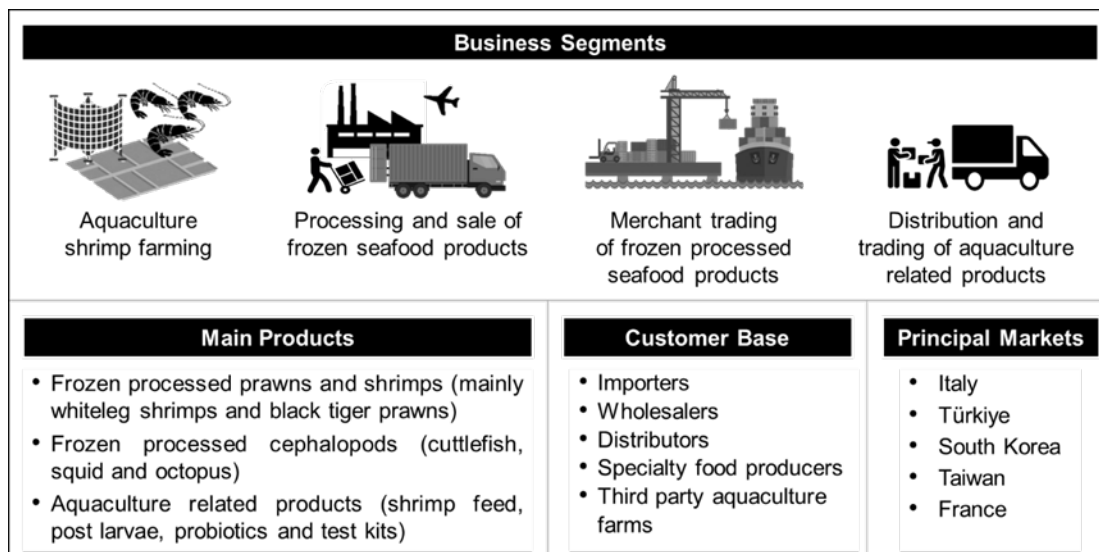


7. BUSINESS OVERVIEW

7.1 BUSINESS MODEL

Our current business model is summarised as follows:-



Note:-

As part of our future business plans and strategies, we intend to operate our own shrimp hatchery and nursery facilities to supply shrimp post larvae to our aquaculture shrimp farms for cultivation. Our Hatchery Centre is expected to be operational by the fourth quarter of 2024 after obtaining all requisite regulatory approvals.

(a) Business segments

Currently, our Group is involved in the following business activities:-

- (i) processing and sale of frozen seafood products;
- (ii) merchant trading of frozen processed seafood products;
- (iii) aquaculture shrimp farming; and
- (iv) distribution and trading of aquaculture related products such as shrimp feed, post larvae, probiotics and test kits.

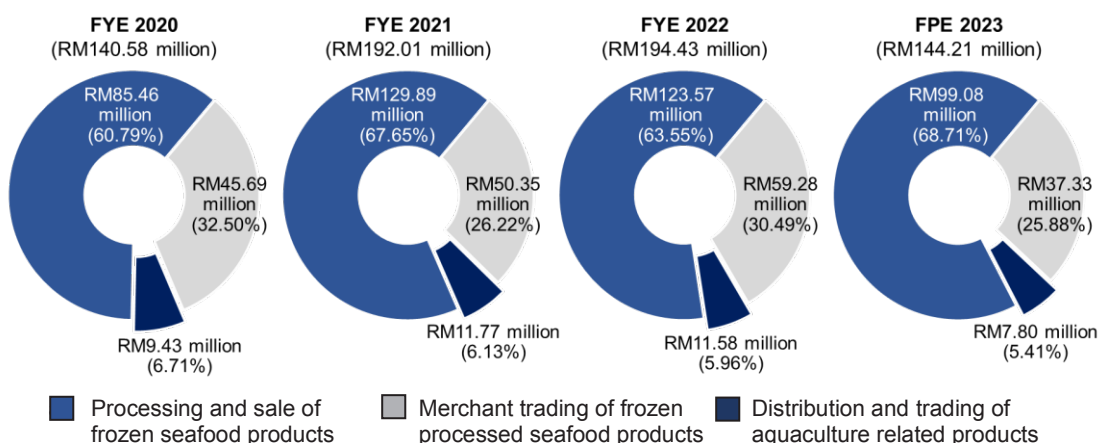
Our Group processes frozen seafood products which involves mainly shrimps and cephalopods at our Kurau Plant. They are available in the form of block frozen, semi-IQF and IQF. Apart from processing shrimps which are sourced directly from our own aquaculture shrimp farms, we also purchase shrimps and cephalopods from external suppliers such as local fishermen, third party aquaculture shrimp farms and overseas suppliers. Our processed seafood products are either marketed and sold under our own Titanium brand or produced under our customers' own brands.

