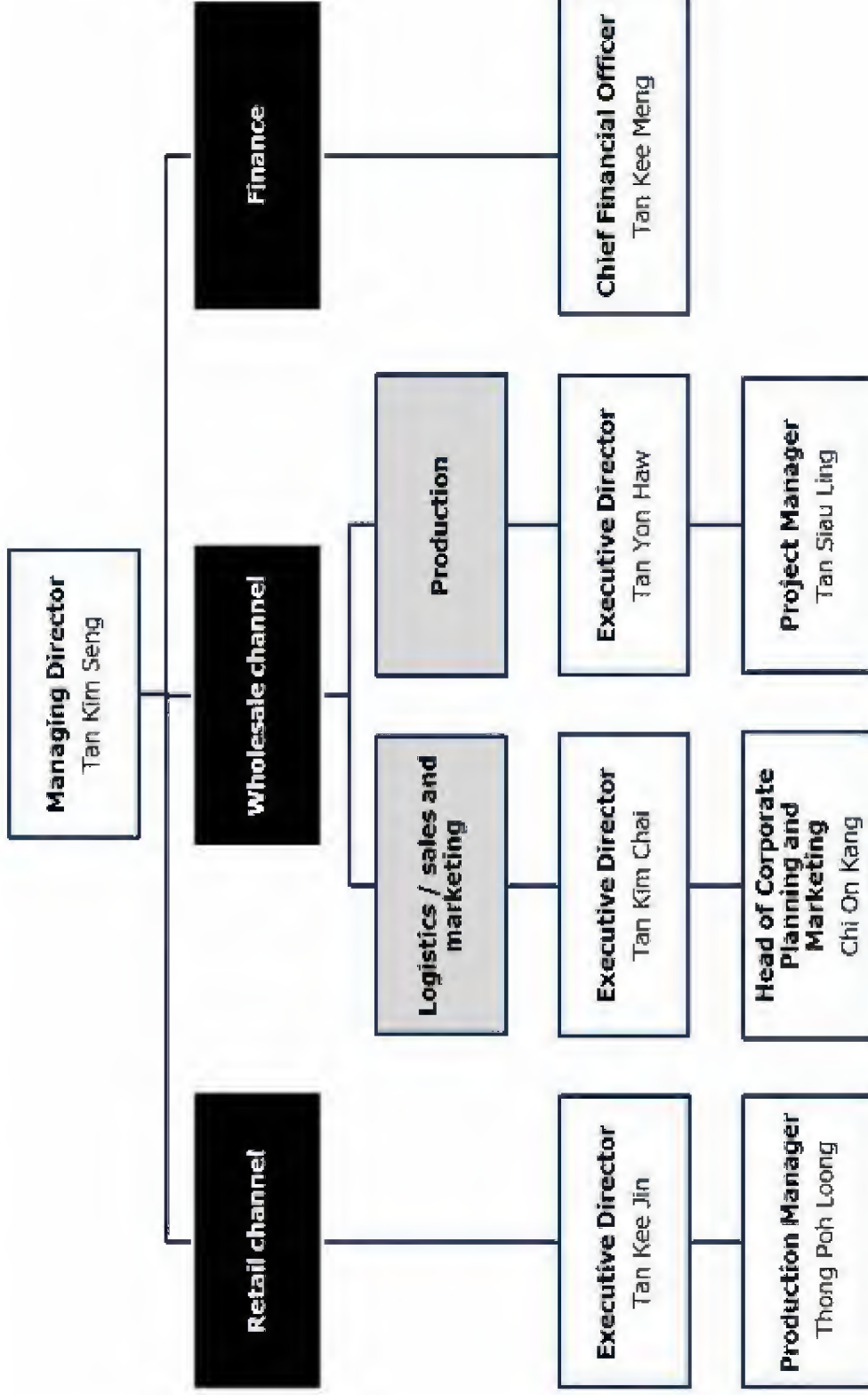
(1) Bonuses for FYE 2020 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

The remuneration of our Directors must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 14.3 for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management structure



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

5.3.2 Key senior management shareholdings

The shareholdings of our key senior management in our Company before and after IPO assuming that they will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾				
		Direct		Indirect	Direct		Indirect		
		No. of Shares	%	No. of Shares	(3) No. of Shares	%	No. of Shares		
Tan Kim Seng	Managing Director/ Malaysian	99,040,780	32.9	(4)4,451,620	1.5	99,040,780	24.4	(6)4,701,620	1.2
Tan Kim Chai	Executive Director/ Malaysian	98,885,580	32.8	(4)4,451,620	1.5	98,885,580	24.4	(4)4,451,620	1.1
Tan Yon Haw	Executive Director/ Malaysian	21,366,970	7.1	-	-	21,366,970	5.3	-	-
Tan Kee Jin	Executive Director/ Malaysian	131,800	(5)-	-	-	1,131,800	0.3	-	-
Tan Kee Meng	Chief Financial Officer/ Malaysian	-	-	-	-	250,000	(5)-	-	-
Chi On Kang	Head of Corporate Planning and Marketing / Malaysian	-	-	-	-	250,000	(5)-	-	-
Thong Poh Loong	Production Manager/ Malaysian	-	-	-	-	45,000	(5)-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾				
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	(3) No. of Shares	%	No. of Shares	%
Tan Siau Ling	Project Manager/ Malaysian	-	-	-	-	90,000	(5)	-	-

Notes:

- (1) Based on the share capital of 301,527,100 Shares after Acquisitions and transfer of 50 subscriber shares each in SDSG to Tan Kim Seng and Tan Kim Chai respectively; but before Public Issue.
- (2) Based on the enlarged share capital of 405,823,900 Shares after IPO.
- (3) Assuming that our key senior management will fully subscribe for their Pink Form Allocations.
- (4) Deemed interested by virtue of their shareholdings in SDS Tan Properties pursuant to Section 8 of the Act.
- (5) Represents less than 0.1%.
- (6) Deemed interested by virtue of his shareholdings in SDS Tan Properties pursuant to Section 8 of the Act and the shareholdings of his son, Tan Kee Meng, pursuant to Section 59(11)(c) of the Act (assuming that he will fully subscribe for his Pink Form Allocations).

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.3.3 Profiles of key senior management

Save for the profiles of our Directors, which are disclosed in Section 5.2.2, the profiles of the other key senior management of our Group are as follows:

Tan Kee Meng, a Malaysian, aged 31, is our Chief Financial Officer. He is responsible for overseeing our Group's finance-related functions including the execution of financial reporting, compliance of tax matters and maintenance of internal controls.

He has 7 years of working experience in the field of accounting and finance. He graduated with a Bachelor of Commerce with double majors in accounting and finance from University of Queensland, Australia in 2010. He is a member of CPA Australia since 2015 and became a Chartered Accountant (Singapore) of Institute of Singapore Chartered Accountants in 2016. He is also a member of Malaysian Institute of Accountants since 2017.

In 2011, he started his career in KPMG LLP in Singapore as an Audit Associate and was subsequently promoted to Audit Manager in 2016. During his stint there, he was involved in conducting independent statutory financial audit works such as examining and evaluating internal control, and ensuring compliance with other statutory accounting standards and regulatory requirements. He left the firm in August 2017.

In September 2017, he joined our Group and assumed his current position.

Chi On Kang, a Malaysian, aged 59, is our Head of Corporate Planning and Marketing and has been with our Group since September 2017. He is responsible for spearheading our corporate planning, marketing efforts and driving sales for our wholesale channel.

He graduated with a Bachelor of Arts in Political Study from Lakehead University, Canada in 1983.

He started his career in 1983 with MBf Holdings Berhad as Credit Marketing Officer until 1984. He was involved in performing marketing and credit evaluation of corporate clients for leasing and hire purchase facilities at the Ipoh and Kuantan branches. He was relocated to Johor Bahru branch in 1984 where he was promoted as Branch Manager and was responsible for establishing and driving the business there until 1988.

In January 1989, he was seconded to Indonesia and re-designated as Senior Manager to assist in the establishment of the Grandy's fast food business and opening of new outlets. In June 1989, he left the company and returned to Malaysia. In July 1989, he joined Highland Chocolate & Confectionery Sdn Bhd as General Manager responsible for executing the company's turnaround plan and driving sales growth. He left the company in 1992 and re-joined the banking, finance and securities industry.

He worked as Branch Manager for Kewangan Industri Berhad (from 1993 to 1994), Oriental Bank Berhad (from 1994 to 1999) and Overseas Union Bank Berhad (from 1999 to 2002). In 2003, he joined OSK Investment Bank Berhad as State Manager responsible for overseeing the business at the Johor Bahru branch. He held the role until 2008. From 2009 to 2015, he worked in Indonesia after being seconded to PT RHB OSK Securities Indonesia to assume the role of a Director where he was tasked with overseeing the retail equity operations and setting up of new branches.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

In 2016, he returned to Malaysia and joined Hong Leong Bank Berhad as Assistant General Manager, responsible for managing business development activities and building business relationship with large commercial banking clients in the southern region of Peninsular Malaysia. He was recruited to join our Group in September 2017 to drive our wholesale sales and marketing given his business network and past experiences in setting up new business units.

Thong Poh Loong, a Malaysian, aged 48, is our Production Manager. He is responsible for the planning, coordination and control of manufacturing processes at our production facilities and kitchens in our cafés.

He is a seasoned baking professional with more than 20 years of combined related working experience in Singapore and Malaysia. He obtained a Diploma in Civil Engineering from Politeknik Kota Bahru in 1993. Upon graduation, he joined a construction company, Takenaka Corporation as Site Supervisor until 1997.

In 1997, he decided to change his career path and pursue his interest in baking and pastry arts. He joined King's Confectionery Sdn Bhd in 1997 to gain practical working experience in the baking industry. From 1997 to 1999, he was attached to King's Confectionery Sdn Bhd as Production Supervisor responsible for overseeing the baking operations at an outlet in Kuala Lumpur. In 1999, he joined his family business in Ipoh, selling bakery products until 2002. In 2002, he co-founded Delijoy Bakery and worked as Bakery Chef until his exit from the business in 2004. From 2005 to 2008, he was Bakery Chef with Silibin Cakes & Bakery. From 2008 to 2010, he was attached to Marina Bay Sands in Singapore as Pastry Chef where he was involved in developing new pastries. He returned to Malaysia to re-join Silibin Cakes & Bakery in 2010 as Production Manager responsible for managing the production of bakery products as well as other related operational processes such as procurement and inventory management. He left the company in 2012.

From 2012 to 2017, he worked for various F&B companies under a Singaporean investment company with F&B portfolio, Commonwealth Capital Pte Ltd. He was Assistant Production Manager in New York City Bagel Factory Pte Ltd from 2012 to 2014 where he was responsible for planning and organising production schedules, assessing project and resource requirements. He was transferred to Swiss-Treats Pte Ltd in 2014 and Commonwealth Culinary Creations Pte Ltd in 2015 where he was responsible for managing production, procurement and quality control as well as ensuring compliance to food safety and halal standards in both companies.

In January 2017, he left Commonwealth Culinary Creations Pte Ltd to join our Group and assumed his current position.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

Tan Siau Ling, a Malaysian, aged 41, is our Project Manager and is responsible for managing our wholesale production operations and setting up new wholesale production lines.

She has 17 years of working experience in quality assurance. She graduated with a Bachelor of Science (Honours) in Industrial Science from Universiti Teknologi Malaysia in 2001.

In 2001, she started her career in URC Snack Food (Malaysia) Sdn Bhd as a Quality Assurance cum Research and Development Executive where she undertook R&D activities such as conducting market research, developing and testing new snacks, evaluating their potential for commercialisation, performing cost analysis and evaluation as well as designing new packaging. She left the company in 2004.

From 2004 to 2016, she was attached to Standard Confectionery Sdn Bhd (a subsidiary of High-5 Conglomerate Berhad). During her tenure there, she was Quality Assurance Manager from 2004 to 2012 and Operations Manager from 2012 to 2016 where she was responsible for purchasing and production functions.

In June 2017, she joined our Group and assumed her current position.

5.3.4 Principal business performed outside our Group

None of our key senior management has any other principal directorship and/or principal business activities performed outside our Group as at LPD.

5.3.5 Key senior management's remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYE 2019 and 2020 are as follows:

FYE 2019	(in bands of RM50,000)		
	Remuneration	Benefits-in-kind	Total
	RM'000	RM'000	RM'000
Tan Kee Meng	250-300	0-50	300-350
Chi On Kang	200-250	0-50	200-250
Thong Poh Loong	100-150	0-50	100-150
Tan Siau Ling	100-150	0-50	100-150

PROPOSED FOR FYE 2020	(in bands of RM50,000)		
	⁽¹⁾ Remuneration	Benefits-in-kind	Total
	RM'000	RM'000	RM'000
Tan Kee Meng	250-300	0-50	300-350
Chi On Kang	200-250	0-50	250-300
Thong Poh Loong	100-150	0-50	150-200
Tan Siau Ling	100-150	0-50	150-200

Note:

- (1) Bonuses for FYE 2020 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

The remuneration of our key senior management including salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

5.4 BOARD PRACTICE

5.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (b) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (c) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (d) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance;
- (e) To review and approve our annual business plans, financial statements and annual reports;
- (f) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and
- (g) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election. This is provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

All our Directors were only appointed to our Board in September 2018, and have served for less than one year as at LPD. All our Directors will retire and be eligible for re-election at our forthcoming first annual general meeting. Thereafter, at every subsequent annual general meeting, one-third of our Directors at that time, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election.

The members of our Board are set out in Section 5.2.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.4.2 Audit Committee

The main function of our Audit Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters. The Audit Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (b) To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (d) To consider the major findings of internal investigations and management's response; and
- (e) To perform such other functions as may be requested by our Board.

The recommendations of our Audit Committee are subject to the approval of our Board.

The members of our Audit Committee as at LPD are as follows:

Name	Designation	Directorship
Phang Sze Fui	Chairwoman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Azahar bin Baharudin	Member	Independent Non-Executive Director
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

Our Board will review the composition, performance and effectiveness of our Audit Committee annually.

5.4.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) To recommend a framework of remuneration for the Directors and key senior management for the Board's approval. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain Directors of calibre, and yet not excessive. The framework should cover all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefits-in-kind;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

- (b) To recommend specific remuneration packages for Executive Directors. The remuneration package should be structured such that it is competitive. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;
- (c) To ensure the establishment of a formal and transparent procedure for developing policies, strategies and framework for the remuneration of Executive Directors, management and staff; and
- (d) To perform any other functions as may be requested by the Board.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at LPD are as follows:

Name	Designation	Directorship
Azahar bin Baharudin	Chairman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

5.4.4 Nominating Committee

The Nominating Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) To assist our Board in the effective discharge of its responsibility to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (b) To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;
- (c) To evaluate the effectiveness of our Board and the relevant Board committees; and
- (d) To ensure an appropriate framework and succession planning for our Board.

The recommendations of our Nominating Committee are subject to the approval of our Board.

The members of our Nominating Committee as at LPD are as follows:

Name	Designation	Directorship
Lim Pang Kiam	Chairman	Independent Non-Executive Chairman
Azahar bin Baharudin	Member	Independent Non-Executive Director
Dato' Albert Ding Choo Earn	Member	Independent Non-Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.4.5 Risk Management Committee

Our Board has the overall responsibility for risk oversight and risk management within the Group. However, as a committee of our Board, our Risk Management Committee shall lead our strategic direction in the management of our business risks, including oversight on the establishment and implementation of a risk management framework and reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality product and services and monitor the risk culture and processes throughout the Group to take advantage of opportunities while managing risks that may adversely affect our reputation and achievement of business objectives.

The duties and responsibilities as stated in the terms of reference of our Risk Management Committee include the following:

- (a) To oversee and recommend the risk management policies and procedures of our Group;
- (b) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;
- (c) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;
- (d) To set reporting guidelines for management to report to the committee on the effectiveness of our Group's management of its business risks;
- (e) To review the risk profile of our Group including all our subsidiaries and to evaluate the measures taken to mitigate the business risks; and
- (f) To review the adequacy of management response to issues identified in risk registers, ensuring that our risks are managed within our Group's risk appetite.

The recommendations of our Risk Management Committee are subject to the approval of our Board.

The members of our Risk Management Committee as at the LPD are as follows:

Name	Designation	Directorship
Dato' Albert Ding Choo Earn	Chairman	Independent Non-Executive Director
Lim Pang Kiam	Member	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Tan Kee Jin	Member	Executive Director

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

5.5 RELATIONSHIPS AND/ OR ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 197 of the Act) or association between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD:

- (a) Tan Kim Seng and Tan Kim Chai, who are our Promoters, substantial shareholders and Executive Directors are brothers;
- (b) Teou Chau Hoyk who is our Promoter is the sister-in-law to Tan Kim Seng and Tan Kim Chai. She is the widow of Tan Kim Lai, the late brother of Tan Kim Seng and Tan Kim Chai;
- (c) Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng are our Promoters. Tan Yon Haw is also our Executive Director and substantial shareholder. Tan Yong Thye is our Marketing Manager and substantial shareholder while Tan Yong Ping is our Assistant Production Manager. The aforementioned are siblings and children of Teou Chau Hoyk. They are also nephews of Tan Kim Seng and Tan Kim Chai; and
- (d) Tan Kee Jin and Tan Kee Meng are our Executive Director and Chief Financial Officer respectively. They are siblings and children of Tan Kim Seng. They are also nephews of Tan Kim Chai and Teou Chau Hoyk.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at LPD, there are no existing or proposed service agreements entered into between our Company or any companies within our Group with our Directors or key senior management.

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

- (a) In the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;
- (b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) In the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

- (f) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (g) Being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (h) Have any unsatisfied judgment against them.

5.8 BENEFITS PAID OR INTENDED TO BE PAID

Save for our Directors' remuneration and benefits as disclosed in Section 5.2.4, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

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6. GENERAL INFORMATION ON OUR GROUP

6.1 INFORMATION ON SDSG

SDSG was incorporated in Malaysia on 1 August 2017 under the Act as a public limited company under our present name.

We are an investment holding company. Through our subsidiaries, we are principally involved in the manufacturing and distributing of bakery products as well as operating F&B outlets. Please refer to Section 6.3 for detailed information on the principal activities of our subsidiaries.

There has been no material change in the manner in which our Company conducts its business or activities since our incorporation up to LPD. Please refer to Section 7.1 for detailed information of our Group's history.

As at LPD, our share capital is RM30,572,340 comprising 301,527,100 Shares, all of which have been issued and fully paid-up. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration/ Types of Issue	Cumulative share capital
			RM
1 August 2017	100	RM10/Subscribers' shares	10
5 July 2019	301,527,000	RM30,572,330/ Consideration for the Acquisitions	30,572,340

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM54,560,604 comprising 405,823,900 Shares from the issuance of 104,296,800 IPO Shares.

6.2 DETAILS OF OUR RESTRUCTURING

To formalise our listing group in preparation of our Listing, we have undertaken the Acquisitions.

6.2.1 Acquisitions

On 21 September 2018, SDS B&C entered into a share sale agreement with SDS Tan Properties to acquire 51.0% equity interest in City Cake for a consideration of RM445,200, details as set out in Section 6.2.1(a).

Separately, our Company entered into 3 separate share sale agreements all dated 21 September 2018 to acquire the entire equity interest of SDS Food, SDS Enterprise and Super Arrow for an aggregate consideration of RM30,572,330, details as set out in Section 6.2.1(b) to (d).

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

A summary of the Acquisitions are as follows:

Acquiror	Acquiree	Equity interest acquired	Audited NA as at 31 March 2018	Purchase consideration	No. of SDS Food shares issued
			RM	RM	
SDS B&C	City Cake	51.0	872,950	445,200	42,890

Acquiror	Acquiree	Equity interest acquired	Audited NA as at 31 March 2018	Purchase consideration	No. of Shares issued
			RM	RM	
SDSG	SDS Food	100.0	⁽¹⁾ 28,994,889	28,994,890	285,752,600
SDSG	SDS Enterprise	100.0	26,357	26,360	263,600
SDSG	Super Arrow	100.0	1,551,076	1,551,080	15,510,800
			30,572,322	30,572,330	301,527,000

Note:

- ⁽¹⁾ Based on the audited consolidated NA position of SDS Food as at 31 March 2018 of RM28,549,689 and incorporating the additional capitalisation from the Acquisition of City Cake of RM445,200.

The Acquisition of City Cake was completed on 4 July 2019 and the Acquisition of SDS Food, Acquisition of SDS Enterprise and Acquisition of Super Arrow were completed on 5 July 2019. Please refer to Section 6.2.2 for a graphical presentation of our group structure before and after Acquisitions.

(a) Acquisition of City Cake

On 21 September 2018, SDS B&C entered into an agreement to acquire 51.0% equity interest in City Cake comprising 62,450 ordinary shares from SDS Tan Properties for a total purchase consideration of RM445,200. The purchase consideration was arrived at willing-buyer willing-seller basis, taking into consideration the audited NA position of City Cake as at 31 March 2018 of RM872,950.

The purchase consideration was settled by SDS Food on behalf of SDS B&C via the issuance of 42,890 new shares in SDS Food at an issue price of approximately RM10.38 per share. The issue price of approximately RM10.38 per share is based on the audited consolidated NA per share of SDS Food as at 31 March 2018. Arising from this, there is an inter-company amount of RM445,200 owing by SDS B&C to SDS Food, which will be settled in due course from the internally-generated funds of SDS B&C.

(b) Acquisition of SDS Food

On 21 September 2018, we entered into an agreement to acquire the entire equity interest in SDS Food comprising 2,792,890 ordinary shares after the Acquisition of City Cake for a total purchase consideration of RM28,994,890. The purchase consideration was arrived at willing-buyer willing-seller basis, taking into consideration the adjusted audited consolidated NA position of SDS Food as at 31 March 2018 of RM28,994,889 after incorporating the additional capitalisation from the Acquisition of City Cake of RM445,200. The Acquisition of SDS Food is conditional upon the Acquisition of City Cake.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Details of the SDS Food Vendors and the number of shares acquired are as follows:

Vendor	No. of shares acquired	% of share capital	Purchase consideration	No. of Shares issued
			RM	
Tan Kim Seng	916,667	32.8	9,514,400	93,767,030
Tan Kim Chai	916,666	32.8	9,514,390	93,766,930
Teou Chau Hoyk	183,334	6.6	1,902,887	18,753,470
Tan Yon Haw	183,334	6.6	1,902,887	18,753,470
Tan Yong Thye	183,333	6.5	1,902,875	18,753,360
Tan Yong Ping	183,333	6.5	1,902,875	18,753,360
Tan Yong Heng	183,333	6.5	1,902,875	18,753,360
SDS Tan Properties	42,890	1.7	451,701	4,451,620
	2,792,890	100.0	28,994,890	285,752,600

The purchase consideration was satisfied by the issuance of 285,752,600 new Shares at an issue price of approximately RM0.10 per Share. The new Shares issued pursuant to the Acquisition of SDS Food rank *pari passu* in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

(c) Acquisition of SDS Enterprise

On 21 September 2018, we entered into an agreement to acquire the entire equity interest in SDS Enterprise comprising 2 ordinary shares for a total purchase consideration of RM26,360. The purchase consideration was arrived at willing-buyer willing-seller basis, taking into consideration the audited NA position of SDS Enterprise as at 31 March 2018 of RM26,357.

Details of the vendors of SDS Enterprise and the number of shares acquired are as follows:

Vendor	No. of shares acquired	% of share capital	Purchase consideration	No. of Shares issued
			RM	
Tan Kee Jin	1	50.0	13,180	131,800
Tan Yon Haw	1	50.0	13,180	131,800
	2	100.0	26,360	263,600

The purchase consideration was satisfied by the issuance of 263,600 new Shares at an issue price of RM0.10 per Share. The new Shares issued pursuant to the Acquisition of SDS Enterprise rank *pari passu* in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)**(d) Acquisition of Super Arrow**

On 21 September 2018, we entered into an agreement to acquire the entire equity interest in Super Arrow comprising 100 ordinary shares for a total purchase consideration of RM1,551,080. The purchase consideration was arrived at willing-buyer willing-seller basis, taking into consideration the audited NA position of Super Arrow as at 31 March 2018 of RM1,551,076.