In addition, we also engage in merchant trading of frozen processed seafood products involving mainly cephalopods and fish by sourcing them from our Indonesian supplier, namely, PT Yasuriang, pursuant to the Supplies and Marketing Agreement for export directly to our customers in the overseas markets where we have presence. All such products are sold under our own brand, Titanium. PT Yasuriang does not sell its products under its own brand.

7. BUSINESS OVERVIEW (cont'd)

Our aquaculture shrimp farming involves growing of shrimp post larvae into marketable sizes that are in demand and/or in accordance with our customers' requests. Our Group's aquaculture shrimp farming activities are undertaken at the Kurau Farm and Selinsing Farm where we cultivate both whiteleg shrimps and black tiger prawns. As at the LPD, we have developed a total of 88 shrimp ponds, all of which are in cultivation. Currently, we do not generate any revenue from the farmed shrimps harvested from our aquaculture shrimp farms as all our farmed shrimps are supplied and processed in-house at our Kurau Plant and are not sold to external customers.

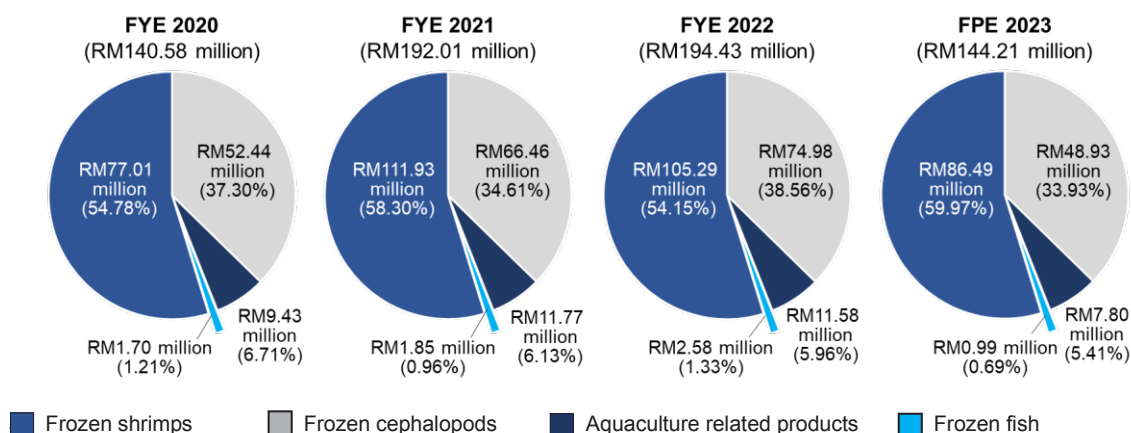
For the Financial Periods Under Review, our revenue contribution by business segments are as follows:-



For the Financial Periods Under Review, the largest revenue contributor by business segment is our processing and sale of frozen seafood products, which accounted for more than 60% of our total revenue, with CAGR of 20.24% per annum for the FYE 2020 to FYE 2022. The second largest revenue contributor by business segment is our merchant trading of frozen processed seafood products, which accounted for more than 25% of our total revenue, with a CAGR of 13.91% per annum for the FYE 2020 to FYE 2022.

(b) Type of products

For the Financial Periods Under Review, our revenue segmentation by type of products are as follows:-



7. BUSINESS OVERVIEW (cont'd)

For the Financial Periods Under Review, frozen shrimps are our largest revenue contributor, which accounted for more than 54% of our total revenue, followed by frozen cephalopods, which accounted for over 33% of our total revenue.