Details of the vendors of Super Arrow and the number of shares acquired are as follows:

Vendor	No. of shares acquired	% of share capital	Purchase consideration	No. of Shares issued
			RM	
Tan Kim Seng	34	34.0	527,370	5,273,700
Tan Kim Chai	33	33.0	511,860	5,118,600
Tan Yong Thye	17	17.0	263,680	2,636,800
Tan Yon Haw	16	16.0	248,170	2,481,700
	100	100.0	1,551,080	15,510,800

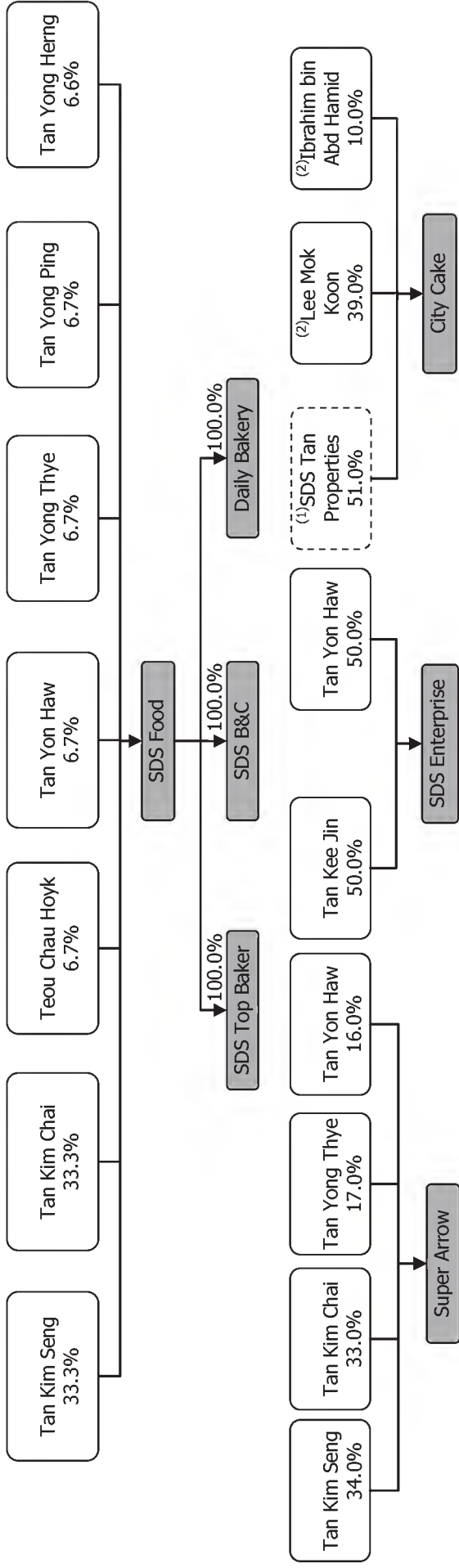
The purchase consideration was satisfied by the issuance of 15,510,800 new Shares at an issue price of RM0.10 per Share. The new Shares issued pursuant to the Acquisition of Super Arrow rank *pari passu* in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

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6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

6.2.2 Group structure

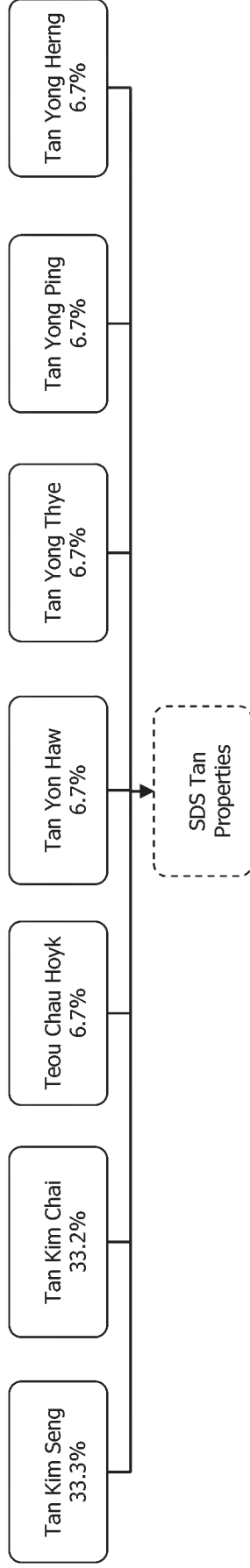
(a) Before the Acquisitions



6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Notes:

(1) The shareholders of SDS Tan Properties are as follows:

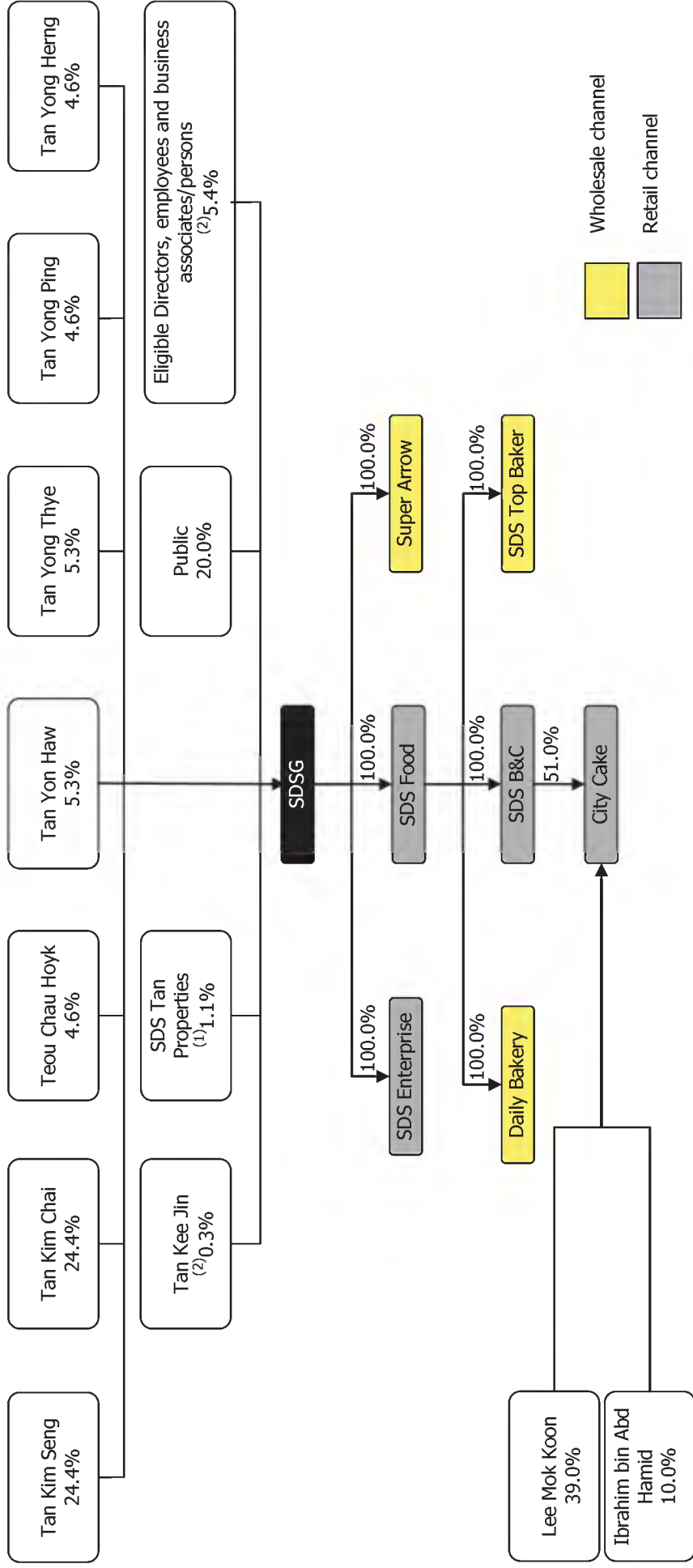


(2) They are joint-venture partners of SDS Tan Properties in City Cake.

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6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

(b) After Acquisitions and Public Issue



Notes:

(1) Please refer to Note (1) in Section 6.2.2(a) for the shareholdings structure of SDS Tan Properties.

(2) Assuming that all the eligible Directors, employees and business associates/ persons will subscribe for the Pink Form Allocations. The shareholding of Tan Kee Jin who is our Executive Director and Promoter is separately disclosed under his own name.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

6.3 SUBSIDIARIES

As at LPD, we do not have any associated companies. Details of our subsidiaries are summarised as follows:

Company	Company No.	Date / Place of incorporation	Principal place of business	Effective equity interest %	Principal activities
<u>Held by SDSG</u> SDS Food	243124-V	25 June 1992/ Malaysia	Malaysia	100.0	Manufacturing and distributing of bakery products
SDS Enterprise	1143371-K	6 May 2015/ Malaysia	Malaysia	100.0	Licensor of F&B outlets
Super Arrow	200819157G	1 October 2008/ Singapore	Singapore	100.0	Wholesale of bakery products in Singapore
<u>Held by SDS Food</u> Daily Bakery	190769-H	12 December 1989/ Malaysia	Malaysia	100.0	Manufacturing and distributing of bakery products
SDS Top Baker	794534-T	5 November 2007/ Malaysia	Malaysia	100.0	Manufacturing and distributing of bakery products
SDS B&C	359313-D	13 September 1995/ Malaysia	Malaysia	100.0	Operator of F&B outlets
<u>Held by SDS B&C</u> City Cake	517331-P	19 June 2000/ Malaysia	Malaysia	51.0	Operator of F&B outlet

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

6.4 MATERIAL CONTRACTS

Save for the material contracts disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during FYE 2016 to 2019 and up to the date of this Prospectus:

- (a) Share sale agreement dated 15 February 2016 ("SSA") and supplemental agreement dated 20 September 2017 between SDS Food and Haw See Ken, Lee Boon Ja, Lee Boon Nam, Lee Shu Jun, Lee Shu Ling, Tan Choo Mit, Lee Boon How, Lee Boon Huat and Lee Boon Pok (collectively referred to as "Daily Bakery Vendors") for the acquisition by SDS Food of the entire equity interest of Daily Bakery for a consideration of RM31.6⁽²⁾ million, which was settled in the following manner:
- (i) Initial cash payment of RM10.6 million;
 - (ii) Second payment of RM6.0 million to be set-off by the drawdown of loan by Daily Bakery of RM6.0 million after the execution of the share sale agreement dated 15 February 2016⁽¹⁾;
 - (iii) Cash instalment payment of RM10.0 million over a period of 24 months commencing from 20 October 2016; and
 - (iv) Cash payment of RM5.0 million upon disposal of 2 identified factories owned by Daily Bakery in Johor Bahru.

The acquisition of Daily Bakery was deemed completed on 1 May 2016. The last cash instalment in relation to item (iii) above is to be paid by SDS Food on or before 30 September 2018 and was paid on 19 September 2018.

Notes:

- (1) Pursuant to the terms of the SSA, the second payment of RM6.0 million will be reduced by the drawdown of loan for working capital of RM6.0 million. However, the drawdown of loan by Daily Bakery took place prior to the date of the SSA and Daily Bakery has started servicing the loan since then. As a result of such, the total loan assumed by SDS Food as at the date of the SSA was RM5.8 million and the balance RM0.2 million was settled by SDS Food in cash;
 - (2) Given that the mode of settlement of the purchase consideration involved an assumption of a RM5.8 million loan by SDS Food, the effective purchase consideration to be paid to Daily Bakery Vendors is RM25.8 million;
- (b) Form 32A (Form of Transfer of Securities) dated 18 March 2016 in respect of the disposal of the entire equity interest in SDS Tan Properties by SDS Food to Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng on 18 March 2016 for a cash consideration of RM1.7 million;
- (c) Form 32A (Form of Transfer of Securities) dated 18 March 2016 in respect of the acquisition of the entire equity interest in SDS B&C by SDS Food from Tan Kim Seng, Tan Kim Chai and Teou Chau Hoyk on 29 March 2016 for a cash consideration of RM1.7 million;

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

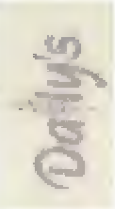





- (d) Sale and purchase agreement dated 18 January 2018 between Daily Bakery as Vendor and KSW Gemilang Sdn Bhd as Purchaser for the disposal of 2 identified factories in Johor by Daily Bakery to the Purchaser at a cash consideration of RM4.8 million, which was completed on 30 March 2018;
- (e) Deed of Assignment dated 30 March 2018 between Tan Kim Seng and Tan Kim Chai as Assignors and SDS Food as Assignee, where the Assignors who own the intellectual property rights to the trademark 'SDS' in classes 16 and 43 assigned all their rights to the said intellectual property rights to the Assignee for a nominal consideration of RM1.00;
- (f) Deed of Assignment dated 30 March 2018 between Tan Kim Seng and Tan Kim Chai as Assignors and SDS Top Baker as Assignee, where the Assignors who own the intellectual property rights to the trademark 'Top Baker' in classes 16, 30 and 35 assigned all their rights to the said intellectual property rights to the Assignee for a nominal consideration of RM1.00;
- (g) Share sale agreement dated 21 September 2018 entered into between SDS B&C and SDS Tan Properties for the Acquisition of City Cake, which was completed on 4 July 2019;
- (h) Share sale agreement dated 21 September 2018 entered into between our Company and SDS Food Vendors for the Acquisition of SDS Food, which was completed on 5 July 2019;
- (i) Share sale agreement dated 21 September 2018 entered into between our Company and Tan Kee Jin and Tan Yon Haw for the Acquisition of SDS Enterprise, which was completed on 5 July 2019;
- (j) Share sale agreement dated 21 September 2018 entered into between our Company and Tan Kim Seng, Tan Kim Chai, Tan Yong Thye and Tan Yon Haw for the Acquisition of Super Arrow, which was completed on 5 July 2019;
- (k) Underwriting Agreement dated 18 July 2019 entered into between our Company and M&A Securities for the underwriting of 43,423,200 IPO Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of IPO Shares being underwritten; and
- (l) Sale and purchase agreement dated 24 October 2018 between SDS Top Baker as Vendor and Doshin Rubber Products (M) Sdn Bhd as Purchaser for the disposal of 2 identified factories in Klang, Selangor by SDS Top Baker to the Purchaser at a cash consideration of RM5.0 million, which was completed on 25 January 2019.

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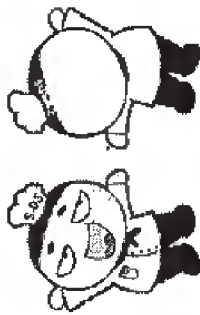
6. GENERAL INFORMATION ON OUR GROUP (*Cont'd*)

6.5 TRADEMARKS

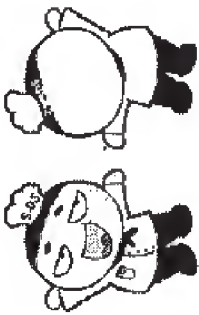



Save as disclosed below, we do not have any other trademarks as at LPD:

No.	Trademark	Applicant(s) or registered owner(s)	Trademark application no./ Class	Place of application or registration	Approving authority	Status/ Registration validity
(a)		Daily Bakery	2012053649/ 30 ⁽¹⁾	Malaysia	MyIPO	Registered/ 28 May 2012 – 28 May 2022 ⁽⁵⁾
(b)		Daily Bakery	2012060465/ 35 ⁽²⁾	Malaysia	MyIPO	Registered/ 31 December 2012 – 31 December 2022 ⁽⁵⁾
(c)		Daily Bakery	T1207597H/ 30 ⁽¹⁾	Singapore	Registrar of Trade Marks Singapore	Registered/ 28 May 2012 – 28 May 2022 ⁽⁵⁾
(d)		Daily Bakery	T1220094B/ 35 ⁽²⁾	Singapore	Registrar of Trade Marks Singapore	Registered/ 31 December 2012 – 31 December 2022 ⁽⁵⁾
(e)		Daily Bakery	2018061319/ 16 ⁽³⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁶⁾
(f)		Daily Bakery	2018061320/ 30 ⁽¹⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁶⁾

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

No.	Trademark	Applicant(s) or registered owner(s)	Trademark application no./ Class	Place of application or registration	Approving authority	Status/ Registration validity
(g)		Daily Bakery	2018061323/ 35 ⁽²⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁶⁾
(h)		SDS Food	2015056332/ 16 ⁽³⁾	Malaysia	MyIPO	Registered/ 25 April 2015 – 25 April 2025
(i)		SDS Food	2015056333/ 43 ⁽⁴⁾	Malaysia	MyIPO	Registered/ 25 April 2015 – 25 April 2025
(j)		SDS Food	2019017389/ 30 ⁽¹⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁷⁾
(k)		SDS Food	2019017390/ 35 ⁽²⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁷⁾
(l)		SDS Food	2018072894/ 30 ⁽¹⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁸⁾

6. GENERAL INFORMATION ON OUR GROUP (*Cont'd*)

No.	Trademark	Applicant(s) or registered owner(s)	Trademark application no./ Class	Place of application or registration	Approving authority	Status/ Registration validity
(m)		SDS Food	2018072895/ 43 ⁽⁴⁾	Malaysia	MyIPO	Application filed, pending examination report ⁽⁶⁾
(n)		SDS Top Baker	2015056331/ 16 ⁽³⁾	Malaysia	MyIPO	Registered/ 25 April 2015 – 25 April 2025
(o)		SDS Top Baker	08022158/ 30 ⁽¹⁾	Malaysia	MyIPO	Registered/ 1 August 2018 – 6 November 2028
(p)		SDS Top Baker	08022157/ 35 ⁽²⁾	Malaysia	MyIPO	Registered/ 1 August 2018 – 6 November 2028

Notes:

- (1) Refers to coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastries and confectionery; edible ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices and ice (frozen water).
- (2) Refers to advertising; business management; business administration and office functions.
- (3) Refers to paper and cardboard; printed matter; bookbinding material; photographs; stationery and office requisites, except furniture; adhesives for stationery or household purposes; drawing materials and materials for artists; paintbrushes; instructional and teaching materials; plastic sheets, films and bags for wrapping and packaging; printers' type as well as printing blocks.
- (4) Refers to services such as provision of food and drinks.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

- (5) We do not intend to renew this registration upon their expiry as we no longer use this trademark.
- (6) Daily Bakery had on 31 May 2018 submitted the registration application to the Registrar of Trade Marks to safeguard the interest of its mark. As at LPD, the application is still under examination by MyIPO. Currently, there is no plan to register our trademarks in Singapore as the sales of our own branded products in Singapore represent less than 3.0% of our Group's total revenue. Further, we do not intend to enter into direct distribution to retailers in Singapore as it would require separate licenses and logistical support in Singapore.
- (7) SDS Food had on 14 May 2019 submitted the registration application to the Registrar of Trade Marks to safeguard the interest of its mark. As at LPD, the application is still under examination by MyIPO.
- (8) SDS Food had on 30 October 2018 submitted the registration application to the Registrar of Trade Marks to safeguard the interest of its mark. As at LPD, the application is still under examination by MyIPO.

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6. GENERAL INFORMATION ON OUR GROUP (Cont'd)**6.6 PPE****6.6.1 Properties owned and rented by our Group**

Further details of properties owned and rented by our Group are set out in Appendix II.

6.6.2 Acquisition of properties

We did not enter into any sale and purchase agreement to acquire any properties during FYE 2016 to 2019 up to LPD.

6.6.3 Production capacity, material machinery and factory equipment**(a) Production capacity and utilisation**

The following table lists our Group's production capacity and its utilisation during FYE 2019:

Type of products	No. of production lines	Location	Actual production package per annum	Machine capacity package per annum	Utilisation rate in FYE 2019	
						%
Sandwich loaf 400gm	1	Kempas	2,300,000	2,500,000		92.0
Sandwich loaf 550gm	1	Seremban	13,800,000	21,900,000		63.0
Bun ⁽¹⁾	1	Kempas	6,200,000	12,500,000		49.6
Filled bun ⁽¹⁾	1	Kempas	8,700,000	10,000,000		87.0
Cream roll ⁽¹⁾	1	Kempas	41,700,000	56,000,000		74.5
Muffin or cupcake	1	Kempas	14,800,000	20,000,000		74.0
Burger/ sausage bun	1	Seremban	4,100,000	5,000,000		82.0

Note:

⁽¹⁾ These production lines can be used interchangeably, eg. production line for bun can be used to produce filled bun and cream roll and vice versa.

Each production line is made up of various machinery and factory equipment. The material machinery and factory equipment are set out in the following section.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Our Group is dependent on various machinery and factory equipment to carry out our manufacturing activities. In line with our business needs and cost efficiency considerations, we have over the years invested in new and used machinery and factory equipment to increase our production capacity and production efficiency. Our procurement of machinery and factory equipment is managed by our Project Manager.

(b) Material machinery and factory equipment

The following table lists the material machinery and factory equipment that we currently own for our manufacturing activities. These machinery and factory equipment forms part of the various production lines set out in Section 6.6.3(a), and the production capacity for the machinery and factory equipment is shown under the various production lines as set out in Section 6.6.3(a).

No	Type of machinery and factory equipment	Description/ Use of machinery and equipment	Used in which production line	Location	Unit(s)	Year purchased	Total purchase value	NBV as at 31 March 2019
(a)	Cyclothermic oven	Baking sandwich loaf	Sandwich loaf 550gm	Seremban	1	2016	1,625	1,458
(b)	Direct drive tilt bowl mixer	Mixing of sandwich loaf dough	Sandwich loaf 550gm	Seremban	2	2016	1,402	1,258
(c)	Dough machine set	Make-up line for sandwich loaf	Sandwich loaf 550gm	Seremban	1	2017	1,703	1,528
(d)	Sandwich loaf conveyor	Conveyor cooling for sandwich loaf	Sandwich loaf 550gm	Seremban	1	2017	1,000	898
(e)	Sandwich loaf production line	Fully automatic conveyor	Sandwich loaf 550gm	Seremban	1	2017	3,762	3,375
(f)	Silo	Flour storage system	Sandwich loaf 550gm and burger/sausage bun	Seremban	1	2017	1,280	1,026
(g)	Burger bun conveyor	Conveyor cooling for burger bun	Burger/ sausage bun	Seremban	1	2017	842	767
(h)	Cupcake production line	Fully automatic conveyor system for cupcakes	Muffin or cupcake	Kempas	1	2013	1,334	824
(i)	Sandwich loaf conveyor	Conveyor cooling for sandwich loaf	Sandwich loaf 400gm	Kempas	1	2012	1,141	605

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

No	Type of machinery and factory equipment	Description/ Use of machinery and equipment	Used in which production line	Location	Unit(s) purchased	Year purchased	Total purchase value	NBV as at 31 March 2019
							RM'000	RM'000
(j)	Silo	Flour storage system, for production of sandwich loaf 400gm, bun	Sandwich loaf 400gm, bun, filled bun and cream roll	Kempas	1	2012	1,038	557
	Total							12,296

The average economic useful life for our machinery and factory equipment is between 10 to 15 years. We conduct periodic inspections and maintenance of our machinery and factory equipment and undertake certain repair works when necessary. Our maintenance procedures include oiling, corrosion prevention and cleaning. The machinery and factory equipment that we own are commonly used in the food manufacturing industry and are generally imported from China, Japan and Europe.

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6. GENERAL INFORMATION ON OUR GROUP (Cont'd)**6.6.4 Regulatory requirements and environmental issues**

Save for the manufacturing licences, licence to manufacture scheduled goods (bread) and permits to store schedule controlled goods, there are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our assets as at LPD.

Details of our manufacturing licences, licence to manufacture scheduled goods (bread) and permits to store schedule controlled goods are set out in Appendix I.

6.6.5 Material capital expenditures and divestitures

Save as disclosed below, there were no other material capital expenditures (including interests in other corporations) made by us for the past 4 financial years up to LPD:

Description	At cost, unless otherwise stated				1 April 2019 up to LPD
	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	
PPE comprising:					
• Buildings					
- Johor	122	600	729	-	-
- Seremban	-	-	15	23	-
	122	600	744	23	-
• Motor vehicles ⁽¹⁾	4,297	6,054	5,927	2,575	1,654
• Office equipment, furniture and renovation ⁽²⁾					
- Johor	1,481	2,868	3,239	2,714	1,365
- Seremban	-	415	295	265	4
	1,481	3,283	3,534	2,979	1,369
• Plant, machinery and factory equipment ⁽³⁾					
- Johor	1,069	2,287	2,971	1,600	938
- Seremban	-	11,767	6,042	1,096	356
	1,069	14,054	9,013	2,696	1,294
• Construction in progress ⁽⁶⁾	-	-	-	1,158	839
	6,969	23,991	19,218	9,431	5,156
Acquisition of the entire equity interest of SDS B&C	⁽⁴⁾ 1,700	-	-	-	-
Acquisition of the entire equity interest of Daily Bakery	-	⁽⁵⁾ 25,830	-	-	-

Notes:

- (1) Mainly relates to delivery vehicles used to deliver our products from our manufacturing plants to our depots and from our depots to our customers.

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

- (2) Mainly relates to computers, furniture for our office and F&B outlets and renovations of our manufacturing plants and F&B outlets.
- (3) Mainly relates to machinery and factory equipment purchased for our manufacturing plant and our F&B outlets such as ovens, mixer, chiller and packaging machine.
- (4) During FYE 2016, SDS Food acquired SDS B&C from our Promoters, namely Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk for a total cash consideration of RM1.7 million.
- (5) Based on the purchase consideration of RM31.6 million after setting-off an amount of RM5.8 million, being loan drawdown by Daily Bakery. Please refer to Section 6.4(a) for further details.
- (6) Refers to an extension made to the manufacturing plant in Kempas for the retail channel to be used as production space, in line with the increase in number of F&B outlets. Such extension was approved by Johor Bahru City Council on 30 January 2019.

The capital expenditures of the above PPE were mainly driven by our business expansion during the relevant financial years as well as for replacement purposes. The capital expenditures were financed by a combination of bank borrowings, hire purchase and internally generated funds.

The acquisition of Daily Bakery was undertaken to enable us to increase our production capacity to support expansion of our wholesale channel outside of Johor. The consideration for the acquisition of Daily Bakery was financed by a combination of bank borrowings and internally generated funds.

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group for the past 4 financial years up to LPD:

Description	At NBV, unless otherwise stated ⁽¹⁾				
	FYE 2016	FYE 2017	FYE 2018	FYE 2019	1 April 2019 up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
PPE comprising:					
• Freehold land	-	-	⁽²⁾ 3,490	-	-
• Buildings	-	-	⁽²⁾ 1,069	-	-
• Motor vehicles	572	99	38	79	75
• Office equipment, furniture and renovation	372	-	15	-	-
• Plant, machinery and factory equipment	129	82	193	16	271
	1,073	181	4,805	95	346
Disposal of the entire equity interest of SDS Tan Properties	⁽³⁾ 1,700	-	-	-	-

6. GENERAL INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) The capital divestitures and write-offs stated above are all from our manufacturing plant in Kempas and F&B outlets in Johor.
- (2) Relates to the disposal of Daily Bakery's factories in Johor Bahru which were no longer in use.
- (3) Based on the sales consideration of RM1.7 million.

The capital divestitures and write-offs of the above PPE were carried out in the ordinary course of business as part of the periodic review of our fixed asset register to identify and eliminate assets which are fully depreciated or no longer in use or are obsolete or have surpassed their useful lives.

During FYE 2016, SDS Food undertook an internal restructuring to streamline its business operation. As part of the internal restructuring, SDS Food:

- (a) disposed its entire equity interest of SDS Tan Properties (then known as SDS Bakery & Confectionery Sdn Bhd) for a total cash consideration of RM1.7 million as SDS Tan Properties' principal activity of property investment holding is not in line with our Group's core business; and
- (b) acquired the entire equity interest of SDS B&C from our Promoters, namely Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk for a total cash consideration of RM1.7 million.

6.6.6 Material plans to construct, expand or improve facilities

Save for the extension made to the manufacturing plant in Kempas, our Group has no immediate and material plans to construct, expand and improve our facilities as at LPD.

6.7 PUBLIC TAKE-OVERS

Since our incorporation up to LPD, there were:

- (a) no public take-over offers by third parties in respect of our Shares; and
- (b) no public take-over offers by our Company in respect of other companies' shares.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

The history of our Group began with the formation of the partnership business named Masai Lee Hiang in 1984 by 2 brothers, Tan Kim Seng and Tan Kim Chai. In 1987, their late elder brother Tan Kim Lai, joined the partnership business and Masai Lee Hiang was renamed to Sin Lee Hiang Bakery. Sin Lee Hiang Bakery was involved in the manufacturing and retailing of bakery products with its first bakery being established in Masai, Johor.

During the early years, the Tan brothers focused on expanding the number of bakery outlets operated by Sin Lee Hiang Bakery. They had successfully opened 10 bakery outlets across Johor by 1991, all under the brand name of 'SDS'. On 25 June 1992, SDS Food was incorporated as a private limited company to take over the business and assets of Sin Lee Hiang Bakery.

In 1993, the Tan brothers purchased a piece of land measuring approximately 3.5 acres in Kempas, Johor to build a 2-storey factory cum office building (the ownership of the said property was transferred to SDS Food in 1999). This property is currently used as our headquarters and production facility for manufacturing of bakery, confectionery and other F&B products.

We established SDS Cafeteria Sdn Bhd (now known as SDS B&C) on 13 September 1995 to venture into the café business. In 1995, we opened our first F&B outlet (bakery-cum-café) under the name of 'SDS' in Taman Johor Jaya, Johor. With the commissioning of the new production facility mentioned above in 1996, we continued to expand our F&B business.

In 1999, our Group started to manufacture bakery products on an OEM basis for various hypermarkets and supermarkets in Singapore, which are distributed by our Singapore-based customers.

With the experience in the OEM business, in 2008, we diversified into the wholesale trade of bakery products targeting sales channels such as convenience stores, hypermarkets and mini markets. By 2009, we successfully acquired the entire equity stake in Wonderful Moderate Sdn Bhd (now known as SDS Top Baker). Wonderful Moderate Sdn Bhd was a manufacturer and wholesaler of 'Chicago' branded bakery products based in Senai, Johor. Its bakery products were sold in Johor and Melaka.

Following the acquisition, the brand 'Chicago' was rebranded as 'Top Baker'. The existing portfolio of bakery products was reviewed and new products were introduced to increase their appeal to consumers.

In 2010, we took over the distribution business of Bees Bakery Sdn Bhd through the acquisition of 35 delivery vehicles and recruitment of its sales and marketing personnel. With this, we were able to leverage on their local knowledge and existing customer network in the Klang Valley as we expand into the region. At the same time, we also established a depot/distribution centre to support our wholesale channels in Klang, Selangor. As at LPD, we have 19 depots across Peninsular Malaysia to facilitate the wholesale distribution of our bakery products to Johor, Pahang, Terengganu, Kelantan, Perak, Negeri Sembilan, Klang Valley and Melaka.

To increase our production capacity in the wholesale channel, we expanded our existing production facility in 2012 by building an adjoining 3-storey building with office, factory and warehouse. This expansion enabled us to consolidate our wholesale production plant from Senai (which was rented by us) to our existing location in Kempas, Johor. With this, our enlarged production facility further boosted our production capacity by approximately 50%.

7. BUSINESS OVERVIEW (Cont'd)

In 2013, we took over the distribution business of Sunshine Bakery Sdn Bhd in Klang Valley and Negeri Sembilan through the acquisition of 8 delivery vehicles and recruitment of its sales and marketing personnel. With this, we were able to leverage on their local knowledge and existing customer network in Klang Valley and Negeri Sembilan.

On 21 March 2014, the food safety management system of SDS Top Baker was assessed and certified to have conformed to the requirements of ISO 22000:2005 under the scope of manufacturing of bakery and confectionery products. The ISO 22000:2005 certification was subsequently renewed for another 3-year period beginning from 3 January 2017.

In 2016, our Group acquired Daily Bakery primarily for its wholesale distribution team and new manufacturing plant in Seremban which was in the midst of construction. The acquisition was to enable us to increase our production capacity to support expansion of our wholesale channel outside of Johor. Established on 12 December 1989, Daily Bakery is principally involved in the manufacturing, sales and distribution of bakery products under the brand 'Daily's'. In August 2017, we completed the construction and commissioning of the new manufacturing plant in Seremban. In November 2017, we commenced operations in our Seremban manufacturing plant where we mainly produce sandwich loaf (550gm) and burger/sausage buns. The manufacturing plant in Kempas on the other hand produces all other bakery products such as sandwich loaf (400gm), filled buns, cream rolls, muffins or cupcakes etc.

In 2018, Daily Bakery obtained the certification of 'Makanan Selamat Tanggungjawab Industri' ("MeSTI") which is a food safety programme undertaken by the Ministry of Health Malaysia. This certification is valid for 3 years from 19 July 2018 to 18 July 2021 for our manufacturing plant in Seremban. Further details on MeSTI are set out in Section 7.14.

In 2019, SDS Food obtained the MeSTI certification with a validity period of 3 years from 10 May 2019 to 9 May 2022 for our manufacturing plant in Kempas. Further details on MeSTI are set out in Section 7.14.

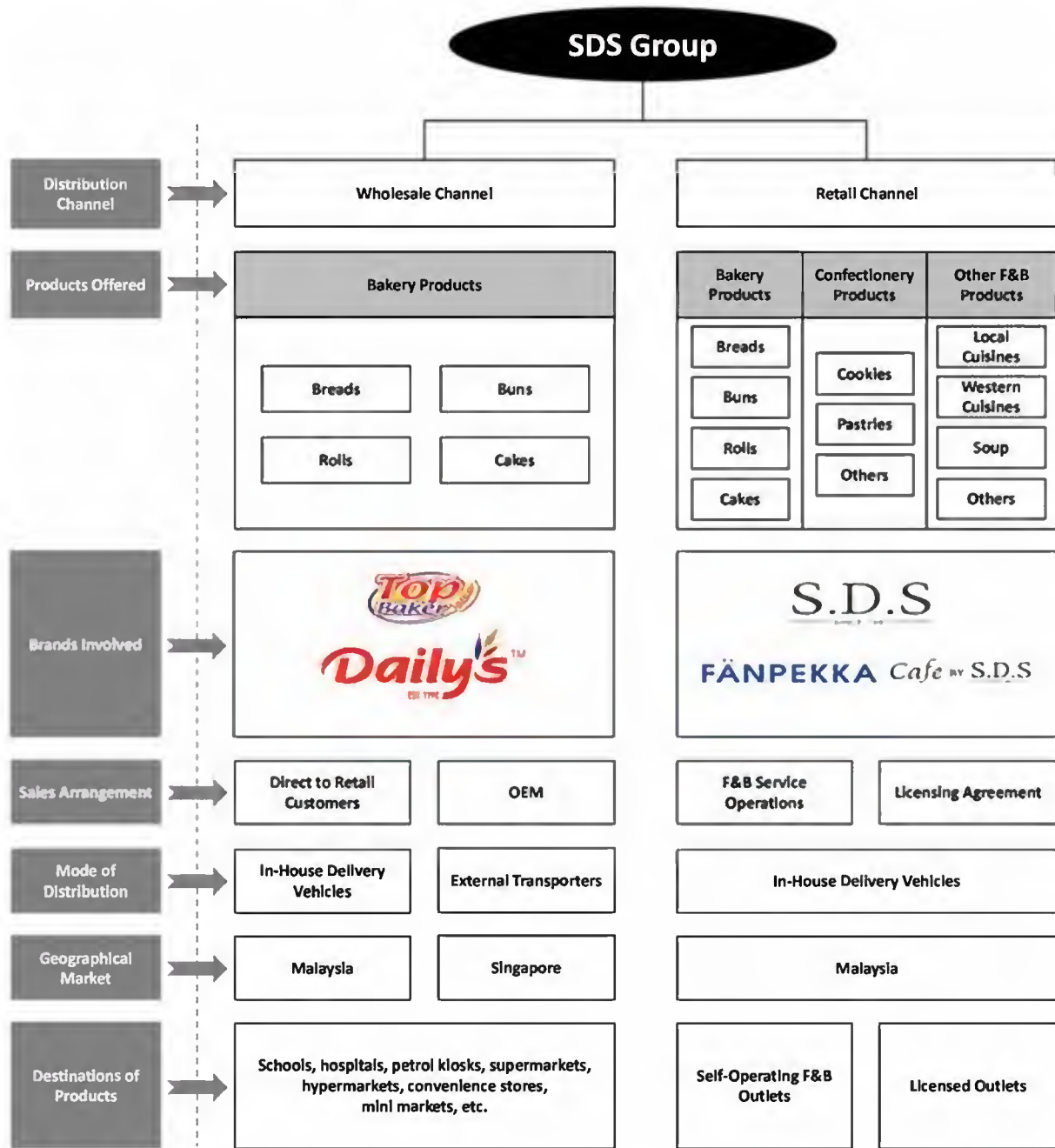
From a traditional operator of a single bakery, we have over the years emerged as a large-scale bakery products manufacturer that distributes to:

- (a) wholesale market (over 10,000 customers such as schools, hospitals, petrol kiosks, supermarkets, hypermarkets, convenience stores, mini markets). As at LPD, our bakery products are now distributed in Johor, Pahang, Terengganu, Kelantan, Perak, Negeri Sembilan, Klang Valley and Melaka as well as Singapore; and
- (b) retail market via our own 33 F&B outlets in Johor. As at LPD, we operate 18 bakery outlets (of which 14 are operated by us (6 outlets operated at different Aeon hypermarkets), and 4 outlets operating under licensing arrangement), 5 cafés and 10 bakery-cum-café outlets (of which 1 outlet is operating under licensing arrangement).

7.2 DESCRIPTION OF OUR BUSINESS

Our Group is principally involved in the manufacturing and distributing of bakery products as well as operating F&B outlets. Our products are sold via both wholesale and retail channels.

7. BUSINESS OVERVIEW (Cont'd)



We are a manufacturer of a wide range of bakery products such as breads, buns, rolls and cakes. In addition, we also produce other food products which cater to our F&B outlets. As at LPD, we have obtained Certificate of Authentication Halal for 681 bakery products representing 96.2% of our total 708 bakery products. Although we continuously roll out new and seasonal products, we only make applications for the Certificate of Authentication Halal for the new products once every 6 months. Our bakery products that have not obtained the Certificate of Authentication Halal includes those newly rolled out to the market, those that will be included in the next batch of application for approval or those that are pending approval. The Halal logo will not be printed on the packaging of those products that have yet to obtain the Certificate of Authentication Halal.

7. BUSINESS OVERVIEW (Cont'd)

7.2.1 Wholesale channel

Bakery products manufactured by our Group for wholesale channel are catered for the mass market across the Peninsular Malaysia as well as Singapore. The products are marketed under our trademarked brands of 'Top Baker' and 'Daily's'.



As at LPD, bakery products sold under wholesale channel include 47 'Top Baker' and 44 'Daily's' varieties of breads, buns, rolls and cakes such as sandwich loaf, assorted buns, cream rolls and cakes. In addition, we also manufacture 42 bakery products on an OEM basis.

Bakery products under the 'Daily's' brand are typically sold at wholesale channels such as hypermarkets, supermarkets and convenience stores that requires a listing fee. Listing fees are charged for displaying and promotion of products at their premises.

Bakery products under the 'Top Baker' brand are typically sold at wholesale channels such as smaller grocery/sundry shops and factories/ schools/ coffee shops for which there is no listing fee.

Moving forward, our product differentiation strategy is for 'Daily's' brand to carry premium products such as sandwich loaf made from premium ingredients like multigrain or wholemeal flour, cream rolls with cheese, buns with different flavours of sausages, pocket sandwiches, dorayaki etc. On the contrary, the 'Top Baker' brand will carry basic and traditional range of products such as white sandwich loaf, basic cream rolls with vanilla or chocolate filling, kaya buns etc.

We will continue to produce existing products for both brands. However, moving forward for new product launches, we will focus more on premium products for "Daily's" brand. Although the cost of raw materials may be higher for premium products, the corresponding selling price will be higher as well. Furthermore, sales generated from these premium products is not expected to be substantial enough to materially impact the Group's financial position.

Examples of some of our bakery products sold under wholesale channel are as follows:

Type of products sold	Examples
Breads	Sandwich loaf 400gm, sandwich loaf 550gm, french loaf
Buns	Filled buns, non-filled buns such as burger/sausage buns
Cakes	Cream cakes, loaf cakes, muffins, cupcakes, fruit cakes, cheese cakes
Rolls	Cream rolls

7. BUSINESS OVERVIEW (Cont'd)



We supply bakery products (under our own brands) and also act as an OEM for some of our customers in Singapore. Based on the OEM business arrangement, we manufacture bakery products and package them under different brand name(s) for our Singapore-based customers. As at LPD, we manufacture 5 different brands for our Singapore-based customers on an OEM basis.

Our bakery products are sold either directly to our Singapore-based customers or through distributors in Singapore, both via Super Arrow. We deliver our bakery products to our customers or distributors in Singapore using our delivery vehicles. Our customers or distributors will then distribute the bakery products to various hypermarkets and supermarkets in Singapore. As at LPD, our Group has 2 distributors in Singapore comprising A.M. Deli Enterprise Pte Ltd, since 2016 and JC Food Supplies Pte Ltd, since January 2019. We supply to JC Food Supplies Pte Ltd both our own brands and OEM brands of bakery products, while we only supply our own brands of bakery products to A.M. Deli Enterprise Pte Ltd.

Our Group leverages on our depots and our own fleet of delivery vehicles to deliver directly to our customers in Malaysia and Singapore. Further details on our Group's distribution arrangement are set out in Section 7.3.1(c).

Bakery products for wholesale channel are generally sold on a 'sale-or-return' basis. Under this arrangement, our customers retain the rights to return any unsold (expired or defective) bakery products to us. On average, our van salesmen will collect any unsold bakery products which includes expired or defective products, 4 days from the date of initial delivery. For FYE 2016 to 2019, the value of unsold bakery products returned back to us ranged from 11.9% to 14.7% of our total annual revenue for the wholesale channel (net of inter-segment adjustments). The unsold bakery products will then be disposed to third parties who will further process it into animal feed. The disposal price is determined by weight and varies depending on negotiation with the buyers. For FYE 2016 to 2019, revenue from disposal of unsold bakery products (which was captured under revenue from wholesale channel) was less than 1.0% of our total annual revenue.

7.2.2 Retail channel

Bakery and other food products manufactured by our Group for retail channel are sold via our F&B outlets. We operate F&B outlets under 3 different concepts namely bakery, café and bakery-cum-café. As at LPD, all our F&B outlets are located in Johor.

7. BUSINESS OVERVIEW (Cont'd)

Our F&B outlets are strategically located at main streets, shopping malls and transport terminals that have high pedestrian traffic and/or are within the catchment area of surrounding neighbourhoods.

- **Bakery**



Products in our bakery outlets are mostly sold under the 'grab-and-go' manner. There are few bakery outlets that provide seating for customers to immediately enjoy their purchases.

As at LPD, our Group holds a concession from AEON Co. (M) Berhad to occupy designated area within the premises of 6 AEON outlets in Johor namely the Taman Universiti, Permas Jaya, Tebrau City, Bukit Indah, Kulaijaya and Bandar Dato' Onn outlets for the purpose of exhibiting, storing and selling our bakery and confectionery products. This concession is subject to yearly renewal. The concession at the 6 AEON outlets has been renewed with effect from 1 January 2019 and will expire on 31 December 2019. For the 6 AEON outlets, we have to pay on a yearly basis, a minimum concession fee of RM565,383 or 30.0% of the gross yearly sales generated by the outlets. Other than this, there is no other requirement in terms of minimum sales from the concession agreement.

Besides being the direct operators of our bakery, we also act as a licensor of our bakery to interested parties. Interested parties can enter into a licensing agreement with our Group to open our bakery and enjoy operational, training and marketing support from us. Our Group stands to earn a licensing fee as well as recurring monthly income namely consultant fees and outlet fees from this business arrangement. The licensing agreement is valid for a period of 5 years with an option to renew for another 5 years, subject to terms and conditions as may be imposed by us. As at LPD, there are 4 licensed 'SDS' bakery and 1 licensed 'SDS' bakery-cum-café. The licensed 'SDS' bakery are located in Kota Raya, Kangkar Pulai, Setia Indah and Kota Masai in Johor Bahru whereas the licensed 'SDS' bakery-cum-café outlet is located in Taman Pelangi.

The revenue contributions to our Group (via SDS Enterprise) from the licensing arrangements for the financial years under review are as follows:

	FYE 2016	FYE 2017	FYE 2018	FYE 2019
	RM'000	RM'000	RM'000	RM'000
SDS Enterprise	37	153	164	170

7. BUSINESS OVERVIEW (Cont'd)

The revenue from our licensing arrangements was less than 1.0% of our Group's retail channel revenue for each of the financial year under review.

- **Café**



Our food products are ready-to-cook meals prepared at our central kitchen in Kempas, Johor under the 'hub-and-spoke' model. Each café is also equipped with in-store kitchen equipment to cook the meals upon customers' order.

- **Bakery-cum-café**



We also operate F&B outlets which are a combination of bakery and café.

As at LPD, our Group operates 18 bakery (including 4 outlets operating under licensing arrangement and 6 outlets operated at different AEON hypermarkets), 5 cafés and 10 bakery-cum-café (of which 1 outlet is operating under licensing arrangement). All our products under this channel are sold under our brand name of 'SDS'. One of our bakery-cum-café is operated under a joint collaboration with FANPEKKA Theme Park by AEON under the name of 'FANPEKKA Cafe BY SDS'. FANPEKKA Theme Park by AEON has allowed us to operate our café in the theme park under the name of 'FANPEKKA Cafe BY SDS'. We have to pay FANPEKKA on a monthly basis, the higher of a fixed rental of RM28,988 or 12.0% of the gross monthly sales generated by 'FANPEKKA Cafe BY SDS'. We are also required to pay an additional 3.0% of the gross annual sales of 'FANPEKKA Cafe by SDS' as yearly commission. Other than this, there is no other requirement in terms of minimum sales from the joint collaboration.

7. BUSINESS OVERVIEW (Cont'd)

The annual revenue contributions from the 6 outlets operated at different AEON hypermarkets and the 'FANPEKKA' bakery-cum-café were less than 4.0% of our total annual revenue for FYE 2016 to 2019.



Our retail channel allows us to showcase our new and seasonal bakery products as well as other F&B products. As at LPD, we offer 413 bakery products and 162 festive bakery products at our 33 F&B outlets. There are at least 180 different bakery and other F&B products being offered on a daily basis. F&B products offered at our café and bakery-cum-café include a variety of breakfast, casual lunch, afternoon tea and casual dinner food options encompassing local and western cuisines, beverages and desserts.

Examples of bakery and F&B products sold under retail channel are as follows:

Type of products sold	Examples
Breads	Sandwich loaf 400gm, sandwich loaf 550gm, french loaf
Buns	Filled buns, non-filled buns, savoury buns
Cakes	Cream cakes, muffins, cupcakes, fruit cakes, cheese cakes
Confectionery	Cookies, mooncakes, pastries
Local cuisine	Mee mamak, braised yee mee, yee mee with barbeque chicken, fried kuey teow, kampong fried rice, nasi lemak
Asian cuisine	Thai tom yam, seafood udon soup, oriental udon, black pepper chicken chop udon, Singapore fried mee hoon, Hong Kong style yee mee, Hong Kong style fish noodle
Western cuisine	Seafood platter, spicy grilled chicken chop, satay grilled chicken chop, original spring chicken, various pasta
Fusion cuisine	Tilapia fish rice bowl, smoked duck rice bowl, teriyaki chicken rice bowl, salmon rice bowl, oriental fried rice with smoked duck
Jam	Coconut jam, pandan coconut jam
Gelato	Various flavours of gelato
Beverage	Hot/ iced/ blended coffee, hot /iced tea, mocktail, milkshake, fresh fruit juice

7. BUSINESS OVERVIEW (Cont'd)



In addition, there are bakery products that are offered in conjunction with the prevailing festivals and specific occasions at various points in time of the year. We offer various types of festive products in conjunction with local festivities such as Chinese New Year, Mid-Autumn Festival, Hari Raya, Deepavali and Christmas. Besides that, we offer delicacies for 'baby full moon' celebration as well as customised wedding cakes.