(c) Principal markets

Our Group operates in Malaysia and serves our customers which are operating domestically as well as from overseas including countries across Asia, Europe and the Middle-East. A breakdown of our revenue from our principal markets for the Financial Periods Under Review is set out in the table below:-

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	10,127	7.20	12,743	6.64	12,747	6.56	8,893	6.17
<i>Overseas</i>								
South Korea	35,044	24.93	35,822	18.66	29,015	14.92	31,283	21.69
Italy	34,907	24.83	41,295	21.51	51,984	26.74	29,788	20.65
Taiwan	21,543	15.32	21,581	11.24	28,707	14.77	24,459	16.96
Türkiye	4,190	2.98	37,703	19.64	46,650	23.99	22,852	15.85
France	23,272	16.55	31,772	16.55	19,566	10.06	17,638	12.23
China	346	0.25	1,540	0.80	-	-	4,219	2.93
Hong Kong	1,064	0.76	2,657	1.38	2,310	1.19	2,003	1.39
Greece	4,195	2.98	2,642	1.37	1,928	0.99	1,404	0.97
Singapore	880	0.63	1,950	1.02	544	0.28	829	0.57
Netherlands	2,509	1.79	1,777	0.92	975	0.50	417	0.29
Albania	2,504	1.78	524	0.27	-	-	427	0.30
	130,454	92.80	179,263	93.36	181,679	93.44	135,319	93.83
Total revenue	140,581	100.00	192,006	100.00	194,426	100.00	144,212	100.00

7.2 PRODUCTS AND SERVICES

Our Group processes frozen seafood products involving mainly shrimps and cephalopods at our Kurau Plant which are available in the form of block frozen, semi-IQF and IQF.






Our frozen shrimp products are processed and frozen according to various grades, sizes and specifications in accordance with our customers' orders. It involves various levels of processing to produce products such as "head-on shell-on", "headless shell-on", "peeled and undeveined" and "peeled and deveined" shrimps.

Our frozen cephalopods products are processed and frozen as "whole cleaned" and "whole round". "Whole cleaned" refers to frozen cephalopods with removed skin, eyes, beak, bones and internal organs while "whole round" refers to frozen cephalopods in its original appearance.

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7. BUSINESS OVERVIEW (cont'd)

The table below summarises the types of processed seafood products that we produce:-

Types	Level of Processing	Products
Whiteleg shrimps	<ul style="list-style-type: none"> • Head-on, shell-on • Headless, shell-on • Peeled, tail-on • Peeled, deveined, tail-on • Peeled, undeveined • Peeled, deveined 	
Black tiger prawns	<ul style="list-style-type: none"> • Head-on, shell-on • Headless, shell-on • Peeled, tail-on • Peeled, deveined, tail-on • Peeled, undeveined • Peeled, deveined 	
Octopus	<ul style="list-style-type: none"> • Whole round • Whole cleaned 	
Cuttlefish	<ul style="list-style-type: none"> • Whole round • Whole cleaned 	
Squid	<ul style="list-style-type: none"> • Whole round • Whole cleaned 	

7. BUSINESS OVERVIEW (cont'd)

The following sub-sections detail our Group's operations:-

(a) Aquaculture shrimp farming

Our aquaculture shrimp farming involves growing shrimp post larvae of black tiger prawns and whiteleg shrimps into marketable sizes that are in demand and/or in accordance with our customers' requests. Black tiger prawns are normally grown for up to 6 months (or 180 days) whereas whiteleg shrimps are grown for shorter period of up to 4 months (or 120 days) before full harvest.

Our Group's aquaculture shrimp farming activities are undertaken at the Kurau Farm and Selinsing Farm where we cultivate both whiteleg shrimps and black tiger prawns. As at the LPD, we have developed a total of 88 shrimp ponds in our Kurau Farm and Selinsing Farm, all of which are in cultivation. Our farms adhere to strict bio-security operating procedures including routine pond maintenance, regular testing of water parameters, security control and surveillance. Both the Kurau Farm and Selinsing Farm are located along the coastline of the Straits of Malacca, where water intake is sourced directly from the sea.

As at the LPD, our Group employs 70 employees at both our Kurau Farm and Selinsing Farm, including 52 foreign workers, who are all housed at the workers' accommodations.

(i) Kurau Farm

Kurau Farm is our first aquaculture shrimp farming venture developed by SBH Perak Agro under the JV Agreement. Kurau Farm covering approximately 142.0 acres of land comprising Phase I (120.6 acres) and Phase II (21.4 acres). The land is owned by PPPNP.

Pursuant to the Lease Agreement for Kurau Farm (Phase I), PPPNP has agreed to lease Kurau Farm (Phase I) to us for a lease period of 30 years from 1 January 2017 to 31 December 2046, subject to obtaining the state consent to lease the farm, of which is still pending as at the LPD. Pending the said state consent to lease, we are currently occupying the land as a tenant for 10 consecutive terms of 3-year tenancy periods from 1 January 2017, whereupon obtaining the state consent, such tenancy shall be automatically converted into a lease. Upon expiry of the 30 years lease term on 31 December 2046, it may be extended at the option of SBH Perak Agro so long the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.

For Kurau Farm (Phase II), which sits on a Malay Reserved Land, we are renting it from PPPNP pursuant to the Tenancy Agreement for Kurau Farm (Phase II) for 10 consecutive 3-year periods from 1 January 2017 to 31 December 2046. The initial tenancy period of 3 years commencing from 1 January 2017 to 31 December 2019, has been renewed to 31 December 2022 and then further renewed to 31 December 2025. It is further renewable at the option of SBH Perak Agro so long as the land continues to be in use for shrimp breeding for 7 subsequent consecutive 3-year periods, ending on 31 December 2046. Upon expiry of the tenancy term on 31 December 2046, the tenancy may be further extended at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.

The Kurau Farm is located in Mukim Kuala Kurau, District of Kerian, Perak, which is approximately 10 km or 15 minutes' drive from our Kurau Plant. It can be accessible from Jalan Gula, Kuala Kurau, Perak via a private access road within an oil palm plantation estate.

7. BUSINESS OVERVIEW (cont'd)

As at the LPD, the Kurau Farm has been fully developed into 58 shrimp ponds, comprising 42 and 16 shrimp ponds in Kurau Farm (Phase I) and Kurau Farm (Phase II) respectively, ranging from approximately 4,000 sqm to 6,000 sqm in size. In addition to shrimp ponds, Kurau Farm also has sedimentation canals, treatment ponds and reservoirs.

Our Kurau Farm is currently equipped with a laboratory, administration office, feed store and warehouse, workers' accommodation and other ancillary building/structures.

An aerial view of Kurau Farm is shown below:-



(ii) Selinsing Farm

The Selinsing Farm is our Group's second aquaculture shrimp farm. It was previously developed and operated by another operator before the project was discontinued. The land, which was originally owned by the Perak state government, was subsequently alienated to PPPNP (pursuant to Section 76 of the National Land Code) whereby a document of title was issued in the name of PPPNP. The Selinsing Farm was added into the joint venture under SBH Perak Agro to be rehabilitated and developed for purpose of shrimp breeding.

The land measuring approximately 298.7 acres is currently rented from PPPNP pursuant to the Tenancy Agreement for Selinsing Farm for 2 tenancy terms, comprising the first 10 consecutive 3-year periods from 1 July 2020 to 30 June 2050 ("**Selinsing Farm First Term**") and the second 10 consecutive 3-year periods from 1 July 2050 to 30 June 2080 ("**Selinsing Farm Second Term**").

The first tenancy period of 3 years under the Selinsing Farm First Term had commenced from 1 July 2020 to 30 June 2023 and has been subsequently renewed to 30 June 2026. It is further renewable at the option of SBH Perak Agro for 8 subsequent consecutive 3-year periods, ending on 30 June 2050.

7. BUSINESS OVERVIEW *(cont'd)*

Upon expiry of the Selinsing Farm First Term, the tenancy may be further extended for another 10 subsequent consecutive 3-year periods from 1 July 2050 to 30 June 2080 under the Selinsing Farm Second Term, at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.

Upon expiry of the Selinsing Farm Second Term, the tenancy may be further extended so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.

Please refer to Section 7.11.5 for further details of the Tenancy Agreement for Selinsing Farm.

The Selinsing Farm is located in Mukim Selinsing, Perak which is about 25 km or 30 minutes' drive from our Kurau Plant. The Selinsing Farm can be accessible from Jalan Gula, Kuala Kurau, Perak.