Examples of festive products sold are as follows:



7. BUSINESS OVERVIEW (Cont'd)

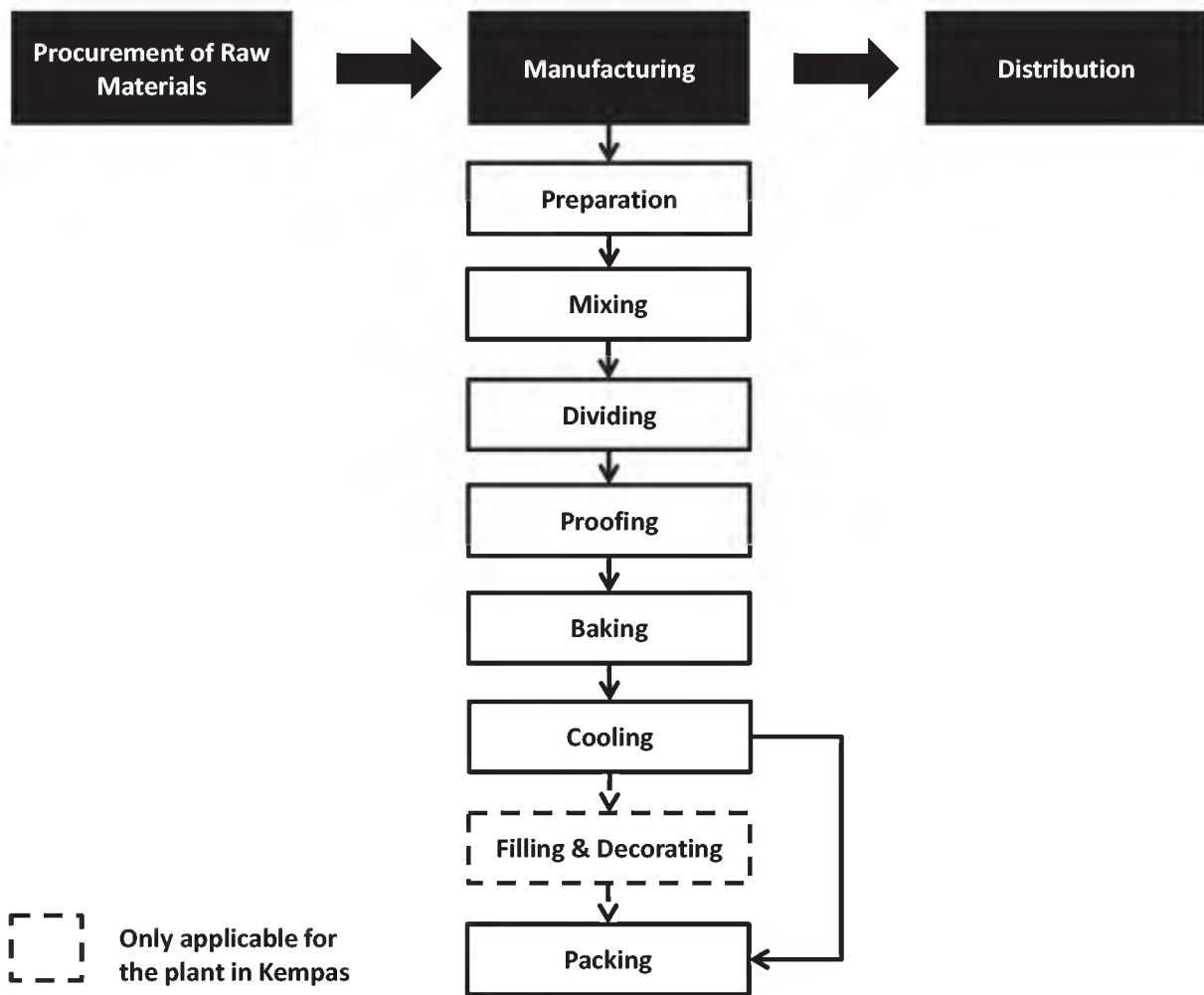
Bakery, confectionery and other F&B products sold under this channel are distributed based on a 'hub-and-spoke' model. These products are produced at our central kitchen located in our production facility in Kempas, Johor, and are delivered to each of the F&B outlets on a daily basis. Please refer to Section 7.3.2 for further details of our 'hub-and-spoke' model.

7.3 BUSINESS PROCESSES

7.3.1 Manufacturing process

We undertake the production of bakery products on a large scale basis. The general flow chart and elaboration on the processes involved in the production of bakery products are as follows:

(I) PRODUCTION FLOW CHART OF OUR BAKERY PRODUCTS



PROCESSES INVOLVED

There are generally 3 main stages involved, namely procurement of raw materials, manufacturing process and distribution of products. The processes are the same at both manufacturing plants in Seremban and Kempas save for the filling and decoration process which is only applicable for the manufacturing plant in Kempas.

7. BUSINESS OVERVIEW (Cont'd)

(a) Procurement of raw materials

The required raw materials are identified and procured from various suppliers. There are some ingredients that are imported. All ingredients supplied to us must comply with our food safety standards and Halal-requirements. All incoming raw materials are inspected visually or put through quality checks.

These raw materials are subsequently stored in different storage rooms or containers. Certain ingredients are refrigerated or stored in storage containers under controlled environment to keep them fresh and/or safe for use.

(b) Manufacturing

Quality checks are randomly conducted throughout the manufacturing processes. Any samples that do not meet our internal quality requirements will be removed from production and discarded.

Preparation

The first step in the manufacturing process of bakery products involves the preparation of ingredients. Flour, which is the main ingredient used to make bakery products, is generally sieved for several reasons including to aerate the flour, to remove coarse particles and other impurities as well as to make the flour more homogeneous. After that, the flour and other different ingredients are weighed as per the formulation of the intended bakery products.

We have a dedicated scaling division which is in charge of the preparation of food ingredients before they are despatched to the mixing department. Such protocol ensures separation of functions to safeguard the formulation of our bakery products. Our quality control personnel will conduct random checks on the weight of the ingredients to ensure that it is prepared correctly.

Mixing

The mixing of flour with other ingredients using a mixer involves kneading of dough for bread and buns products or mixing of batter for cake products.

At the mixing stage of dough, liquid ingredients are added to the flour and dry ingredients with the resulting dough becoming wet and sticky. The continuous kneading of ingredients will cause gluten to gradually develop in the dough. As the dough develops, it becomes more elastic. The dough may be subject to fermentation for a period of time. The temperature of the dough will be measured and traced using a thermometer to ensure consistency in quality.

At the mixing stage of batter, liquid ingredients are added to the flour and dry ingredients. The batter is then mixed together until all the ingredients are well combined.

7. BUSINESS OVERVIEW (Cont'd)

Dividing

For production of breads and buns, the dough is divided into individual pieces of predetermined weight and size by the dough divider machine. Our quality control personnel will conduct random checks on the weight of the divided dough using portable weighing scale machines. For our automated sandwich loaf production line, the divided dough is placed and measured on an automatic conveyor with weight checking capability. After the dough is freshly cut, it is often irregular in shape with sticky surface. The dough is then rounded to give a new surface skin that will retain gas from fermentation and to reduce the stickiness of the dough. The rounded dough is often subject to an intermediate proofing process whereby fermentation of the dough continues. After that, the dough is moulded into suitable shapes and placed in the baking pan.

For production of cake products, the batter is poured into the desired moulds.

Proofing (applicable only for production of breads and buns)

The proofing (also known as proving) process refers to the dough resting period after it has been placed in the baking pan. During this resting period, the fermentation of the dough continues. The proofing process is usually conducted in a controlled warm and humid environment in a proofing room. During this process, the dough increases significantly in volume. The resulting dough from this process will be randomly measured using measuring rulers by our quality control personnel.

Baking

After the proofing stage (if applicable), the dough/batter is transferred to the oven with the use of a trolley or conveyor belt. The dough/batter will be baked in an oven. The baking temperature varies depending on the oven and type of bakery products to be produced. Besides that, the duration of the baking process may also differ depending on the type and size of the bakery products. A random check on the core temperature of the baked products will be performed using a thermometer by our quality control personnel.

Cooling

After the baking stage, the baked products are left at the cooling tower to cool before they are sent for packaging to prevent formation of moisture from condensation in the wrapper. Once again, the temperature of the baked products will be randomly taken by our quality control personnel using a thermometer. A trolley is used to transport the cooled baked products. Some bakery products may also be subjected to slicing (with the use of a slicer) before being sent for packaging.

Filling and Decorating

After the cooling stage, some of our bakery products are transferred using a trolley to another work bench and manually filled with fillings such as cream, custard, chocolate and jam and/or decorated with toppings. The weight of the filled bakery products will also be randomly taken using portable weighing scale machines by our quality control personnel.

7. BUSINESS OVERVIEW (Cont'd)

Packing

The packing process is the final step in the manufacturing process. Once the bakery products have sufficiently cooled or filled and decorated, they are packed in the desired packaging format using the packing machine for sale to our customers and our F&B outlets. The packed bakery products will be randomly inspected to ensure that they are properly clipped with the locking clip or properly sealed. In addition, our quality control personnel will randomly select finished products and conduct test on its moisture content, acidity level and water activity (measure of water relevant to growth of organisms, chemical processes and enzyme activity) at our plant. If any contamination is detected, the whole batch of the product will be disposed.

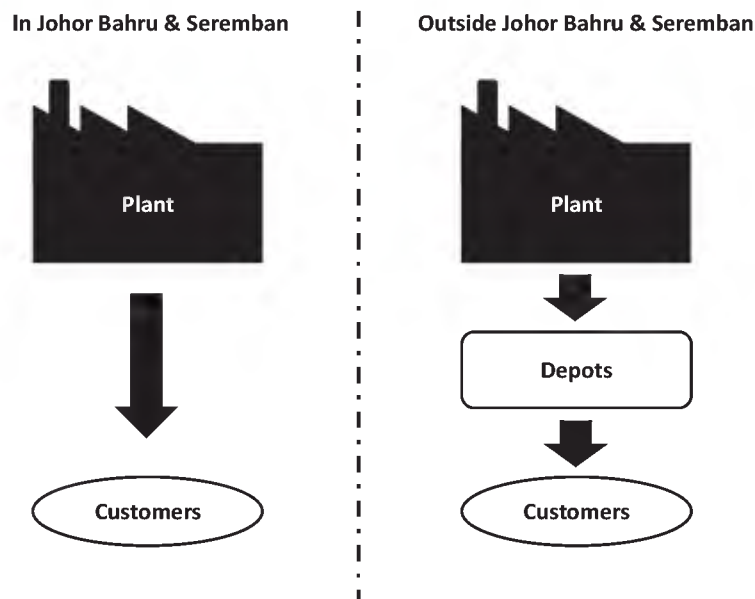
We will also send certain of our products to undergo various tests such as food content breakdown and shelf life tests by third party laboratory every twice a year to ensure the quality of our products.

(c) Distribution

The distribution stage involves transporting and distributing the finished products.

For wholesale channel, the finished products are delivered directly to our customers particularly in Johor Bahru and Seremban or to our depots across the Peninsular Malaysia. Our van salesmen will then onward deliver the products to our customers.

As at LPD, we have not encountered any major pilferages (in terms of cash of products) which have materially affected our business operations. We track such potential pilferages through a handheld point of sales device that is allocated to each van salesman. The device is used for issuance of invoice and recording of product movement and cash collection. Our van salesman will generate a daily sales report from their handheld device which will be reconciled to the cash collected. At the end of each month, a stock count will be conducted on each van salesman to ensure that the number of products held by them ties to the recording on the device.



7. BUSINESS OVERVIEW (Cont'd)

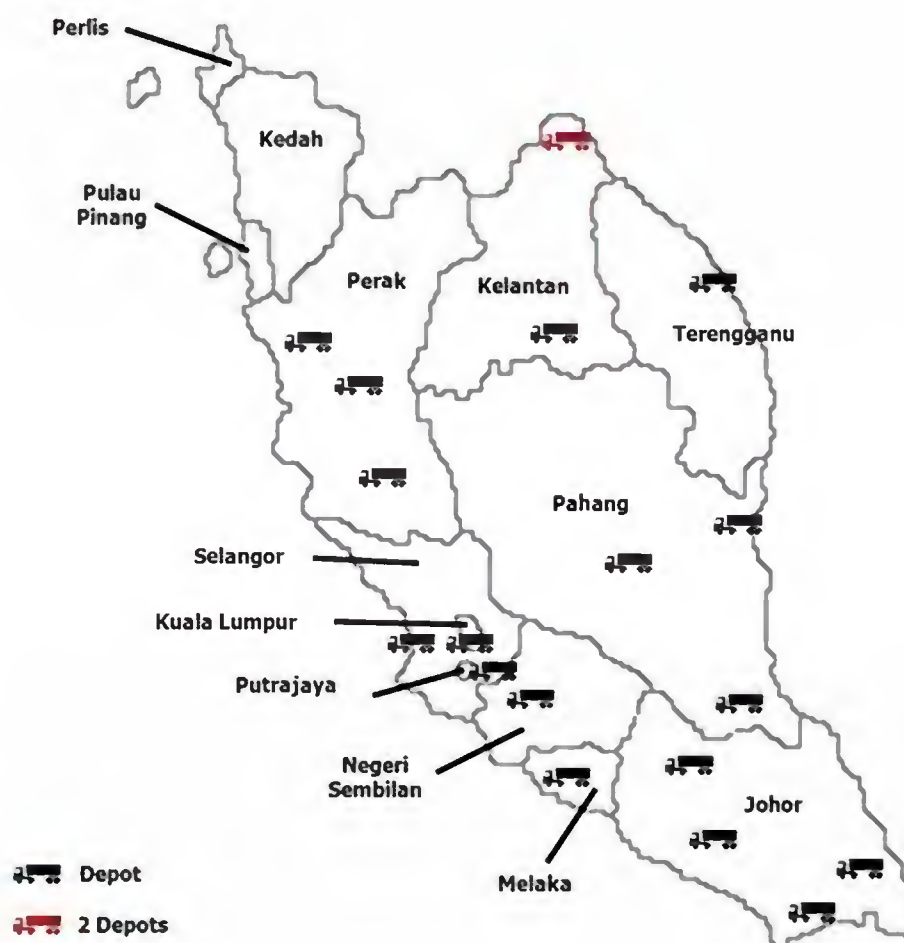
As at LPD, we have 19 depots, 250 1-tonne delivery vehicles and 280 van salesmen, which are located across the following regions:

Region	No. of depots	No. of 1-tonne delivery vehicles	No. of van salesmen
Northern ⁽¹⁾	3	22	27
Central ⁽²⁾	4	70	83
East Coast ⁽³⁾	7	69	78
Southern ⁽⁴⁾	5	89	92
Total	19	250	280

Notes:

- (1) Comprises Bidor, Taiping and Ipoh.
- (2) Comprises Seremban, Taming Jaya, Balakong and Klang.
- (3) Comprises Rompin, Kuantan, Temerloh, Kota Bahru (2 depots), Gua Musang and Kuala Terengganu.
- (4) Comprises Johor Bahru, Kota Tinggi, Ayer Hitam, Labis and Melaka.

The location of our depot across the 4 regions is further illustrated as follows:



7. BUSINESS OVERVIEW (Cont'd)

For retail channel, the finished products are delivered directly to our F&B outlets. As at LPD, we have 20 1-tonne delivery vehicles. Some of the 1-tonne delivery vehicles for the retail channel are equipped with refrigerator to deliver products in a controlled temperature.

All our delivery vehicles are custom painted with either the Top Baker or Daily's mural (for wholesale channel) and 'SDS' mural (for retail channel).

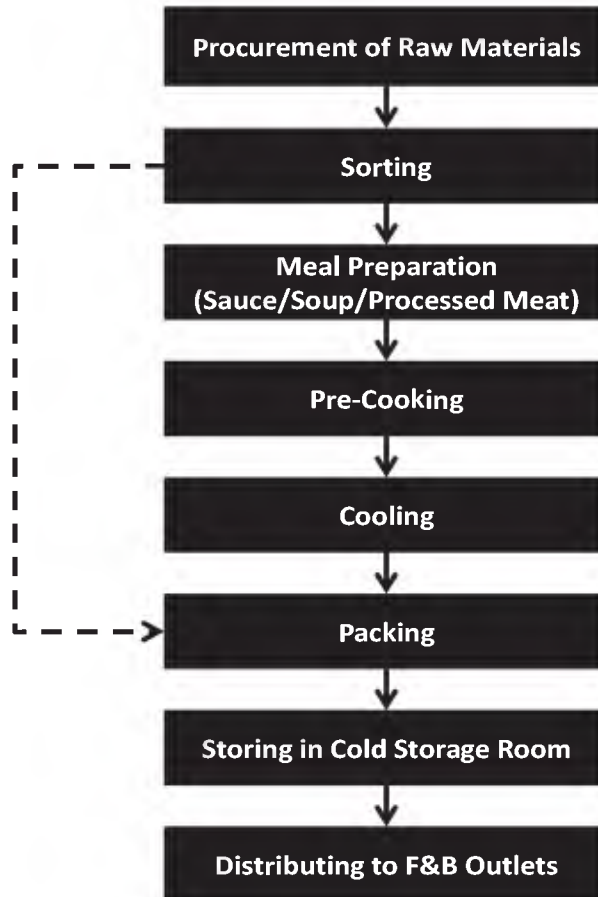


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7. BUSINESS OVERVIEW (Cont'd)

(II) PRODUCTION FLOW CHART OF OUR READY-TO-COOK MEALS

Our manufacturing plant in Kempas is also involved in the production of ready-to-cook meals that will be distributed to all our F&B outlets as part of our hub-and-spoke model. The production flow chart involved is as follows:



(a) Procurement of raw materials

The required raw materials are identified and procured from various suppliers. These raw materials include but are not limited to frozen meat (such as seafood, poultry, beef and lamb), fresh vegetable, fresh fruit, frozen french fries, frozen potato wedges, frozen mixed vegetable, pasta, noodle, etc. All ingredients supplied to us must comply with our food safety standards and Halal-requirements. All incoming raw materials are inspected visually or put through quality checks.

(b) Sorting

The raw materials will be sorted according to their intended destinations or uses. A portion of the raw materials such as fresh vegetable, fresh fruit, frozen french fries, frozen potato wedges, frozen mixed vegetable are immediately placed on a trolley and sent to the packing machine for packing purpose. Other remaining raw materials are also put into a trolley and transferred to the preparation room.

7. BUSINESS OVERVIEW (Cont'd)

(c) Meal preparation (sauce/soup/processed meat)

There are 3 main categories of meal to be prepared namely sauce, soup and processed meat.

The processes involved in the preparation of sauce generally involve the adding, mixing or stirring of ingredients.

The processes involved in the preparation of processed meat are typically longer and more tedious involving activities such as thawing (to enable the softening of frozen meat), removing (internal organs, skin and bones), cutting (to certain sizes or forms such as fillets) as well as marinating (soaking in certain liquid mixture containing certain spices, herbs and/or oil).

The entire preparation will be closely supervised by quality control personnel with samples being taken for checks on various parameters such as size and weight.

(d) Pre-cooking

The prepared meals are subsequently placed on designated metal racks and placed into a combination oven (with 3 functions namely convection, steam and combination cooking) to be cooked at various different temperature ranging from 80 degree Celsius to 120 degree Celsius depending on the type of meal involved. A random check on the core temperature of the cooked products will be performed using a thermometer by our quality control personnel.

(e) Cooling

After the pre-cooking stage, the resulting ready-to-cook meals are then cooled with the use of a blast freezer before they are sent for packaging to prevent formation of moisture from condensation in the wrapper. The temperature of the ready-to-cook meals will be randomly taken by our quality control personnel using a thermometer. A trolley is used to transport the ready-to-cook meals.

(f) Packing

The earlier sorted raw materials or ready-to-cook meals are packed in the desired packaging format using the packing machine. The packed ready-to-cook meals will be randomly inspected to ensure that they are properly clipped with the locking clip or properly sealed.

(g) Storing in cold storage room

The packed ready-to-cook meals are stored in a cold storage room at a temperature of -20 degree Celsius. The packed ready-to-cook meals will only be taken out upon receiving orders from each of our individual F&B outlet. Nevertheless, the duration of storage for these packed ready-to-cook meals will be only between 1 to 2 months and must be distributed during this period.

(h) Distributing to F&B outlets

The packed ready-to-cook meals will be randomly inspected again to ensure that they are properly clipped with the locking clip or properly sealed. After that, the packed ready-to-cook meals are delivered to our F&B outlets using our internal delivery vehicles.

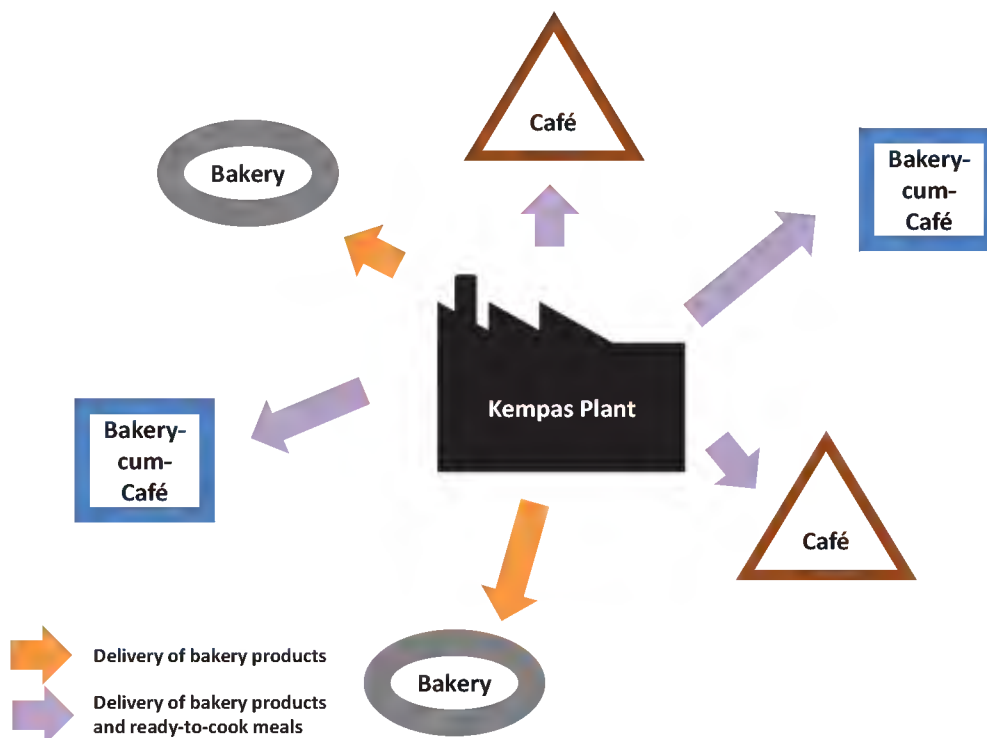
7. BUSINESS OVERVIEW (Cont'd)

The delivery vehicles used to deliver the packed ready-to-cook meals is the same as that used to deliver bakery products to our F&B outlets.

7.3.2 Hub-and-spoke model

For retail channel, we employ a hub-and-spoke model for the production and delivery of selected bakery products and ready-to-cook meals to our F&B outlets. This model involved the centralisation of the production of selected bakery products and ready-to-cook meals at our manufacturing plant in Kempas (i.e. the hub) for subsequent delivery to our F&B outlets (i.e. the spokes). Any expired or unsold products and ready-to-cook meals at our F&B outlets will be thrown away. For FYE 2019, the costs of unsold products and ready-to-cook meals thrown away were approximately 1.8% of our total annual revenue for retail channel (net of inter-segment adjustments).

The hub-and-spoke model for our retail channel is further illustrated as follows:



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7. BUSINESS OVERVIEW *(Cont'd)*

7.4 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements and milestones are as follows:

Year	Achievements or Milestones
1992	Established SDS Food to take over the business and assets of Sin Lee Hiang Bakery
1993	Construction of our headquarters and manufacturing plant in Kempas
1995	Opened our first bakery-cum-café under the name of 'SDS' in Taman Johor Jaya
2008	Diversified into the wholesale trade of bakery products
2009	Acquired SDS Top Baker
2014	SDS Top Baker obtained the ISO 22000:2005 certification
2016	Acquired Daily Bakery
2017	Started operations from the manufacturing plant in Seremban
2018	Daily Bakery obtained the certification of MeSTI

7.5 PRINCIPAL MARKETS

Our principal markets are Malaysia and Singapore. For FYE 2016 to 2019, we generated between 83.8% and 91.4% of our revenue in Malaysia with the remaining revenue mainly derived from Singapore.

Please refer to Section 11.2.2(a) for further breakdown of our revenue contribution by geographical locations for the financial years under review.

As at LPD, we distribute our products to various locations in Peninsular Malaysia such as Johor, Pahang, Terengganu, Kelantan, Perak, Negeri Sembilan, Klang Valley and Melaka as well as Singapore. The present concentration in these locations is primarily due to their proximity to our manufacturing plants in Kempas and Seremban. The proximity of our manufacturing plants to our customers is an important business consideration given the following:

- (a) limited shelf life of our bakery products; and
- (b) high frequency of transportation activities particularly in view of the required reverse logistics to support the 'sale-or-return' basis for all our bakery products distributed under the wholesale channel.

We strive to ensure the freshness of all our bakery products while at the same time minimise our logistical related costs.

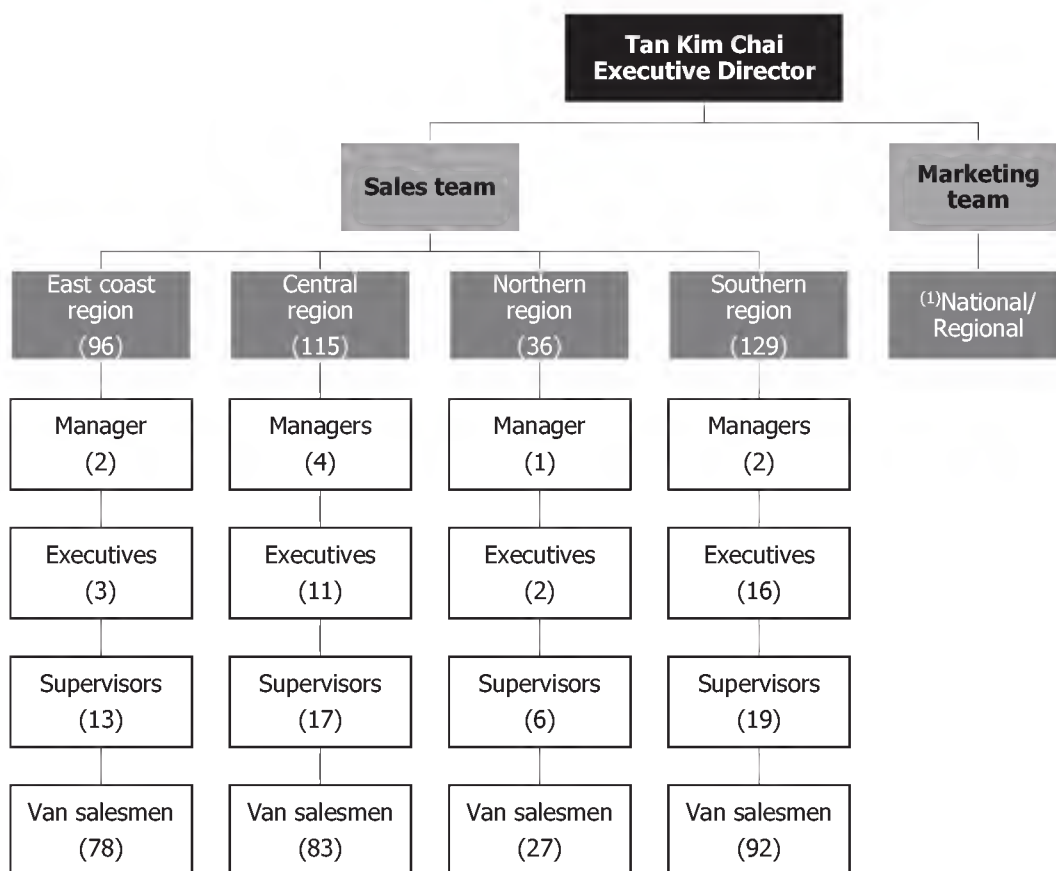
7. BUSINESS OVERVIEW (Cont'd)

7.6 SALES AND MARKETING

7.6.1 Wholesale channel

As at LPD, the sales and marketing division of our wholesale channel comprises 376 personnel and is spearheaded by our Executive Director, Tan Kim Chai. The sales and marketing division are divided into 4 regional sales teams namely east coast, central, northern and southern, and 1 marketing team that handles the marketing function for national/regional retail chain. Each regional sales team consists of managers, senior executives, executives, supervisors and van salesmen (driver cum salesman).

The organisation structure of the sales and marketing division of our wholesale channel is depicted below:



Note:

(1) Comprises 2 employees which are parked under the sales team. They are based in our Johor office and are also managers in the Southern region sales team.

We actively negotiate for the availability of more strategic shelf or retail space at our customers' outlets to display our products and the placement of in-store promotional materials. In promoting the wholesale channel of our bakery products, we decentralise the customer relationship management jobs with dedicated sales personnel being assigned to build relationship with existing customers or solicit new customers in a specific designated area or region. The assigned sales personnel will be directly involved in promoting our products and gather valuable feedbacks from customers.

7. BUSINESS OVERVIEW (Cont'd)

Our distribution network for the wholesale channel is supported by our in-house team of logistics personnel and various depots located across the Peninsular Malaysia. Without the presence of third-party logistics, the services offered by our sales personnel are more personalised. As at LPD, the Group has 2 distributors in Singapore (including A.M. Deli Enterprise Pte Ltd since 2016 and JC Food Supplies Pte Ltd since January 2019).

We have also been actively providing updates and promoting our products and services online via our dedicated corporate website, www.topbaker.com.my and social media such as Facebook. From time to time, we also sponsor various charity events.

For FYE 2016 to 2019, our advertising and promotion expenditures for the wholesale channel accounted for 0.1% to 0.3% of our annual wholesale channel revenue.



7.6.2 Retail channel

As at LPD, the marketing division of our retail channel comprises 8 personnel which includes the business development team and design team, and is spearheaded by our Executive Director, Tan Kee Jin. He is tasked with developing marketing strategies and spearheading our marketing drive to increase the sales of our products, build our brands, expand our customer base and survey for potential F&B outlets. The marketing division of our retail channel is based at our Group's headquarters in Kempas. For FYE 2016 to 2019, our advertising and promotion expenditures for the retail channel accounted for 0.5% to 1.1% of our annual retail channel revenue.

We utilise various marketing channels to reach out to targeted consumers when promoting our products and driving our brand building efforts. Our Group has been conducting promotional activities through the use of traditional print media and social media such as Facebook, Instagram and our corporate website. From time to time, we place advertisements in print-based magazines and newspapers such as Sin Chew Daily, China Press, The Star, Sister magazine and Good Times magazine. We also participate in media interviews to raise our visibility.

We have also been actively providing updates and promoting our products online via our corporate website, www.sdsgroups.com and social media. We also invite third-party bloggers to review our F&B outlets and local celebrities to attend our promotional events. This allows us to target a large pool of netizens and promote our direct and active engagement with them. We also act as sponsor for charity events. This can help to fulfil our corporate social responsibility and raise the profile of our Group.

7. BUSINESS OVERVIEW (Cont'd)



For our F&B outlets, we have also been actively conducting in-store promotional activities. We offer promotional discounts, weekly or monthly special offers and special promotions in conjunction with special occasions or festivals. We strive to keep our menu fresh with periodical new product offerings. In addition, we pay close attention to the interior and exterior designs of our F&B outlets and will make periodical renovations to improve customer experience.

In 2016, we officially launched our mascot named A-LI. A-LI was created from the conceptualisation of a friendly and cheerful, uniformed local male chef with passion for sharing good and delicious food with everyone irrespective of age, gender and race. The creation of a mascot provides a personification of our brand image to drive favourable brand association. A-LI has been widely used in all our promotional activities and materials. Please find below a picture of A-LI:



A-LI the Mascot

7. BUSINESS OVERVIEW (Cont'd)

In 2016, we launched a membership programme to reward our loyal customers for their continuing patronage of our F&B outlets. Customers who join our membership programme currently pay a fee of RM9.40 for a 2-year membership. Upon expiry, customers will have to pay for another 2-year membership at the then prevailing rate. Members can enjoy discounts on the purchase of bakery and other F&B products at all our F&B outlets. They are also eligible for special member-only promotions such as member’s day discounts and “one-for-one” promotions. As at LPD, we have more than 135,000 members.



We also have a dedicated design team based in our Johor headquarters, comprising graphic designers and digital media specialist that provide creative inputs for all our packaging and promotional materials. As at LPD, our design team consists of 4 employees as follows:

Designation	Key roles and responsibilities
Team Leader (Marketing Manager)	Oversees the design team to perform its tasks
Lead Designer	Focuses mainly on projects for seasonal products’ designs such as product packaging, promotional materials, advertisements, corporate identity and mascots. Also act as liaison with suppliers and R&D personnel and provide support to other departments’ design requests
Designer	Responsible for outlet advertising and packaging designs, liaising with supplier and provide support to other departments’ design requests
Marketing Executive	Responsible for our digital media platform

Our business development team is actively involved in the development and ultimately the commercialisation of new bakery, confectionery and other F&B products. Our business development team is tasked with providing inputs on the latest market trends including the latest demand from consumers as well as conducting products tasting and surveys.

7. BUSINESS OVERVIEW (Cont'd)**7.7 EMPLOYEES**

As at LPD, we have a total workforce of 1,263 employees, which consists of permanent local employees and contractual foreign employees.

Local employees accounted for 72.1% of total workforce as at LPD while the 27.9% were foreign workers (general workers). All of our foreign workers have valid working permits or registered under Illegal Immigrants Rehiring Programme (approved by the Ministry of Home Affairs, Malaysia) ("PATI"). The following depicts the breakdown of our employees in our Group:

Category of employees	Number of employees	
	As at 31 March 2019	As at LPD
<u>Wholesale channel</u>		
Director	3	3
Manager	21	17
Executive	56	49
Supervisor	79	77
Clerk	44	42
Driver	33	33
Van salesman	295	280
General worker		
• Local	40	.33
• Foreign	233	(1)233
	273	271
	804	772

7. BUSINESS OVERVIEW (Cont'd)

Category of employees	Number of employees	
	As at 31 March 2019	As at LPD
Retail channel		
Director	2	2
Manager	31	32
Executive	18	23
Supervisor	60	60
Clerk	20	19
Driver	21	20
General worker		
• Local	39	38
• Foreign	112	⁽¹⁾ 119
	151	157
Kitchen/Service Crew	187	178
	490	491
Total	1,294	1,263

Note:

- (1) For wholesale channel, 205 foreign workers have valid working permits and 28 foreign workers registered under PATI Programme. For retail channel, 95 foreign workers have valid working permits and 24 foreign workers registered under PATI Programme. SDS Food, SDS Top Baker and SDS B&C has prior to 30 June 2018, submitted application via online for their foreign workers who are qualified for PATI Programme and registration slips have since been issued for each of the foreign workers. As at the LPD, 17 applications are still being processed by MyEG Services Berhad, 33 applications are still being processed or pending approval by the Immigration Department and 2 applications (out of the 24 foreign workers for retail channel) were not approved due to 1 of the foreign employee being blacklisted by the Immigration Department of Malaysia and the other one was medically unfit, which we are in the midst of arranging repatriation of the relevant foreign workers. Further details on PATI are set out at the end of Appendix I.

As at LPD, all our employees are based in Malaysia.

None of our employees belong to any labour union. The relationship and co-operation between our management and our employees have always been good and this is expected to continue in the future. As at LPD, there is no major industrial dispute pertaining to our employees. Over FYE 2016 to 2019, there has not been any incident of work stoppage or labour disputes that has materially affected our operations.

7. BUSINESS OVERVIEW (Cont'd)**7.8 MAJOR CUSTOMERS**

For our retail channel, our customers are walk-in patrons to our F&B outlets.

Although our revenue from Singapore constituted only 14.3%, 11.2%, 8.3% and 7.1% of our total revenue for FYE 2016, 2017, 2018 and 2019 respectively, our major customers as set out in the table below include customers from Singapore for the following reasons:

- (a) our wholesale sale of bakery products in Malaysia are spread out over approximately 1,110 credit customers where our sales per customer range from RM12.50 to RM1,789,628 with an average of RM33,360 for FYE 2016 to 2019; and
- (b) on the contrary, our wholesale sale of bakery products to Singapore throughout FYE 2016 to 2019 are channelled through distributors such as Regina Cake House and Sin Lee Hiang Cake House who act as our distributors to the retailers.

Save for the walk-in patrons to our F&B outlets, the top 5 customers of our Group for FYE 2016 to 2019 are as follows:

	Customer	Country of origin	Principal activities	Type of products and services	Revenue contribution		Length of relationship as of FYE 2019
					RM'000	%	
FYE 2016							
(1)	Regina Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	4,945	5.3	11
(2)	Sin Lee Hiang Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	2,859	3.0	11
(3)	AEON Co. (M) Bhd ⁽³⁾	Malaysia	Hypermarket	Bakery products	2,807	3.0	15
(4)	Farmland Central Bakery (S) Pte Ltd ⁽²⁾	Singapore	Manufacturing and distribution of bread	Bakery products	2,703	2.9	11
(5)	Bunlink Sdn Bhd	Malaysia	Wholesale of biscuits, cakes, breads and other bakery products	Bakery products	1,687	1.8	10
					15,001	16.0	

7. BUSINESS OVERVIEW (Cont'd)

	Customer	Country of origin	Principal activities	Type of products and services	Revenue contribution		Length of relationship as of FYE 2019
					RM'000	%	
FYE 2017							
(1)	Regina Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	5,715	4.1	11
(2)	Farmland Central Bakery (S) Pte Ltd ⁽²⁾	Singapore	Manufacturing and distribution of bread	Bakery products	3,193	2.3	11
(3)	PT Top Baker Indonesia	Indonesia	Manufacturing and distribution of bakery products in Indonesia	Food paste	3,134	2.3	4
(4)	Sin Lee Hiang Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	3,204	2.3	11
(5)	AEON Co. (M) Bhd ⁽³⁾	Malaysia	Hypermarket	Bakery products	2,868	2.1	15
					18,114	13.1	
FYE 2018							
(1)	Regina Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	4,628	2.7	11
(2)	Farmland Central Bakery (S) Pte Ltd ⁽²⁾	Singapore	Manufacturing and distribution of bread	Bakery products	4,454	2.6	11
(3)	PT Top Baker Indonesia	Indonesia	Manufacturing and distribution of bakery products in Indonesia	Food paste	3,523	2.0	4
(4)	AEON Co. (M) Bhd ⁽³⁾	Malaysia	Hypermarket	Bakery products	3,336	1.9	15
(5)	Sin Lee Hiang Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	2,285	1.3	11
					18,226	10.5	

7. BUSINESS OVERVIEW (Cont'd)

	Customer	Country of origin	Principal activities	Type of products and services	Revenue contribution		Length of relationship as of FYE 2019
					RM'000	%	
FYE 2019							
(1)	Regina Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	4,380	2.3	11
(2)	Farmland Central Bakery (S) Pte Ltd ⁽²⁾	Singapore	Manufacturing and distribution of bread	Bakery products	4,316	2.3	11
(3)	AEON Co. (M) Bhd ⁽³⁾	Malaysia	Hypermarket	Bakery products	4,140	2.2	15
(4)	PT Top Baker Indonesia	Indonesia	Manufacturing and distribution of bakery products in Indonesia	Food paste	2,739	1.5	4
(5)	Sin Lee Hiang Cake House ⁽¹⁾	Singapore	Distribution of bakery products in Singapore	Bakery products	2,248	1.2	11
					17,823	9.5	

Notes:

- (1) Regina Cake House and Sin Lee Hiang Cake House have ceased being distributors of our bakery products in Singapore in March 2019 and May 2019 respectively. Since then, such distribution business is assumed by JC Food Supplies Pte Ltd. Tan Kim Chai, Tan Kee Jin and Tan Yong Thye who are our Promoters are also Partners and shareholders in Regina Cake House and Sin Lee Hiang Cake House. Please refer to Section 10.2.1 for further details of our relationship with them.
- (2) Our OEM customer in Singapore.
- (3) Retailer of our bakery products in Malaysia.
- We are not dependent on any of the top 5 customers. We have maintained good relationship with the above customers and there has been no material disputes experienced by our Group as at LPD.

7. BUSINESS OVERVIEW (Cont'd)**7.9 MAJOR SUPPLIERS**

The top 5 suppliers of our Group for FYE 2016 to 2019 are as follows:

	Supplier	Country of origin	Principal activities	Type of products and services	Purchase value		Length of relationship as of FYE 2019
					RM'000	%	
FYE 2016							
(1)	Seberang Flour Mill Sdn Bhd	Malaysia	Manufacturing and distribution of flour	Flour	6,780	14.6	19
(2)	Cimei Food Ingredients Sdn Bhd	Malaysia	Manufacturing and distribution of sugar, nuts, food colour and fillings	Sugar, milk compound, chocolate chips, cocoa powder, chocolate fillings and nuts	3,404	7.3	27
(3)	Mega Confectionery Sdn Bhd	Malaysia	Manufacturing various types of jams	Various types of jams	2,425	5.2	11
(4)	Fuji Oil Asia Pte Ltd	Singapore	Sales of oils and fats, ingredients for confectionery and bakery products	Edible oil, custard, shortening	2,393	5.1	9
(5)	Prestasi Flour Mill (M) Sdn Bhd	Malaysia	Manufacturing and distribution of flour, bread and noodles	Flour	2,220	4.8	11
					17,222	37.0	
FYE 2017							
(1)	Prestasi Flour Mill (M) Sdn Bhd	Malaysia	Manufacturing and distribution of flour, bread and noodles	Flour	8,153	11.5	11
(2)	Seberang Flour Mill Sdn Bhd	Malaysia	Manufacturing and distribution of flour	Flour	6,157	8.7	19

7. BUSINESS OVERVIEW (Cont'd)

	Supplier	Country of origin	Principal activities	Type of products and services	Purchase value		Length of relationship as of FYE 2019 Years
					RM'000	%	
(3)	Cimei Food Ingredients Sdn Bhd	Malaysia	Manufacturing and distribution of sugar, nuts, food colour and fillings	Sugar, milk compound, chocolate chips, cocoa powder, chocolate fillings and nuts	4,449	6.3	27
(4)	Mega Confectionery Sdn Bhd	Malaysia	Manufacturing various types of jams	Various types of jams	2,928	4.1	11
(5)	TM Fresh Marketing Sdn Bhd	Malaysia	Manufacture of various types of snacks, dairy products, jams and beverages	Dairy products	2,700	3.8	9
					24,387	34.4	
FYE 2018							
(1)	Prestasi Flour Mill (M) Sdn Bhd	Malaysia	Manufacturing and distribution of flour, bread and noodles	Flour	9,391	10.3	11
(2)	Seberang Flour Mill Sdn Bhd	Malaysia	Manufacturing and distribution of flour	Flour	7,376	8.1	19
(3)	Cimei Food Ingredients Sdn Bhd	Malaysia	Manufacturing and distribution of sugar, nuts, food colour and fillings	Sugar, milk compound, chocolate chips, cocoa powder, chocolate fillings and nuts	5,367	5.9	27
(4)	G.K. Ingredients (M) Sdn Bhd	Malaysia	Manufacturer of bakery products from various bread improvers and softeners, flavors, cake premixes and emulsifiers	Shortening, edible oil, additives and flavouring	3,334	3.7	7
(5)	TM Fresh Marketing Sdn Bhd	Malaysia	Manufacture of various types of snacks, dairy products, jams and beverages	Dairy products	3,066	3.4	9
					28,534	31.4	

7. BUSINESS OVERVIEW (Cont'd)

	Supplier	Country of origin	Principal activities	Type of products and services	Purchase value		Length of relationship as of FYE 2019
					RM'000	%	
FYE 2019							
(1)	Prestasi Flour Mill (M) Sdn Bhd	Malaysia	Manufacturing and distribution of flour, bread and noodles	Flour	9,948	10.5	11
(2)	Seberang Flour Mill Sdn Bhd	Malaysia	Manufacturing and distribution of flour	Flour	6,937	7.4	19
(3)	Cimei Food Ingredients Sdn Bhd	Malaysia	Manufacturing and distribution of sugar, nuts, food colour and fillings	Sugar, milk compound, chocolate chips, cocoa powder, chocolate fillings and nuts	4,932	5.2	27
(4)	Dermypack Plastic (M) Sdn Bhd	Malaysia	Manufacturing and printing of plastic bags	Packaging materials	3,504	3.7	12
(5)	G.K. Ingredients (M) Sdn Bhd	Malaysia	Manufacturer of bakery products from various bread improvers and softeners, flavors, cake premixes and emulsifiers	Shortening, edible oil, additives and flavouring	3,471	3.7	7
					28,792	30.5	

For FYE 2016 to 2019, our top 5 suppliers accounted for 37.0%, 34.4%, 31.4% and 30.5% of our total purchases for the respective financial years. Flour is the single most important ingredient used in producing our bakery products. Seberang Flour Mill Sdn Bhd and Prestasi Flour Mill (M) Sdn Bhd were our major flour suppliers for FYE 2016 to 2019.

Notwithstanding the above, we are not dependent on any single supplier as we have also purchased flour and other raw materials from other smaller suppliers to mitigate the risk of being overly dependent on any single supplier. We have maintained good working relationship with the above suppliers and there have been no material disputes or disruptions in supplies experienced by our Group so far. While we have no direct purchase agreements with suppliers, we believe there are several companies capable of supplying each of our raw materials and anticipate being able to continue to obtain raw materials and other products going forward.

7. BUSINESS OVERVIEW (Cont'd)

7.10 SOURCES AND AVAILABILITY OF RAW MATERIALS

The main component of our cost of sales is the food ingredients used to produce our bakery and other food products. Key ingredients include flour, sugar, dairy products, edible oil and eggs amongst others. Some of these ingredients are considered as perishable products with a short shelf life. Other notable components of our cost of sales include packaging materials and liquefied petroleum gas for our baking process. These raw materials are mostly available in Malaysia and are sourced from our pool of suppliers.

Our Group has not faced acute shortages or major price differentials for any of our major ingredients for the financial years under review which have materially affected our financial performance.

The major types of raw materials purchased for our Group's business operations in FYE 2016 to 2019 are as follows:

Raw materials	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	Purchases		Purchases		Purchases		Purchases	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Food ingredients								
• Flour	9,657	20.8	16,068	22.7	18,508	20.3	19,616	20.8
• Sugar, dairy products, edible oil, eggs, additives and yeast	18,945	40.7	28,764	40.6	33,232	36.5	33,494	35.5
• Other food ingredients								
- Frozen food	1,985	4.3	3,382	4.8	4,548	5.0	4,975	5.3
- Fruit and vegetables	1,431	3.1	1,962	2.8	2,584	2.8	3,043	3.2
- Jam(chocolate and chocolate peanut)	2,029	4.4	2,327	3.2	2,682	2.9	2,799	3.0
- Others ⁽¹⁾	5,879	12.6	9,854	13.9	19,576	21.5	19,724	20.9
	11,324	24.4	17,525	24.7	29,390	32.4	30,541	32.4
Packaging materials	6,244	13.4	8,231	11.6	9,485	10.4	10,091	10.7
Others ⁽²⁾	325	0.7	312	0.4	377	0.4	633	0.6
	46,495	100.0	70,900	100.0	90,992	100.0	94,375	100.0

Notes:

(1) Includes many other food ingredients such as coffee and cocoa powder, filling, flavouring, syrups and spices, each representing not more than 1.5% of our purchases for the respective financial years.

(2) Include mainly cake decorations.

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7. BUSINESS OVERVIEW (Cont'd)

7.11 SEASONAL OR CYCLICAL EFFECTS

We generally experience higher sales during festive seasons and special occasions such as Chinese New Year, Mid-Autumn Festival, Mother's Day and Father's Day. We are also affected by the Muslim fasting month, where the sales of our bakery, confectionery and other F&B products are typically lower than those registered outside the fasting month.

7.12 INTERRUPTION IN THE BUSINESS

Our Group has not experienced any interruption which has had a significant effect on our business during the 12 months preceding LPD.

7.13 TECHNOLOGIES USED OR TO BE USED

The technologies used by our Group are detailed as follows:

(a) Wholesale channel

Over the past years, our Group had invested in various food processing machinery to increase the level of automation at our manufacturing plants. The sandwich loaf production processes (including mixing, dividing, proofing, baking, cooling as well as the packing of the resulting finished products) undertaken at our manufacturing plant in Seremban are fully automated. However, our other production lines in Seremban are semi-automated. Meanwhile, the production processes at our manufacturing plant in Kempas are semi-automated. All our machineries are imported from China, Japan and Europe.

We have also equipped our van salesmen with handheld point-of-sales device to facilitate on-site data capture and issuance of simplified tax invoice. As at LPD, 250 handheld point-of-sales devices are being deployed by our Group.

(b) Retail channel

Each of our F&B outlets is also equipped with a retail point-of-sales system to facilitate in-store cashless payment as well as a closed-circuit television system as a security safeguard measure. We also rely on the use of a loyalty programme system called Myth Solution to undertake the management of our loyalty programme. The loyalty programme system is purchased outright from its vendor.

7. BUSINESS OVERVIEW (Cont'd)

7.14 QUALITY CONTROL PROCEDURES OR QUALITY MANAGEMENT PROGRAMMES

As an organisation in the food industry, our Group places strong emphasis on the safety of all our products. We are committed in ensuring that the food safety management system that we have put in place to control food safety hazards is in line with internationally acceptable practice. We believe that this can reinforce our efforts to ensure that our products are consistently safe at the time of human consumption.

To this end, Daily Bakery successfully obtained the certification of 'MeSTI' which is a food safety programme undertaken by the Ministry of Health Malaysia for its new manufacturing plant in Seremban. The validity period of the MeSTI certification is for 3 years from 19 July 2018 to 18 July 2021. Daily Bakery is able to meet the minimum requirements of the Food Hygiene Regulations 2009. With the certification, Daily Bakery can use the MeSTI certification logo on all its products, which provides assurance to consumers of the safety of bakery products manufactured at its manufacturing plant in Seremban. There are 10 elements that are evaluated under the MeSTI programme namely design and facility, food handling, training, maintenance and sanitation, raw material control, process control, packaging control, storage control, transport and distribution controls as well as traceability controls. (Note: It is mandatory for each owner and occupier of food manufacturing premises to prepare and establish a Food Safety Assurance Programme pursuant to the Food Hygiene Regulations 2009). Since the manufacturing plant in Seremban has obtained MeSTI, which is similar in nature to Hazard Analysis and Critical Control Point ("HACCP"), and the products produced in Seremban are for the local market, we do not have immediate plans to apply for HACCP for the manufacturing plant in Seremban.

Besides that, we have established a food safety management system that meets the requirements of the ISO 22000:2005. SDS Top Baker has been certified ISO 22000:2005 in controlling food safety hazards in order to ensure that our products are safe at the time of consumption. SDS Top Baker's food safety management system conforms to the requirements under the scope of manufacture of bakery and confectionery products. Such ISO 22000:2005 certification was subsequently renewed for another 3-year period beginning from 3 January 2017. For its manufacturing plant in Kempas, SDS Top Baker has also obtained confirmation that it has implemented and maintains a system for HACCP following the CODEX Guidelines for the Application of the HACCP System and Good Manufacturing Practise, both of which are valid from 3 January 2017 to 2 January 2020.

The applications of ISO 22000:2005 aim to provide products that are safe at the time of human consumption, demonstrate compliance and conformity to mutually agreed customer requirements related to food safety as well as applicable statutory and regulatory food safety requirements and provide effective communication on food safety issues to customers, suppliers and other stakeholders in the food chain.

The overall intentions and directions of our Group related to food safety are formally expressed in our food safety policy as follows:

'We are committed to provide consistent and safe quality products which meet customer requirements and conform to statutory and regulatory food safety requirements. We will also strive to continue improving our food safety management system in accordance to the requirements of the ISO 22000 standard and the principles of HACCP.'

We have developed a Food Safety Manual which documents our food safety management system including our food safety policy and related objectives, procedures and records required under ISO 22000:2005 and documents needed for effective development, implementation and updating purposes. A Document Controller has been appointed and she is tasked with maintaining and distributing the Food Safety Manual. The master copy of the Food Safety Manual is kept by our Food Safety Team Leader.

7. BUSINESS OVERVIEW (Cont'd)

The scope of our Food Safety Manual revolves around 4 key elements in order to meet customer requirement and ensure customer satisfaction based on the operating model as follows:



Our Group has also obtained the Certificate of Authentication Halal for our F&B products from JAKIM.

7.15 R&D

Our Group's R&D activities primarily revolve around efforts to create new products and improve existing products to cater to our consumers' changing taste and achieve better product quality. Our R&D activities include keeping abreast with market trends for latest bakery products, conceptualising and designing new products, experimenting with new ingredients, developing new products, product quality review and conducting product testing.

Our R&D team consists of key personnel from various departments namely business development, production (including chefs), marketing, quality assurance and procurement. The team is tasked with the responsibility to develop new products. Depending on the type of R&D projects, 4 to 8 personnel are usually tasked to form an R&D team.

All of our R&D activities are based in the Kempas plant. As at LPD, the on-going R&D projects undertaken by our Group are new products to be launched for the forthcoming Christmas and Chinese New Year, Christmas set lunch and dinner menu for our F&B outlets, as well as hampers for these festive seasons.

All expenses incurred for our R&D activities are expensed off when they are incurred as part of our cost of sales as the raw material costs for our R&D activities are not material.

7. BUSINESS OVERVIEW (Cont'd)

7.16 COMPETITIVE STRENGTHS**7.16.1 We have our own dedicated and extensive logistics capability to drive distribution activities**

Our Group has the capability to undertake extensive logistics activities to support the distribution of our wholesale bakery products with the availability of a sizeable fleet of delivery vehicles, an in-house team of logistics personnel as well as various depots located across Peninsular Malaysia. For our distribution in Malaysia, we do not need to engage the services of third-party transport providers, warehouse operators or supply chain managers.

As at LPD, we have 250 1-tonne delivery vehicles to undertake the wholesale distribution of our bakery products to our customers in Malaysia. As at LPD, our Group also has 19 depots within Peninsular Malaysia and 280 van salesmen to undertake the required logistical operations for our wholesale channel. Further details on the breakdown of our logistics arrangement by geographical locations are set out in Section 7.3.1(c).

Our in-house logistics arrangement provides us more control and flexibility in terms of our delivery and pick-up time. We also benefit from lower logistics related costs as compared to costs incurred when engaging the services of third-parties in the long run.

We also have 20 1-tonne delivery vehicles to support the logistics requirements of our F&B outlets.

7.16.2 Established brands and marketing drive

We believe that our brands, 'SDS', 'Top Baker' and 'Daily's', have become recognised in the markets that we serve. Our flagship brand 'SDS' has been in existence since 1987 while 'Top Baker' and 'Daily's' have been around since 2009 and 1989 respectively. Our brand history has helped to increase awareness of our products among consumers.

Based on our revenue growth, we believe that we have generated goodwill over the years with consumers identifying us for the quality products carried under our brands. Our multiple brands and product strategies serve to target different segments of consumers across different geographical areas; helping us to broaden our consumer base and revenue streams. Our 'SDS', 'Top Baker' and 'Daily's' brands have been successfully registered as trademarks in Malaysia in 2015 and 2012 respectively. On 31 May 2018, we have also applied for our updated 'Daily's' logo to be registered in Malaysia, which application is under examination by MyIPO. On 30 October 2018, we have also applied for our mascot "A-LI" to be registered in Malaysia. With protection of our intellectual properties, our Group has continued to undertake marketing activities to drive brand awareness and increase sales. Please refer to Section 7.6 for details on our sales and marketing activities.

We strive to distinguish our F&B outlets from other traditional ones by offering products that are in line with the latest trend and contemporary lifestyle of today's consumers. We also have a refurbishment programme to keep our F&B outlets trendy, updated and relevant to improve their aesthetic appeal and enhance consumers' experience. Our Group believes that our refurbishment programme has been well received by consumers as our F&B outlets have generally experienced an increase in sales following a completed refurbishment exercise.

7. BUSINESS OVERVIEW (Cont'd)

7.16.3 Extensive portfolio of products with continued innovation

As at LPD, we have an extensive portfolio of products consisting of 708 bakery products (such as breads, buns, rolls and cakes). However, approximately 77.1% of the 708 bakery products are sold daily via wholesale and retail channels with at least 180 different bakery and other F&B products being offered at all our F&B outlets. The remaining 22.9% are festive products which are sold only during festive seasons and special occasions.

Our Group understands the importance of continued evolution while keeping the tradition and offerings that our loyal consumer base has come to know and love. In addition, we are also mindful on the varied needs and changing taste of consumers over time. As such, our Group is involved in R&D with focus on creating and rolling out new products to the market in a timely manner. Please refer to Section 7.15 for further details on our R&D activities.

For our wholesale channel, we strive to launch traditional or entirely new products to complement our existing product offerings. Our Group pursues line extensions, where we introduce new products under our existing brand such as new flavours, added ingredients and different package sizes. New products that have garnered high acceptance rate are eventually added into our permanent product offerings.

For our retail channel, we strive to introduce at least 1 new bakery product each month at our F&B outlets to provide new varieties to our consumers. New products that have garnered high acceptance rate are eventually added into our permanent product offerings. At least a product is also offered each month at our F&B outlets as a 'special promotion item' for a specific duration such as a 1-day, 1-week or 1-month period.

From time to time, we introduce promotional products or packages to our F&B outlets. Our Group will also continue to offer featured bakery products or signature dishes as part of our marketing campaigns to retain existing consumers and attract new consumers.

Our business diversification in both the wholesale and retail channels differentiates us from our competitors as none of our competitors are involved in both channels. With presence and experience in both channels, we are able to leverage on the strength of both channels to expand our business. The wholesale channel allows us to enjoy lower costs as the higher sales and production volume enable us to purchase raw materials in bulk quantities at lower prices. The retail channel on the other hand is a good way to build customer relations and our brand names.

7.16.4 Centralisation in core production functions that drives product uniformity and economies of scale

Our Group embarks on a 'hub-and-spoke' model that involves the centralisation of core production functions at our central kitchen to supply bakery, confectionery and other F&B products to all our F&B outlets. This ensures uniformity in the ingredients, presentation and quality of all products sold at our F&B outlets. The quality of our products can be easily monitored and controlled from a single source to ensure their consistency. Hence, our consumers can expect to get the same standard quality of products from whichever F&B outlets that they visit.

7. BUSINESS OVERVIEW (Cont'd)

Our Group is also better positioned to reap economies of scale and enjoy the resulting cost savings. All the procurement of food ingredients, packaging and marketing materials as well as other inputs required for our operations can be conducted by a centralised purchasing department. This puts us in a better bargaining position when negotiating prices with our suppliers due to the higher volume of orders involved. Besides that, we stand to enjoy bulk discounts and other favourable payment terms such as a longer payment period or no requirement for a deposit. In addition, we will be able to undertake a more effective inventory management and resources optimisation in terms of manpower allocation (particularly for bakers and/or chefs) as well as minimisation of food wastages.

7.16.5 Our sandwich loaf production line in Seremban is fully automated

As at LPD, our main sandwich loaf production line is located in our Seremban manufacturing plant. For FYE 2019, the Seremban sandwich loaf line produced 85.7% of our total sandwich loaf (in terms of number of packages). The sandwich loaf production line at our manufacturing plant in Seremban is fully automated. We have invested RM13.5 million in imported machineries from China, Japan and Europe to undertake processes such as mixing, dividing, proofing, baking, cooling and packing. The fully automated process minimises the risk of contamination as there is less human intervention. Besides that, the resulting products from the fully automated production line are expected to be more uniform in terms of quality and size which helps to reduce food wastages. More importantly, this automated sandwich loaf production line has increased our sandwich loaf production capacity by 3 times from 1,000 sandwich loaf per hour to 3,000 sandwich loaf per hour.

7.16.6 Experienced key senior management team

Our Group is spearheaded by our co-founders, Tan Kim Seng and Tan Kim Chai, who are considered industry veterans and have each participated in the bakery products market for over 30 years. They have gained extensive and in-depth knowledge as well as good understanding on the dynamics of the market including consumer preference.

Under the leadership of our co-founders, Tan Kim Seng and Tan Kim Chai who are also our Managing Director and Executive Director respectively, our Group has grown from a small retail bakery with only 5 employees to an organisation with approximately 1,200 employees.

In addition, our Group believes that we have a strong supporting cast of other key senior management that can help to chart our growth path and sustained competitiveness. Our key senior management have on average over 10 years of experience and expertise across various key business functions.

Please refer to Sections 5.2.2 and 5.3.3 for further details of the credentials of our Directors and key senior management.

7. BUSINESS OVERVIEW (Cont'd)

7.17 BUSINESS STRATEGIES AND PROSPECTS

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over a period of 24 months from the date of our Listing:

7.17.1 Expanding local geographical footprints***Wholesale channel***

The commissioning of our new manufacturing plant in Seremban has provided us with sizeable production capacity and closer logistical support to expand our local geographical footprints outside of Johor, particularly to the central and northern region of Peninsular Malaysia.

We have adopted a 2-pronged strategy in extending the reach of our bakery products via the wholesale channel namely, (a) organically expanding our customer base and our distribution network from our existing or new depots; and (b) tapping into the network of our existing national/ regional retail chain customers in the targeted areas. In order to support this future plan, we intend to set up 2 new depots in Bukit Mertajam, Penang and Sungai Petani, Kedah and purchase 18 new delivery vehicles. We have allocated RM2.0 million of the IPO proceeds for the purchase of these delivery vehicles. The set-up cost of the 2 depots will be financed through our internally generated funds.

Retail channel

For the retail channel, we intend to expand our presence into the Klang Valley with the opening of 8 new F&B outlets. At this juncture, we have yet to identify the format of the F&B outlets which will depend on the exact location of the outlets. We have allocated RM4.0 million of the IPO proceeds to fund this business strategy.

7.17.2 Providing door-step delivery of our F&B products to consumers via established food delivery providers

We have identified an opportunity gap that allows us to reach out directly to consumers instead of passively waiting for them to patron our F&B outlets. In October 2018, we have commenced using Food Panda as our food delivery provider. We will be exploring opportunities to enter into strategic business collaboration with other established food delivery service providers in Malaysia within the next 12 months. These service providers offer online and mobile platform for our consumers to purchase our F&B products, and they also deliver the purchases to our consumers. Such an arrangement can help us to diversify our sale points and allow us to tap into a growing connected consumer base that is looking for quick and convenient options to order our F&B products.

We intend to execute this business strategy using our internally generated funds.

7.17.3 Venturing into the franchising business model

We intend to establish a franchise system as a mean to further drive the penetration rate of our F&B outlets across Peninsular Malaysia within a short period without incurring heavy capital commitment. As the franchise system is already established in Malaysia with formalised regulatory framework, we believe that it is an attractive investment proposition that can attract potential franchisees to join us. We stand to exert more control in terms of store design, menu, product and promotional drive with the franchising model as compared to the licensing model.

7. BUSINESS OVERVIEW (Cont'd)

By adopting the franchising business model, we, as franchisor, will be able to:

- (a) maintain a higher degree of control over the operations and processes used by the franchisee, as compared to a licensing arrangement where our Group (as licensor) has little to no operational control as to how the products are utilised or distributed by the licensee; and
- (b) restrain franchisee from future independent trade for 2 years upon termination as opposed to licensing arrangement where we are unable to do so.

In addition, we also have to ensure that the branches of franchisees do not cannibalise each other's revenues and also give assistance such as branding and marketing support to the franchisees. We will have to provide extensive training to the franchisee on the operations of the F&B outlets.

We plan to start our franchise programme by 2020, initially focusing on setting up franchise F&B outlets in Klang Valley. With the roll-out of the franchise programme, we will phase out our licensing arrangement with existing licensees. They will be given the option to become our franchisee. We are currently preparing all the required documents for submission to the Franchise Registry.

We intend to execute this business strategy using our internally generated funds.

7.17.4 Prospects of our Group

We believe the prospects of our Group are favourable as our business is driven by an experienced key senior management team. Our extensive portfolio of products that are sold under 3 established brands over the years put our Group in a good position to drive business growth. With a sizeable pool of delivery vehicles and a newly commissioned fully automated sandwich loaf production line to support our wholesale channel along with the 'hub-and-spoke' model embarked for our retail channel, we are in pursuit of new business growth opportunities. Further details on our competitive strengths are set out in Section 7.16.

The outlook of the bakery products and restaurant and cafeteria/canteen market in Malaysia is expected to be positive. According to the IMR Report:

- (a) the bakery products market in Malaysia is valued at RM3,725.8 million in 2018 and is expected to grow at a forecast CAGR of 5.9% to reach RM4,967.1 million in 2023; and
- (b) the size of the restaurant and cafeteria/canteen market in Malaysia stood at RM46.62 billion in 2018 and is expected to grow at a forecast CAGR of 8.6% to reach RM70.42 billion in 2023.

Further details on our prospects and outlook of the market are set out in Section 8 (subsection 3.0 and 4.2) of the Prospectus.

We are mindful of the high level of fragmentation in the markets that we are participating in, as highlighted in the IMR Report. We acknowledge that the competition for shelf space, retail space and sales is intense. We could lose market share due to competitive pressures or other factors which may necessitate us to increase our marketing and advertising expenditures, lower the prices of our products and/or use discounting or promotional campaigns more frequently. Such measures could adversely affect our operating results and profitability. Nonetheless, we will strive to increase the level of our competitiveness to keep abreast or stay ahead of competition.

7. BUSINESS OVERVIEW (Cont'd)

Our Group has earmarked RM6.0 million, representing 25.0% of the IPO proceeds, for the purchase of new delivery vehicles and opening of new F&B outlets. These can help to expand our distribution network to reach out to more consumers and strengthen our wholesale and retail presence leading to further business growth. Please refer to Section 4.9 for further details on the utilisation of IPO proceeds.

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8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

The information in this Section 8 is based on market research conducted by Protégé Associates commissioned by SDSG for the purpose of the IPO.

17 AUG 2019

The Board of Directors
SDS Group Berhad,
No. 5A, Jalan Selatan 8
Off Jalan Kempas Lama
Kawasan Perusahaan Ringgan Pulai
81200 Johor Bahru
Malaysia

Dear Sirs,

Executive Summary of the Strategic Analysis of the Bakery Products Market with an Overview of the Restaurant and Cafeteria/ Canteen Market in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this executive summary of the 'Strategic Analysis of the Bakery Products Market with an Overview of the Restaurant and Cafeteria/Canteen Market in Malaysia' for inclusion in the prospectus of SDS Group Berhad ("SDSG") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 19 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG
Managing Director

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



1.0 Overview of the Bakery Products Market in Malaysia

The bakery products market in Malaysia is a part of the food products manufacturing industry and encompasses a wide range of products including cakes, rolls, pastries, biscuits and cookies, breakfast cereals and snacks. Along with increasing demand for bakery products in the country, the number of manufacturers of bakery products has also been rising. As at the end of 2015, based on the latest Economic Census for the Manufacturing Industry 2016 released by the Department of Statistics Malaysia ("DOSM"), there were 3,246 establishments that was involved in the wholesale manufacturing of bakery products. As there were no major changes in the business environment and regulations to the bakery products manufacturing industry, the statistics dated 2015 was used to forecast the estimated number of establishments in 2019. The number of establishments is forecast to reach more than 4,300 in 2019.

The bakery products in Malaysia comprises mainly of small and medium enterprises ("SMEs") that are owned by Malaysian. Besides SMEs, there are also notable foreign companies producing bakery products in Malaysia. These bakery product manufacturers include commercial bakeries producing wholesale bakery products for hypermarkets, supermarkets and convenience stores, traditional standalone or chain retail bakeries selling freshly baked products in their shops, as well as home bakeries selling their products in morning or night markets.

There has been an increase in demand for bakery products over the years, attributed to bakery product manufacturers innovatively promoting their products as well as from changing food consumption trends whereby consumers are becoming increasingly health conscious. This has led to the rise in the popularity of trans-fat free, multi-grain and wholegrain based bakery products that are low fat, low calorie and enriched with vitamins and minerals.

Figure 1: Historical Market Size (Revenue) and Growth Forecast for the Bakery Products Market in Malaysia, 2018-2023

Year	Market Size (Revenue) (RM million)	Growth Rate (%)
2018	3,725.8	-
2019	3,930.7	5.5
2020	4,158.7	5.8
2021	4,408.2	6.0
2022	4,672.7	6.0
2023	4,967.1	6.3

Note: CAGR (2019-2023) (base year of 2018): 5.9%

Sources: DOSM and Protégé Associates

The bakery products market in Malaysia stood at RM3,725.8 million in 2018 and is expected to reach RM3,930.7 million in 2019. The market is supported by factors such as changing food consumption trends, preference for conveniently-packed food products, the growing affluence of Malaysians, steady population growth, a wide range of bakery products that caters to consumers of various age and income categories, better road infrastructure boosting accessibility of products, an increasing number of bakery products manufacturers as well as advancement in technology. The market is expected to continue expanding with its growth expected to hover around 5.5% to 6.3% throughout the rest of the forecast period from 2019 to 2023.

2.1 Competitive Landscape

The bakery products market in Malaysia is highly fragmented with many market players ranging from large, multinational manufacturers to small, localised home bakeries. The majority of these market players are SMEs that are owned by Malaysians. Besides local players, there are also foreign market players operating in the Malaysian bakery products. The majority of these players are located in the Klang Valley region, Melaka and Johor and can be categorised into four main segments in accordance to

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



the types of products they produce, namely (1) namely bread, cakes and other bakery products, (2) biscuits and cookies, (3) snacks and (4) frozen bakery products.

In Malaysia, bakery product market players can sell their products via wholesale and retail channels. Wholesale trade for bakery products in Malaysia generally involves the distribution and sales of bakery products on large quantity basis to key distribution channels such as hypermarkets, supermarkets and convenience stores. Medium- to large-scale market players generally have a fleet of trucks to deliver products to depots or directly to these distribution channels, often on a daily basis to ensure that products sold are fresh. Bakery product market players that pursue retail trade of their products in Malaysia generally consist of small-scale manufacturers of bakery products or home bakers that sell their products on relatively smaller quantity via in-house premises (bakeries, café outlets or restaurants), stalls at markets, mobile vehicles, online or even direct engagements with friends and families.

2.1.1 Distribution Landscape of Bakery Products in Malaysia

Bakery products manufactured in Malaysia are generally sold locally while a small proportion is exported to neighbouring countries such as Singapore due to their perishable nature. In the local market, wholesale bakery products can reach consumers via three main distribution channels, namely hypermarkets, supermarkets and convenience stores. On the other hand, retail bakeries or home bakeries generally sell their products at the bakeries or at morning and night markets. In addition to the above, bakery product manufacturers sometimes also use other distribution channels such as mobile retailing and online retailing to reach customers. Bakery products (in particularly those from home bakeries) are sometimes sold in cafés and restaurants as a means to provide a wider range of products to customers.

2.3 Market Player Analysis

2.3.1 Description of SDSG

SDSG is principally involved in the manufacturing and distributing of bakery products as well as operating food and beverage outlets. Its products are sold via both wholesale and retail channels.

2.3.2 Comparable Market Players

Protégé Associates has looked at competitors for both SDSG's wholesale and retail operations. SDSG's wholesale operations involve the wholesale manufacturing and distribution of bakery products under the Top Baker and Daily's brand. Examples of market players that sell their products via wholesale channels are Adventist Health Services (Malaysia) Sdn Bhd, Fuji Bakery Supplies (M) Sdn Bhd, Gardenia Bakeries (KL) Sdn Bhd, Hawaii Bakery & Food Industries (M) Sdn Bhd, Mighty Bakery Sdn Bhd, Mission Foods Malaysia Sdn Bhd, The Italian Baker Sdn Bhd, Today Bakeries Products (Klang) Sdn Bhd and Roti Sedap Sdn Bhd. The market players that were selected for comparison with SDSG's wholesale trade operations are involved in the wholesale trade of bakery products in Malaysia. However, Mission Foods Malaysia Sdn Bhd has been omitted for comparison purpose as it mainly produces flatbread products like wraps, pita breads, naan and pizza as well as tortilla chips which are not closely comparable to those offered by SDSG.

SDSG's retail operations involve its operations of cafés, bakery-cum-cafés and bakeries. Examples of market players that sell their products via retail channels are Bread Story Sdn Bhd, Donutes Coffee & Cake Baking (M) Sdn Bhd, Lavender Bistro Sdn Bhd, Lavender Confectionery & Bakery Sdn Bhd, Moonlight Cake House Sdn Bhd, Multiple Reward Sdn Bhd, RT Pastry House (Setapak) Sdn Bhd, Sunmoulin Yamazaki Sdn Bhd and Tong Kee Brothers Sdn Bhd. The criteria used when selecting market players in Malaysia that are involved in the retail trade of their products for comparison with SDSG are (1) Involved in the retail trade of bakery products in Malaysia via bakery or café outlets ; (2) Registered an annual revenue (on a Group level) of below RM100 million; and (3) Have operations in Johor. Protégé Associates has selected the following Malaysian companies for comparison to SDSG.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CAANTEEN MARKET IN MALAYSIA (Cont'd)



Figure 2: Selected Market Players in the Bakery Products Market in Malaysia

Company	Company Information
Wholesale Trade	
Adventist Health Services (Malaysia) Sdn Bhd ("Adventist")	<ul style="list-style-type: none"> Adventist was registered as a private limited company on 16 March 1991 with the Companies Commission of Malaysia ("CCM"). The company is principally engaged in the operation of bakery, commissary and cafeteria and property letting. Examples of products offered by Adventist include bread loaves, rolls and cookies. For the financial year ended 31 December 2017, Adventist registered revenue of RM10.0 million.
Fuji Bakery Supplies (M) Sdn Bhd ("Fuji Bakery")	<ul style="list-style-type: none"> Fuji Bakery was registered as a private limited company on 18 November 1997 with CCM. The company is principally engaged in the business of manufacturing and wholesaling of all kinds of bakery products. Examples of products offered by Fuji Bakery include bread loaves, buns, baguette, rolls, muffins and various types of cakes. For the financial year ended 31 December 2017, Fuji Baker registered revenue of RM93.8 million.
Gardenia Bakeries (KL) Sdn Bhd ("Gardenia")	<ul style="list-style-type: none"> Gardenia was registered as a private limited company on 2 August 1985 with CCM. The company is principally engaged in the manufacture of bakery products. Examples of products offered by Gardenia include bread loaves, buns, rolls, muffins and For the financial year ended 31 December 2017, Gardenia registered revenue of RM881.5 million.
The Italian Baker Sdn Bhd ("Italian Baker")	<ul style="list-style-type: none"> Italian Baker was registered as a private limited company on 31 March 2007 with CCM. The company is principally engaged in the business of manufacturing and distribution of bakery products. Examples of products offered by Italian Baker include assorted types of breads (such as wheat germ bread, white sandwich bread and whole wheat bread), cream rolls and cupcakes. For the financial year ended 31 December 2018, Italian Baker registered revenue of RM152.2 million.
Hawaii Bakery & Food Industries (M) Sdn Bhd ("Hawaii Bakery")	<ul style="list-style-type: none"> Hawaii Bakery was registered as a private limited company on 24 July 1990 with CCM. Its nature of business is bakery and confectionery. Examples of products offered by Hawaii Bakery are burger bun, sausage bun, butter cup cake and chocolate cake. No further analysis is performed as its financial statements are outdated as compared to other companies in this table.
Mighty Bakery Sdn Bhd ("Mighty White")	<ul style="list-style-type: none"> Mighty White was registered as a private limited company on 11 September 1995 with CCM. The company is principally engaged in the manufacture and distribution of bakery products, transporters in every description and transport agency. Examples of products offered by Mighty White include sandwich bread, cream rolls, buns and cupcakes. Mighty White is an exempt private company and as such, its financial information is not publicly available.
Roti Sedap Sdn Bhd ("Roti Sedap")	<ul style="list-style-type: none"> Roti Sedap was registered as a private limited company on 3 July 1991 with CCM. The company is a manufacturer and wholesaler of breads. Examples of products offered by Roti Sedap are cream roll, white loaf sandwich, burger bun, filling bun and sausage bun. For the financial year ended 30 June 2018, Roti Sedap registered revenue of RM48.8 million.
Today Bakeries Products (Klang) Sdn Bhd ("Today Bakeries")	<ul style="list-style-type: none"> Today Bakeries was registered as a private limited company on 16 November 1989 with CCM. The company is principally involved as bakers, manufacturers and dealers in bakeries products. Examples of products offered by Today Bakeries include various types of buns and white toast, Today Bakeries is an exempt private company and as such, its financial information is not publicly available.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CAFETERIA MARKET IN MALAYSIA (Cont'd)



Company	Company Information
Retail Trade	
Lavender Group	<ul style="list-style-type: none"> Lavender Group consists of Lavender Confectionery & Bakery Sdn Bhd ("Lavender Confectionery") and Lavender Bistro Sdn Bhd ("Lavender Bistro") (Lavender Bistro had changed name to The Bee Group Sdn Bhd on 6 August 2019). Both Lavender Confectionery and Lavender Bistro were registered as a private limited company on 24 November 1999 with CCM. Lavender Confectionery is principally engaged as a manufacturer and dealer in confectionery and bakery products while Lavender Bistro is an operator of cafeterias and restaurants. For the financial year ended 31 December 2018, Lavender Confectionery registered revenue of RM86.4 million and Lavender Bistro registered revenue of RM11.7 million, resulting in Lavender Group registering revenue of RM98.1 million.
Moonlight Cake House Sdn Bhd ("Moonlight Cake House")	<ul style="list-style-type: none"> Moonlight Cake House was registered as a private limited company on 1 July 2009 with CCM. The company is principally engaged as a proprietor of restaurants, baker and manufacturer of cakes, bread and all kinds of confectioneries. For the financial year ended 30 June 2018, Moonlight Cake House registered revenue of RM40.6 million.
Season Group	<ul style="list-style-type: none"> Season Group consists of Season Confectionery & Bakery Sdn Bhd ("Season Confectionery") and Season's Cafe Sdn Bhd ("Season's Cafe"). Season Confectionery was registered as a private limited company on 14 June 1982 with CCM. The company is principally engaged in the processing, baking and sales of breads, cakes and confectioneries. Season's Cafe was registered as a private limited company on 21 June 1991 with CCM. The company is principally engaged as an operator of cafeterias. Season Confectionery registered revenue of RM42.7 million for the financial year ended 31 December 2018 while Season's Cafe registered revenue of RM8.7 million for the financial year ended 31 December 2017. Protégé is unable to ascertain the revenue registered by the Season Group for the financial year ended 31 December 2018 due to the unavailability of the required revenue data for Season's Cafe.

Note: The information above is updated as of 17 August 2019

Sources: CCM, the official website of selected market players and Protégé Associates

Figure 3: Comparison between SDSG and Selected Wholesale Market Players in the Bakery Products Market in Malaysia

Indicator	SDSG (Wholesale Operations)	Fuji Bakery	Italian Baker	Roti Sedap	Adventist	Gardenia
Information from the Financial Year Ended	31 March 2019	31 December 2017	31 December 2018	30 June 2018	31 December 2017	31 December 2017
Revenue (RM'000)	126,073*	93,771	152,235	48,839	9,975	881,496
Gross Profit (RM'000)	40,171*	27,366	51,700	1,986	1,986	262,781
Gross Profit Margin (%)	31.9	29.2	34.0	4.0	19.9	29.8

Notes:

- * SDSG's Revenue and Gross Profit are before inter-segment adjustments.
- The information above is updated as of 17 August 2019.
- The list of selected market players above is not exhaustive.
- The above figures only provide an indication and are not considered directly comparable due to the following reasons:
 - Not all market players have the same financial year end; and
 - Not all companies carry out activities which are completely similar to each other or in the same geographical area.
- The basis for calculating the figures and ratios in the table are as follows:
 - Gross Profit Margin = Gross Profit / Revenue

Sources: SDSG, CCM and Protégé Associates

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



Figure 4: Comparison between SDSG and Selected Retail Market Players in the Bakery Products Market in Malaysia

Indicator	SDSG (Retail Operations)	Moonlight Cake House	Lavender Group [#]		Season Group [#]	
			Lavender Confectionery	Lavender Bistro	Season Confectionery	Season's Cafe
Information from the Financial Year Ended	31 March 2019	30 June 2018	31 December 2018	31 December 2018	31 December 2018	31 December 2017
Revenue (RM'000)	73,327*	40,632	86,359	11,735	42,699	8,659
Gross Profit (RM'000)	16,930*	8,301	40,040	7,673	20,926	778
Gross Profit Margin (%)	23.1	20.4	46.4	65.4	49.0	9.0

Notes:

- 1) * SDSG's Revenue and Gross Profit are before inter-segment adjustments.
- 2) [#] Protégé Associates is unable to obtain the consolidated financial accounts of Lavender Group and Season Group.
- 3) The information above is updated as of 17 August 2019.
- 4) The list of selected market players above is not exhaustive.
- 5) The above figures only provide an indication and are not considered directly comparable due to the following reasons:
 - (a) Not all market players have the same financial year end; and
 - (b) Not all companies carry out activities which are completely similar to each other or in the same geographical area.
- 6) The basis for calculating the figure and ratio in the table are as follows:
 - (a) $Gross\ Profit\ Margin = \frac{Gross\ Profit}{Revenue}$

Sources: SDSG, CCM and Protégé Associates

It needs to be highlighted that the list of companies used for comparison purpose is not exhaustive and only serves as a reference for readers. For examples, Mighty White and Today Bakeries which are considered direct competitors of SDSG's wholesale operations were excluded as their financial information was not publicly available due to being private exempted companies. Hawaii Bakery was also excluded due to its financial statements are outdated as compared to other companies.

2.3 SDSG's Estimated Market Share

The revenue generated by SDSG in its financial year ended 31 March 2019 was RM187.1 million, which is equivalent to 4.8% of the estimated market size (revenue) of the bakery products market in Malaysia in 2019. The market share is derived from dividing SDSG's revenue of RM187.1 million for the financial year ended 31 March 2019 with the market size (revenue) of the bakery products market in Malaysia in 2019 which stood at RM3,930.7 million.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



2.4 Demand and Supply Conditions

Demand and supply conditions refer to market factors that can positively or negatively affect future market size and growth by specifically altering demand or supply dynamics. The below are demand and supply conditions affecting the value and growth of the bakery products market in Malaysia.

2.4.1 Demand Conditions

Changing Food Consumption Trends

The structural change in dietary intake of Malaysians has led to an increase in consumption of bakery products in particularly bread in place of traditional Asian staple foods such as rice and noodles. Bread and rice share similar attributes, whereby both are rich in carbohydrates and protein and are therefore often consumed in hot, humid regions where energy is easily lost through perspiration. However, the preparation of rice meals is time consuming as it often needs to be served with dishes that are prepared separately and might not suit the busy lifestyles of modern families. On the other hand, bread can be prepared relatively quickly into a meal, be it for breakfast or lunch. This is evident in the increasing household expenditure on bread over the years with the mean of monthly household consumption for bread and other cereals increasing over the years. According to the latest Report on Household Expenditure 2016 published by DOSM, the monthly household consumption expenditure on bread and other cereals increased from RM89 in 2014 to RM97 in 2016. In view that there were no major changes in the economic conditions in Malaysia, the statistics dated 2016 was used to forecast the estimated monthly household consumption expenditure in 2019. The monthly household consumption expenditure on bread and other cereals is forecast to reach RM114 in 2019. This demand condition is expected to have a high positive impact throughout the forecast period.

Preference for Conveniently-Packed Food Products

Malaysia's rapid urbanisation over the last few decades has changed the country's lifestyle where more women join the workforce and more people work longer hours. With less time to prepare for a meal, ease of convenience has become an important consideration when choosing the type of products to consume. This has led to increased consumption of conveniently-packed food products such as ready-to-eat meals and packed bakery products. Generally, wholesale bakery products are packaged in forms that are convenient for customers to consume including re-sealable, single-serve and lightweight packages that suit the modern 'grab-and-go' lifestyle. These packaging also serve to extend the shelf life of the food products, thus saving consumers the trouble of purchasing new food products every other day. This demand condition is expected to have a high positive impact throughout the forecast period.

Growing Affluence of Malaysians

The economic growth in Malaysia over the past half-century has resulted in the greater affluence of the population, whereby the gross national disposable income grew from RM502.7 million in 2005 to RM1,376.0 million in 2018. At the same time, the per capita income of Malaysians rose from RM41,128 in 2017 to RM42,627 in 2018 and is projected to reach RM44,275 in 2019. The Malaysian Government is also committed in pursuing economic expansion programmes which would lead to rising disposable incomes. The higher disposable income among Malaysians is likely to lead to greater consumption of food products, including wholesale and retail bakery products. This demand condition is expected to have a low positive impact throughout the forecast period.

Steady Population Growth

The Malaysian population is expected to continue growing at a steady pace, with the population expected to reach 41.5 million in 2040 from 28.6 million in 2010. As the size of the population increases, the potential pool of demand for bakery products is also expected to increase in tandem. In other words, the uptake in bakery products is positively correlated to population growth. Hence, the steady population growth in Malaysia is expected to spur the continued demand for bakery products moving forward. This demand condition is expected to have a low positive impact throughout the forecast period.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



2.4.2 Supply Conditions

Wide Range of Bakery Products to Cater for Consumers of Various Age and Income Categories

There is a wide range of bakery products in Malaysia to cater for consumers of varying age and income categories. This is because consumers generally are more inclined to choose products in accordance to their affordability. For example, some customers may opt for a standard sandwich bread while more affluent customer will choose higher-priced bread infused with additional ingredients. Bakery product manufacturers are constantly adapting their range of products as driven by the latest local and international trends. The ability of the bakery products market to meet and cope with the ever changing demands of its consumers has supported the growth of the market. This supply condition is expected to have a high positive impact throughout the forecast period.

Increasing Number of Bakery Products Manufacturers

The number of manufacturers of bakery products in Malaysia has been increasing in tandem with the growing popularity of bakery products in the country. As at the end of 2015, based on the latest Economic Census for the Manufacturing Industry 2016 published by DOSM, there were a total of 3,246 establishments involved in the wholesale manufacture of bakery products, up from 2,047 establishments recorded in 2010. The number of establishments is forecast to reach more than 4,300 in 2019. At the same time, the number of retailers of bakery products and sugar confectionery also increased from 2,352 retailers in 2010 to 3,361 retailers in 2015. The number of retailers of bakery products and sugar confectionery is forecast to reach more than 3,800 in 2019. The growing demand for bakery products in Malaysia and nearby country has attracted both new and existing players to participate actively in the market. In view of this, the production capacity and the supply of bakery products in Malaysia are expected to increase accordingly. This supply condition is expected to have a medium positive impact throughout the forecast period.

Better Road Infrastructure Boosting Accessibility of Products

The road infrastructure in Malaysia has improved over the years along with economic growth, with new expressways being built, major roads being opened, as well as existing trunk roads being repaved and widened. This has led to a wider distribution of bakery products to new and broader geographical areas that were not accessible or easily accessible in the past. With better road systems, large manufacturers are able to deliver their products to various locations across the country on a daily basis. The construction of new expressways has also served to greatly reduce the delivery time of bakery products to their destinations. As bakery products often tend to have relatively short shelf lives, the development of better road systems for quicker delivery of products has served to support the supply of bakery products across various locations in Malaysia. This supply condition is expected to have a low positive impact throughout the forecast period.

Advancement of Technology

To increase production capacity to cope with growing demand for bakery products, manufacturers are moving away from individual devices and machines and shift towards integrated systems. With the introduction of more advanced technology, most of the manufacturing processes for the production of bakery products can now be carried out using machinery and equipment rather than manual labour. The introduction of these machinery and equipment can drive production productivity and efficiency, promote better consistency in the quality of products produced and has allowed for the economies of scale for manufacturers of bakery products. For smaller retail bakeries that produce products involving more manual labour, the use of machinery and equipment has also helped to enhance productivity and ensure the quality of the products. Integrated systems also extend to the packaging of bakery products, where the use of conveyor belts, collators and automated packers can greatly improve the packaging process. In addition, the use of websites to promote products in this Internet era has also helped the growth of the bakery products market. Bakeries often also use social media such as Facebook to promote new products or marketing campaigns. This supply condition is expected to have a low positive impact throughout the forecast period.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



Higher Inflationary Pressure on Raw Material Prices

The prices of some raw materials for bakery products have been increasing in the recent years with the removal of subsidies by the Malaysian Government. The Malaysian Government removed sugar subsidies in 2013, leading to prices increasing from RM2.50 per kilogramme ("kg") in October 2013 to RM2.95 per kg in March 2017. On 1 March 2016, subsidies for the 25 kg bag of wheat flour were removed, resulting in prices increasing from RM33.75 per bag to RM42 per bag. Malaysia also imports a series of fruits and vegetables to fulfil local demand. This includes potatoes and potato products such as potato starch which are important raw materials used in the production of snacks particularly potato chips. While the prices of potatoes and potato products have remained relatively stable over the years, any significant changes in prices are expected to affect the manufacturing of potato chips. The increase or possible increase in prices of key raw materials is expected to adversely impact the cost of production of bakery products. This in turn will likely affect the supply of such products, should demand decrease due to the price increases in bakery products. This supply condition is expected to have a low negative impact throughout the forecast period.

3.0 Prospects and Outlook of the Bakery Products Market

Bakery products have been increasingly popular among Malaysians over the years. The bakery products market in Malaysia stood at RM3,725.8 million in 2018 and is forecast to reach RM3,930.7 million in 2019.

The positive outlook for the bakery products market in Malaysia stems mainly from factors such as changing food consumption trends, preference for conveniently-packed food products, the growing affluence of Malaysians as well as a steady population growth. On the supply side, the market is also expected to be supported by the wide range of bakery products that caters to consumers of various age and income categories, better road infrastructure boosting accessibility of products, an increasing number of bakery products manufacturers as well as advancement in technology. However, investors should be mindful of higher inflationary pressure on raw material prices that may dampen the growth of the bakery products market in Malaysia.

In terms of the market as a whole, Protégé Associates expects the bakery products market in Malaysia to expand at a steady pace. The market is projected to continue growing at a forecast CAGR of 5.9% for the 2019 to 2023 period with market size forecast to reach RM4,967.1 million in 2023.

4.0 Overview of the Restaurant and Cafeteria/ Canteen Market in Malaysia

The restaurant and cafeteria/canteen market is a sub-segment of the food and beverage services industry in Malaysia. SDSG is involved in the restaurant and cafeteria/canteen market via their operations of food and beverage outlets namely bakeries, cafés and bakery-cum-cafés.

At present, the majority of restaurants and cafeterias/canteens serve Asian cuisine, with Chinese, Malay, Indian, Japanese, Korean, Vietnamese and Thai restaurants dominating the local restaurant landscape. Some restaurants and cafeterias/canteens tend to serve various types of cuisine such as Chinese, Malay and Indian (Malaysian cuisine) under one roof. These restaurants and cafeterias/canteens can operate as independent service providers (only having one outlet) or as chain outlets. Similarly, restaurants and cafeterias/canteens serving other types of Asian cuisine can also operate as independent service providers or as chain restaurants. On the other hand, restaurants and cafeterias/canteens serving American, French, German, Italian and Spanish cuisine are the more prominent non-Asian restaurants.

Over the years, there has been an increasing number of restaurants and cafeterias/canteens established throughout Malaysia, driven mainly by a growing eating-out culture as well as younger generations preferring to hangout in these food and beverage services outlets in particularly as cafés rather than stay at home during free times. Based on the latest Economic Census for the Food and Beverage Service Industry 2016 published by DOSM, there were 53,801 establishments involved in restaurant and cafeteria/canteen operations in 2015, up from 13,214 establishments in 2010. As there were no major changes in the business environment and regulations to the restaurant and cafeteria/canteen market in Malaysia, the statistics dated 2015 was used to forecast the estimated number of establishments in 2019. The number of establishments is forecast to reach more than 65,000 in 2019. The restaurant and cafeteria/canteen market stood at a value of RM46.62 billion in 2018, up from RM42.38 billion in the previous year.

8. EXECUTIVE SUMMARY OF THE STRATEGIC ANALYSIS OF THE BAKERY PRODUCTS MARKET WITH AN OVERVIEW OF THE RESTAURANT AND CAFETERIA/CAFETERIA/CANTEEN MARKET IN MALAYSIA (*Cont'd*)



4.1 Demand and Supply Conditions

4.1.1 Demand Conditions

The Malaysian restaurant and cafeteria/canteen market is expected to continue expanding in the near future, driven by rising disposable income among Malaysians. Malaysia's gross national disposable income has increased to RM1,376.0 million in 2018 from RM1,315.7 million in 2017. Similarly, the per capita income in Malaysia also rose from RM41,128 in 2017 to RM42,627 in 2018. The higher disposable income is expected to lead to increased consumer spending, including on dining expenditure and is expected to bode well for the local restaurant and cafeteria/canteen market.

There has also been a growing trend of Malaysians eating out in the recent years. Several reasons contribute to this trend including the busy lifestyle led by Malaysians that have left them with little time to cook and consume meals at home. In addition, there has been a demographic change where more women are working nowadays. Cooking has traditionally been the duty of women in households and with more women working, couples have turned to dining out for meals. This has increased the demand for food and beverage services establishments such as restaurants and cafeterias/canteens.

4.1.2 Supply Conditions

Along with the rising urban population in Malaysia, there has also been a rise in the number of shopping complexes in the country. With new shopping complexes emerging, new food and beverage services providers find it a good opportunity to penetrate the growing food and beverage services market in Malaysia by opening outlets in these locations. At the same time, chain food and beverage services providers are pressured to open new franchise or outlets in these new locations to avoid losing market share. This condition is expected to continuously add to new food and beverage services establishments such as restaurants and cafeterias/canteens in Malaysia.

On the other hand, food and beverage services providers including restaurants and cafeterias/canteen in Malaysia are dependent to an extent on the availability of foreign workers to ensure the continuity of their operations. This can be partly attributed to jobs requiring lower-skilled workers such as waiters and dishwashers often being held in low esteem by the local younger population. In addition, there is a continuing upward pressure on the cost of employing workers with the implementation of the 'Minimum Wage Policy' that increases the cost of doing business. This condition is expected to negatively impact the growth of the local restaurant and cafeteria/canteen market going forward.

4.2 Prospects and Outlook of the Restaurant and Cafeteria/ Canteen Market

The Malaysian restaurant and cafeteria/canteen market is currently in a period of growth, and is expected to continue on an expansionary path for the next few years. The size of the restaurant and cafeteria/canteen market stood at RM46.62 billion in 2018 and is forecast to reach RM70.42 billion in 2023, representing a CAGR of 8.6% for the 2019 to 2023 period.

The positive outlook for the Malaysian restaurant and cafeteria/canteen market stems mainly from factors such as rising disposable income in Malaysia, growing eating trend among Malaysians as well as more Malaysian women working nowadays. On the supply side, the market is expected to be supported by an increasing number of shopping complexes being constructed in the country. However, market players should be mindful of labour shortage issues in Malaysia that may dampen the growth of the local restaurant and cafeteria/canteen market.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS**9.1.1 We are in net current liabilities position and any deterioration in PAT margin may worsen such position. Our net current liabilities position coupled with our gearing ratio, may also impair our ability to expand our business and/ or declare dividends**

As at 31 March 2016, 2017, 2018 and 2019, our net current liabilities position stood at RM12.0 million, RM27.2 million, RM21.7 million and RM14.9 million respectively. Historically, we have been financing our capital expenditure (long term asset) through cash generated from operations (short term funds) as a major portion of our sales are transacted based on cash on delivery while our purchases are on credit terms ranging from 30 to 120 days. For FYE 2016 to 2019, our Group's cash sales constituted approximately 65.5%, 63.5%, 68.5% and 70.3% of our total revenue. We have used the cash generated from operations to partially finance our capital expenditure during FYE 2016 to 2019 as well as the acquisition of Daily Bakery in FYE 2017. Moving forward, we may continue to use cash generated from operations to finance our capital expenditure, and as such, may continue to be in a net current liabilities position. Please refer to Section 11.3.1 and 11.7.4 for further details of our working capital and net current liabilities.

Our PAT margin for FYE 2016 to FYE 2019 was 4.1%, 4.5%, 3.4% and 4.2% respectively. As at 31 March 2019, our outstanding borrowings stood at RM49.8 million with a gearing ratio of 1.3 times. Our net current liabilities position coupled with our gearing position, may impair our ability to make future necessary capital expenditures, obtain external borrowings for funding or develop business opportunities, which may adversely affect our ability to expand our business and/or declare dividends. In addition, any deterioration in PAT margin may worsen our net current liabilities position.

9.1.2 We are exposed to borrowings and financial risks

As at 31 March 2019, our outstanding borrowings stood at RM49.8 million comprising mainly term loans, bankers' acceptance and finance lease liabilities. This translates to a gearing of 1.3 times based on our total equity as at 31 March 2019. Assuming our Public Issue and utilisation of proceeds had been completed on 31 March 2019, our pro forma gearing would be reduced to 0.7 times.

We are exposed to fluctuations in interest rates and there can be no assurance that our financial performance would remain favourable in the event of increase in interest rates. In addition, the agreements for credit facilities may contain covenants which may restrict our future operating and financing flexibility and a breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facilities.

9. RISK FACTORS (Cont'd)

9.1.3 Our expansion will result in higher operating costs as well as depreciation charges, and we cannot guarantee that our business will grow as planned

During FYE 2016 to 2019, we incurred significant capital expenditure to expand our business, whereby we purchased PPE costing an aggregate of RM59.6 million and acquired Daily Bakery for a net consideration of RM25.8 million. Please refer to Section 6.6.5 for details of our material capital expenditures. We have further allocated RM6.0 million from our IPO proceeds to finance the capital expenditure for our planned expansion to the central and northern regions of Peninsular Malaysia. Please refer to Section 4.9.1 for details of our proposed capital expenditure from the IPO proceeds.

Following our expansion plan, additional operating costs as well as depreciation charges will be incurred. If our Group fails to generate sufficient revenue to cover such additional costs and effectively grow our business, our financial performance and our ability to declare dividends may be adversely affected. Please refer to Section 11.3.1 for further explanation on our working capital.

We acquired Daily Bakery mainly for the purpose of establishing a new manufacturing footprint in Seremban to support the expansion of our wholesale channel outside of Johor. The new manufacturing plant subsequently commenced operations in November 2017. As our new manufacturing plant in Seremban has a relatively short operating history, there is no assurance that we will be successful in meeting new challenges that may be faced in operating the new plant.

9.1.4 We face risk of food contamination

Food contamination is an inherent risk in all F&B operations. There is risk of food contamination due to the numerous manufacturing processes involved in food production.

The food ingredients used in our production include eggs, sauces, fresh seafood, meat and vegetables, which are generally perishable and are vulnerable to contamination if not properly handled, stored or packed. Any contamination in our products may result in it being unsafe for consumption and will have an adverse impact on our reputation and brand name. This may also result in authorities inspecting our premises, leading to monetary fine and/or temporary closure of our operations for cleaning and/or sanitation, any of which may materially and adversely affect us.

The food preparation process involves human intervention and therefore is subject to our employees' awareness of good hygiene and them continuously adhering to our food safety management system. Whilst we stress and educate our employees on our food safety standards, there is no assurance that we will be able to continuously maintain the highest food safety standards and not be exposed to the risks of food contamination in the future.

9.1.5 Our business is dependent on prompt delivery and transportation of our products

We employ a direct store delivery method of distribution where we distribute our products directly to our customers and F&B outlets on a daily basis to ensure freshness of our products.

9. RISK FACTORS (Cont'd)

Delivery disruptions caused by adverse weather conditions and natural disasters could lead to delayed or lost deliveries and may result in interruptions to our business. Our products may not be able to maintain its freshness due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our logistics department. This may result in our failure to deliver quality products to our customers and F&B outlets, thereby damaging our reputation.

9.1.6 Our business may be affected by changes in consumer preference, disposable income, spending and perception

The bakery and F&B industries are influenced by factors such as consumer preference, consumer disposable income, spending level and consumer perception of our products. Such consumer behaviour may change over time and there is no guarantee that the market will continue to be receptive to our brands and products.

Our continued success will depend partly on our ability to anticipate and develop recipes that appeal to consumers' changing taste and preference and to market them to consumers. However, such development and marketing effort do not ensure that we will be able to continuously adapt to changes in consumers' preference and market perception.

9.1.7 Disruptions in the operations or unplanned shutdowns at our manufacturing plants and F&B outlets could materially and adversely affect our business

As at LPD, we have 2 manufacturing plants in Johor and Seremban as well as 33 F&B outlets all over Johor. Our manufacturing plant in Johor also acts as central kitchen for the preparation of food products which are supplied to our F&B outlets. Our manufacturing plants and F&B outlets may face disruptions or unplanned shutdowns due to reasons such as fire, power failure, floods or interruptions in water supply, which are beyond our control. If any of these events occur, it may cause prolonged disruptions or unplanned shutdowns and damages to our manufacturing plants and F&B outlets, and will materially and adversely affect us.

Although we have taken up insurance policies to provide coverage against the risk of fire and theft and personal accidents for our workers, there is no assurance that our coverage is adequate to compensate for any financial losses arising from fire, theft and accidents. There are also other risks such as natural disasters, riots and general strikes that cannot be reasonably insured against, which may materially and adversely affect our operations.

Our sandwich loaf production line in Seremban is fully automated. Any prolonged breakdown in a component of the production line will disrupt the entire production flow which will materially and adversely affect us.

9. RISK FACTORS (Cont'd)

9.1.8 We are dependent on the availability, quality and price fluctuations of raw materials such as food ingredients and packaging materials

Our operations are dependent on consistent supply of food ingredients and packaging materials that meet our quality requirements. Our suppliers may not be able to provide us with consistent food ingredients and packaging materials that meet our quality requirements due to reasons such as shortages or interruptions in supplies. We may also face shipment delay for certain imported raw materials due to bad weather conditions resulting in vessel delay, port congestion resulting in slow movement and handling of containers and delay in customs inspection and clearance. Any prolonged disruption in the supplies of these raw materials and/or raw materials that do not meet our quality requirements will have a negative impact on our business operations.

We also face the risk of fluctuating prices in raw materials. Any significant increase in the prices of our raw materials will have an adverse impact on our profit margins.

9.1.9 Our continued success is dependent on our Executive Directors and key senior management

Our business performance and future prospects depend significantly on the abilities, skills, experience, competency and continuous efforts of our Executive Directors and key senior management. Our co-founders, Tan Kim Seng and Tan Kim Chai, each has over 30 years of experience in the bakery industry and have extensive knowledge and insights of the industry. Since the establishment of our Group, they together with our management have built strong business relationships with our suppliers and customers as well as maintained our Group's reputation.

The loss of any of our Executive Directors could materially and adversely affect us. The loss of any of our key senior management simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel, could also materially and adversely affect us.

9.1.10 Negative publicity could materially and adversely impact our business

We may face customer complaints or receive unfavourable feedback on the quality of our products and service standards of our F&B outlets. If we fail to address such complaints or feedback properly, this could result in negative publicity for our Group.

Any negative publicity, regardless of their validity, concerning the quality of our products, may reduce consumers' confidence in our products as well as reduced patronage to our F&B outlets which if prolonged, can materially and adversely affect us.

9.1.11 Our business may be affected if there is intellectual property infringement against us

Our Group's proprietary brand names such as 'Top Baker', 'Daily's' and 'SDS' differentiate us from our competitors. Failure to protect or safeguard our intellectual property rights, or if any third party misappropriates, dilutes or infringes on our intellectual property, could materially adversely affect the value of our brands and businesses. Further details of our intellectual properties are set out in Section 6.5.

9. RISK FACTORS (Cont'd)

Any infringement, counterfeiting or unauthorised third party use or exploitation of our brand names within or outside of Malaysia, could negatively affect us. In addition, we may not be able to detect any unauthorised use of our intellectual property rights.

9.1.12 We may be affected by increase in rental rates or failure to renew our existing leases

As at LPD, 21 out of 33 of our F&B outlets are leased. Any increase in rental rates may reduce our profit margins if we are unable to increase our revenue correspondingly. In addition, upon expiry of existing leases, landlords have the right to review and change the terms and conditions of the lease agreements. We may be adversely affected if we are unable to renew the leases, or if renewed, on less favourable terms.

9.1.13 We may be affected by changes in conditions in places in which our F&B outlets are located

There is no assurance that the buildings in which our F&B outlets are located will continue to operate and will not close down or be demolished. If such event happens, we will need to write off all fixed assets of that particular F&B outlet. There is also the risk that we may not be able to find suitable alternative locations for our F&B outlets which may lead to loss of revenue. Compensation received, if any, may not be sufficient to cover our losses and this may have an adverse effect on us.

As at LPD, 19 out of 33 F&B outlets are located in shopping malls. We may be affected by changes in tenant mix and poor maintenance of the malls, which may lead to reduced patronage to the mall, thereby reducing traffic flow to our F&B outlets.

9.1.14 The conduct of our licensees may harm our reputation and corporate image if we are unable to control their actions

As at LPD, 5 of our F&B outlets are operated by external parties under licensing agreements signed with such parties. We retain significant control over our licensees' products by directly supplying our products to such licensee outlets. If the quality, focus, image or distribution of our products diminish due to poor conduct by our licensees, our reputation and corporate image may be adversely affected.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We are subject to stringent licencing requirements, relevant food regulations and hygiene standards**

We are subject to the laws and regulations governing the F&B industry, including but not limited to those relating to food safety, handling and storage, hygiene standards, wholesaler licences, food and eating premises licence, certificate of registration of food premises and Certificate of Authentication Halal for our products. We are required to obtain and maintain a number of licences and permits from the relevant authorities to operate our business. For details of our major licences, permits and registrations please refer to Appendix I.

9. RISK FACTORS (Cont'd)

The manufacturing licenses of SDS Food, SDS Top Baker and Daily Bakery stipulate that each company must by year 2020, fulfil the conditions that (i) its capital investment per employee must not be less than RM140,000.00; and (ii) its full time employment must consist of at least 80% Malaysian citizens. As at LPD, SDS Food and SDS Top Baker have not complied with such conditions. If SDS Food and SDS Top Baker are unable to comply with such condition by year 2020, its manufacturing licenses may be suspended or revoked and this will negatively affect our business operations.

In addition, if we are unable to comply with all regulations or conditions of our other licenses and permits, such licenses and permits may be suspended or revoked and this will negatively affect our business operations. There is also no assurance that the introduction of new laws or any changes to these legislations or other future regulatory developments will not have a material adverse effect on our business.

9.2.2 We are dependent on foreign workers in our manufacturing plants

Our business operations, especially at the manufacturing plants, are dependent on the continued supply of foreign labour. As at LPD, we employ 352 foreign workers, representing 27.9% of our total employees. These foreign workers are sourced from Bangladesh, Nepal, Myanmar, Cambodia and Indonesia.

Our business is therefore subject to labour and immigration laws that govern the employment of foreign workers. Any substantial shortage in the supply of foreign workers or restrictions on foreign workers usage may disrupt our operations.

At this juncture, we obtain work permits for our foreign workers, which may be renewed on a yearly basis up to 10 years. Any adverse changes to the policies on employment of foreign workers between Malaysia and the above-mentioned countries or any significant increase in labour wages, may adversely affect us.

9.2.3 The industries in which we participate in are highly competitive, and our business could be materially and adversely affected if we do not compete effectively

We operate in the bakery and restaurant and cafeterias/ canteen market which are highly competitive. Over the years, there have been an increasing number of restaurants and cafeterias/ canteens established throughout Malaysia. Based on the IMR, the number of establishment involved in restaurant and cafeterias/ canteen operations is forecast to reach more than 65,000 in 2019.

Our competitors are diverse, and they include large bakery manufacturers, individual bakery, home-based bakery, fast-food chain, restaurants and cafés. Some of our competitors may have longer operating history, more F&B outlets, larger customer base as well as greater financial and marketing resources. In addition, numerous brands and products compete for shelf space, with competition based primarily on product quality, brand recognition and loyalty, price, product promotion, customer service, and the ability to identify and satisfy consumers' changing taste and preference.

Our business may also be adversely affected if our competitors are successful in imitating our product recipes, retail concepts and are able to provide such products at competitive prices.

9. RISK FACTORS (*Cont'd*)

9.2.4 We may be affected by the outbreak of food related diseases

Some of our products contain fillings made from meat and seafood. Any outbreak of diseases and viruses in meat or seafood from the region and around the world may have a material and adverse impact on our business, as it may affect the general public consumption of these products. Any such outbreak may also materially and adversely affect the sources of supply for that particular food product. Efforts to source for alternatives may take time and may be costly.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (b) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Section 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with notice to be sent to the Director General of the Inland Revenue Board and the Registrar designated under Section 20A(1) of the Companies Commission of Malaysia Act 2001 within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

9. RISK FACTORS (Cont'd)

9.3.3 The trading price and volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.4 Our ability to pay dividends is largely dependent on the performance of our subsidiaries

As an investment holding company, our Company derives its income mainly from dividends received from our subsidiaries. As such, our ability to pay future dividends is largely dependent on the performance of our subsidiaries. In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, availability of distributable reserves, future expansion plans, loan covenants and compliance with regulatory requirements.

9.4 OTHER RISKS**9.4.1 Our Promoters will be able to exert significant influence over our Company**

Our Promoters will collectively hold 74.6% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

9.4.2 Forward-looking/ prospective statements in this Prospectus may not be achievable

Certain statements or expectations or forecasts in this Prospectus are based on historical data which may not be reflective of our future results. Forward-looking statements in this Prospectus are based on assumptions and subject to uncertainties and contingencies.

There can be no assurance that such prospective statements or expectations or forecasts will materialise and actual results may be deviate significantly. Such deviation may have a material and adverse effect on us.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Company within our Group	Interested persons	Nature of relationship	Nature of transaction	Value of transactions (Expense)/ Income									
					FYE 2016 RM'000	% (1b)(5)	FYE 2017 RM'000	% (1b)(5)	FYE 2018 RM'000	% (1b)(5)	FYE 2019 RM'000	%	Up to LPD RM'000	%
KS Tan Properties Sdn Bhd	<ul style="list-style-type: none"> • SDS Food • SDS B&C 	Tan Kim Seng	Tan Kim Seng is our Promoter, Managing Director and substantial shareholder.	<ul style="list-style-type: none"> • Purchase of promotional goods such as bird's nest by SDS Food from KS Tan Properties Sdn Bhd 	(7)	-	(2)	-	(2)	-	-	-	-	-
			He is also director and substantial shareholder (holding 50% equity interest) of KS Tan Properties Sdn Bhd.	<ul style="list-style-type: none"> • Rental of premises paid/ payable by SDS Food to KS Tan Properties Sdn Bhd 	(31)	N/A	(34)	N/A	(34)	N/A	(34)	N/A	10	N/A
				<ul style="list-style-type: none"> • Rental of premises received/ receivable by SDS B&C from KS Tan Properties Sdn Bhd⁽⁶⁾ 	6	N/A	6	N/A	6	N/A	6	N/A	2	N/A

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Company within our Group	Interested persons	Nature of relationship	Nature of transaction	Value of transactions (Expense)/Income									
					FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000	%	FYE 2019 RM'000	%	Up to LPD RM'000	%
SDS Tan Properties	<ul style="list-style-type: none"> • SDS Top Baker • SDS B&C 	<ul style="list-style-type: none"> • Tan Kim Seng • Tan Kim Chai • Teou Chau Hoyk 	<p>The interested persons are our Promoters.</p> <p>Tan Kim Seng and Tan Kim Chai are our Managing Director and Executive Director respectively.</p> <p>They are also Directors and substantial shareholders of SDS Tan Properties.</p>	<p>Rental of premises paid/ payable by SDS B&C and SDS Top Baker to SDS Tan Properties</p>	-	-	(228)	N/A	(258)	N/A	(285)	N/A	(93)	N/A
City Cafeteria ⁽³⁾	City Cake	Tan Yong Thye	<p>Tan Yong Thye is our Promoter and substantial shareholder.</p> <p>He was also an inactive partner of City Cafeteria.</p>	<ul style="list-style-type: none"> • Purchase by City Cake of business assets such as furniture, fittings and equipment used in the F&B outlet from City Cafeteria • Reimbursement of rental deposit by City 	(175)	N/A	-	-	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Company within our Group	Interested persons	Nature of relationship	Nature of transaction	Value of transactions (Expense)/ Income									
					FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000	%	FYE 2019 RM'000	%	Up to LPD RM'000	%
Sin Lee Hiang Cake House (please refer to Section 10.2.1 for further details)	Super Arrow	<ul style="list-style-type: none"> Tan Kim Chai Tan Kee Jin Tan Yong Thye 	The interested persons are our Promoters. Tan Kim Chai and Tan Kee Jin are also our Executive Directors.	<ul style="list-style-type: none"> Sale of bakery products by Super Arrow to Sin Lee Hiang Cake House Promotion support provided by Super Arrow to Sin Lee Hiang Cake House 	2,837	(1a)3.0	3,113	(1a)2.2	2,262	(1a)1.3	2,248	(1a)1.2	288	0.6
Regina Cake House (please refer to Section 10.2.1 for further details)	Super Arrow	<ul style="list-style-type: none"> Tan Kim Chai Tan Kee Jin Tan Yong Thye 	The interested persons are also partners of Sin Lee Hiang Cake House. The interested persons are our Promoters. Tan Kim Chai and Tan Kee Jin are also our Executive Directors.	<ul style="list-style-type: none"> Sale of bakery products by Super Arrow to Regina Cake House 	4,945	(1a)5.3	5,715	(1a)4.1	4,628	(1a)2.7	4,380	(1a)2.3	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Company within our Group	Interested persons	Nature of relationship	Nature of transaction	Value of transactions (Expense)/ Income											
					FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000	%	FYE 2019 RM'000	%	Up to LPD RM'000	%		
Tan Kee Jin	Super Arrow	Tan Kee Jin	Tan Kim Chai and Tan Yong Thye are our substantial shareholders.			(43)	N/A	-	-	-	-	-	-	-	-	
			The interested persons are also partners of Regina Cake House.													
Pua Geok Hong	SDS Baker	Pua Geok Hong	Pua Geok Hong is spouse of Tan Kim Seng who is our Promoter, Managing Director and substantial shareholder.	Rental of premises paid/ payable by SDS Top Baker to Pua Geok Hong ⁽⁴⁾	(6)	N/A	(9)	N/A	(5)	N/A	-	-	-	-	-	
Tan Kim Seng	SDS Baker	Tan Kim Seng	Tan Kim Seng is our Promoter, Managing Director and substantial shareholder.	Rental of premises paid/ payable by SDS Top Baker to Tan Kim Seng ⁽⁴⁾	(8)	N/A	(10)	N/A	(5)	N/A	-	-	-	-	-	

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Transacting parties	Company within our Group	Interested persons	Nature of relationship	Nature of transaction	Value of transactions (Expense)/ Income									
					FYE 2016 RM'000	%	FYE 2017 RM'000	%	FYE 2018 RM'000	%	FYE 2019 RM'000	%	Up to LPD RM'000	%
• Tan Kim Seng • Tan Kim Chai • Teou Chau Hoyk	SDS Food	• Tan Kim Seng • Tan Kim Chai • Teou Chau Hoyk	The interested persons are our Promoters. Tan Kim Seng and Tan Kim Chai are our Managing Director and Executive Director respectively. They are also our substantial shareholders.	Acquisition by SDS Food of the entire equity interest of SDS B&C from the interested persons	(1,700)	N/A	-	-	-	-	-	-	-	-

Notes:

N/A Not applicable

(1a) Calculated based on our Group's revenue for each of the respective financial years.

(1b) Calculated based on our Group's cost of sales for each of the respective financial years.

(2) Tan Kim Chai, Tan Kee Jin and Tan Yon Haw collectively owned 50.0% equity interest in PT Top Baker Indonesia. On 22 November 2017, they disposed of their entire equity interest in PT Top Baker Indonesia to a non-related party for a consideration of approximately USD500,000 and concurrently Tan Kim Chai resigned as Director of PT Top Baker Indonesia. The disposal was carried out in order for our Promoters to fully concentrate on our business in Malaysia and Singapore.

(3) City Cafeteria has been de-registered from Register of Business on 8 July 2015.

(4) Subsequent to FYE 2018, the rental arrangement has ceased.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

- (5) Represent less than 0.1%.
- (6) Relates to the rental of the first floor of a shophouse owned by SDS B&C.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save for the one-off payment made by Super Arrow on behalf of a director, which has been fully settled in FYE 2017, our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders.

Moving forward, in order to ensure related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

10.1.2 Other transactions**(a) Transactions that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during FYE 2016 to 2019.

(b) Outstanding loans (including guarantees of any kind)

The following related party balances were included in our receivables and payables as at the end of FYE 2016 to 2019:

	<u>FYE 2016</u>	<u>FYE 2017</u>	<u>FYE 2018</u>	<u>FYE 2019</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Receivables				
• Trade receivables from Regina Cake House and Sin Lee Hiang Cake House ⁽¹⁾	650	549	859	885
• Amount due/trade receivable from PT Top Baker Indonesia ⁽²⁾	831	572	-	-
• Amount due from Directors ⁽⁴⁾	122	-	-	-
• Amount due from shareholders ⁽⁵⁾	453	-	-	-
Payables				
• Amount to SDS Tan Properties ⁽⁶⁾	22	-	-	-
• Amount due to Directors ⁽⁷⁾	453	10	1	-

Notes:

- (1) This amount relates to sale of bakery products to Regina Cake House and Sin Lee Hiang Cake House which are partnerships owned by certain Promoters. The amount outstanding as at the end of financial years under review was within the normal credit period granted of 30 to 60 days. Subsequent to FYE 2019, such amount has been settled in full.
- (2) This amount represents unsecured interest-free advance to PT Top Baker Indonesia, which has been settled in full.
- (3) This amount relates to sale of food paste to PT Top Baker Indonesia. The amount outstanding as at the end of FYE 2017 was within the normal credit period granted of 30 to 60 days. Such amount has been settled in full.
- (4) This amount represents unsecured payments made by us on behalf of the Directors, which has been settled in full.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)

- (5) This amount represents the balance sale proceeds receivable arising from the disposal of our shares in SDS Tan Properties to certain shareholders of our Group. This amount has been settled in full.
- (6) This amount represents unsecured payments made on our behalf by SDS Tan Properties, which has been settled in full.
- (7) This amount represents unsecured payments made on our behalf by our Directors, which has been settled in full.

Guarantees

- (a) Certain of our Promoters, Tan Kim Seng, Tan Kim Chai, Tan Yon Haw and Teou Chau Hoyk, had extended guarantees for banking facilities extended to our Group as at 31 March 2019. We have applied and received a conditional approval from the respective banks to discharge the said guarantees subject to completion of our Listing and corporate guarantee to be provided by SDSG.
- (b) SDS Tan Properties, our Promoter, had provided third party securities in the form of land and buildings for banking facilities extended to our Group as at 31 March 2019.
- (c) Certain of our Promoters, Tan Kim Seng, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng, and Ng Yong Lai, a third party business associate of our Promoters, jointly own a piece of land. The said land has been pledged for banking facilities extended to our Group as at 31 March 2019.

The third party securities in (b) and (c) above are extended to Hong Leong Islamic Bank Berhad for banking facilities granted to our Group. We will redeem the third party securities with our IPO proceeds allocated for repayment of bank borrowings. Please refer to Section 4.9.1(b)(i) for further details. Upon full payment of the redemption sum to Hong Leong Islamic Bank Berhad, these third party securities will be discharged.

Save as disclosed above, there were no outstanding loans (including guarantees of any kind) made to/by us to or for the benefit of any related party.

(c) Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 24 March 2017 between SDS Food and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting agreement dated 18 July 2019 entered into between our Company and M&A Securities for the underwriting of 43,423,200 IPO Shares.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**10.2 CONFLICT OF INTEREST****10.2.1 Interest in similar business and in businesses of our clients and our suppliers**

As at LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are:

- (a) carrying on a similar or related trade as our Group; or
- (b) customers and/or suppliers of our Group.

Prior to the LPD and up till May 2019, Tan Kim Chai, Tan Kee Jin and Tan Yong Thye who are our Promoters, were also involved in the following businesses which were carrying on similar or related trade as our Group and were also our customers:

Interested persons	Company	Principal activities	Position held	% of invested capital	
				Direct	Indirect
Tan Kim Chai	Regina	Distribution of bakery	Partner	34.0	-
Tan Kee Jin	Cake House	products in	Partner	33.0	-
Tan Yong Thye		Singapore (now dormant)	Partner	33.0	-
Tan Kim Chai	Sin Lee	Distribution of bakery	Partner	34.0	-
Tan Kee Jin	Hiang Cake	products in	Partner	33.0	-
Tan Yong Thye	House	Singapore (now dormant)	Partner	33.0	-

Regina Cake House and Sin Lee Hiang Cake House are partnerships incorporated in Singapore. Since 2003 until 2019, our bakery products are sold via our wholly-owned subsidiary in Singapore i.e. Super Arrow, to Regina Cake House and Sin Lee Hiang Cake House for onward distribution in Singapore on an exclusive basis. Super Arrow's role is limited to importing bakery products on a wholesale basis and selling it to various distributors in Singapore. Regina Cake House and Sin Lee Hiang Cake House did not distribute any other products other than those produced by our Group, both products of our own brands as well as products produced under OEM arrangement for its Singapore-based customers. Regina Cake House and Sin Lee Hiang Cake House were also not involved in other businesses save for distribution of bakery products in Singapore. Regina Cake House and Sin Lee Hiang Cake House have ceased operations in March 2019 and May 2019 respectively and will subsequently be wound up. Their distribution activities have been assumed by a third party distributor, JC Food Supplies Pte Ltd, under a new distributor appointment by Super Arrow. The appointment of JC Food Supplies Pte Ltd is not exclusive and Super Arrow reserves the right to amend, cancel or terminate the appointment upon 30 days written notice without any liability. Other than JC Food Supplies Pte Ltd, we also have one other distributor in Singapore, A.M. Deli Enterprise Pte Ltd.

As such, our Board did not include Regina Cake House and Sin Lee Hiang Cake House as part of our Listing Group after taking into consideration that we do not intend to enter into direct distribution to hypermarkets, supermarkets or other retailers within Singapore as it would require separate licenses and logistical support in Singapore. As we plan to focus in expanding our local geographical footprints into the central and northern region of Peninsular Malaysia, we do not want to be involved in managing the day-to-day operations, dealings and coordination with the end customers in Singapore. Please refer to Section 7.17.1 for further details on our future plans.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (*Cont'd*)

For FYE 2016 to 2019, our total sales to Regina Cake House and Sin Lee Hiang Cake House represent less than 10.0% of our Group's revenue. Separately, none of our Directors or substantial shareholders is involved in the day-to-day operations of Regina Cake House and Sin Lee Hiang Cake House.

Our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders. Based on the above, our Board has formed the opinion that the above persons' involvement in Regina Cake House and Sin Lee Hiang Cake House do not give rise to any conflict of interest situation with our Group.

Moving forward, our Audit Committee will supervise any conflict of interest or potential conflict of interest situations and our Directors or substantial shareholders will disclose such conflict of interest situations, if any, to our Nominating Committee for resolution as and when they arise.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Further details on steps that our Nominating Committee will take if such Director's involvement give rise to a potential conflict of interest with our Group's business, are set out in Section 5.2.3.

10.2.2 Promotion of material assets

Save as disclosed below, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within the FYE 2016 to 2019, acquired or proposed to be acquired by; or disposed of or proposed to be disposed of by; or leased or proposed to be leased to us.

- (a) On 18 March 2016, SDS Food disposed of its entire equity interest in SDS Tan Properties to certain of our Promoters, namely Tan Kim Seng, Tan Kim Chai, Teou Chau Hoyk, Tan Yon Haw, Tan Yong Thye, Tan Yong Ping and Tan Yong Heng for a total cash consideration of RM1.7 million. The disposal consideration of RM1.7 million was derived at taking into consideration the expected NA of SDS Tan Properties as at 31 March 2016 of RM1.3 million.
- (b) On 18 March 2016, SDS Food acquired the entire equity interest of SDS B&C from certain of our Promoters, namely Tan Kim Seng, Tan Kim Chai and Teou Chau Hoyk for a total cash consideration of RM1.7 million. The purchase consideration of RM1.7 million was derived at taking into consideration the expected NA of SDS B&C as at 31 March 2016 of RM2.1 million.

The disposal of SDS Tan Properties (a property investment company) and acquisition of SDS B&C (an operator of F&B outlets) were undertaken as part of SDS Food's internal restructuring to streamline its business operation to focus on the core business of manufacturing and distributing of bakery products as well as operating F&B outlets.

10.2.3 Declarations of conflict of interest by our advisers

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (*Cont'd*)

- (b) Messrs Lee & Tengku Azrina has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;
- (c) Messrs Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Protégé has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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