We intend to develop the Selinsing Farm in 3 separate phases for aquaculture shrimp farming. Phase 1 involves rehabilitating about 100 acres of land and developing it into 36 shrimp ponds. As at the LPD, 30 shrimp ponds have been developed under Phase 1, ranging from 4,000 sqm to 6,500 sqm in size, with full completion expected by middle of 2024. Thereafter, Phase 2 and Phase 3 covering about 100 acres and 98.7 acres shall be rehabilitated and developed into 37 and 36 shrimp ponds respectively and are scheduled to be fully completed by middle of 2027. Upon full completion, Selinsing Farm is expected to have a total of 109 shrimp ponds. In addition to shrimp ponds, Selinsing Farm also has sedimentation canals, treatment ponds and reservoirs.

Our Selinsing Farm is currently equipped with a laboratory, administration office, feed store, warehouse, workers' accommodation and other ancillary buildings/structures.

An aerial view of Selinsing Farm is shown below:-



7. BUSINESS OVERVIEW (cont'd)

SBH Perak Agro has obtained myGAP certifications for both Kurau Farm and Selinsing Farm which certify that the company has fulfilled the requirements under the GAqP which emphasises on environment, economy and social aspects to ensure the produce is safe and of good quality. It has also received FQC certifications for both farms which certify that the company has complied with the EU requirements as stated under Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009, which allows farmed shrimps harvested from both farms to be exported to the EU after being processed at our Kurau Plant.

(b) Distribution and trading of aquaculture related products

Our Group distributes and trades in aquaculture related products, mainly focusing on the shrimp feed, post larvae, test kits and probiotics related to aquaculture shrimp farming. Apart from own consumption at our own aquaculture shrimp farms, we also sell and supply the said aquaculture related products to external customers who are all based in Malaysia.

(c) Processing and sale of frozen seafood products

Our processing activities of frozen seafood products activities are carried out at our Kurau Plant, which is located in Kuala Kurau, Perak, comprising a single storey factory with a built-up area of 35,221 sq ft with a 1,000-tonne capacity cold room facility, an adjoining double storey office block and some ancillary structures. The current estimated annual processing capacity of the Kurau Plant is 4,800 tonnes of frozen seafood.

An aerial view of our Kurau Plant is shown below:-



We process shrimps harvested from our own aquaculture shrimp farms as well as shrimps and cephalopods purchased from external suppliers such as local fishermen, and third party aquaculture shrimp farms. We also import frozen unprocessed cephalopods from overseas suppliers (mainly Indonesia and China) to be processed at our Kurau Plant. As at the LPD, we employ 223 employees, including 149 foreign workers, at our Kurau Plant.

7. BUSINESS OVERVIEW *(cont'd)*

The seafood produce is checked, graded, cleaned, processed (such as sorting and removal of shells, organs and veins), frozen and then packed before being sold as frozen seafood products. Over the course of the processing operations, we utilise equipment such as semi-contact freezers, flake ice making machines, automatic shrimp sizing machines, shrink packing machines and metal detector machine. Please refer to Section 7.13.3 of this Prospectus for a list of key machinery and equipment used in our seafood processing operations. The equipment which are made of fully stainless-steel materials adhere to stringent hygiene and food safety handling practices and are in compliance with the requirements under HACCP, GMP, MeSTI certifications.

Our processed seafood products are either marketed and sold under our Titanium brand or produced under our customers' own brands. Our products are mainly sold and exported to overseas-based importers, wholesalers, distributors and specialty food producers, and in turn, our customers would sell our products to supermarkets, hypermarket chains and frozen seafood retailers.

During the Financial Periods Under Review, the revenue arising from products sold under our Titanium brand amounted to RM1.74 million (2.04%), RM31.90 million (24.56%), RM39.09 million (31.64%) and RM21.82 million (22.02%) of the total revenue contribution from the processing and sale of frozen seafood products respectively.

(d) Merchant trading of frozen processed seafood products

Apart from processing frozen seafood at our Kurau Plant, we also engage in merchant trading of frozen processed seafood products (mainly cephalopods and fish) sourced from our Indonesian supplier, PT Yasuriang. Upon receipt of our purchase orders, PT Yasuriang will source for the required seafood supplies to be processed at its seafood processing plant in Medan, Indonesia and thereafter, will directly export the frozen processed products to our customers in overseas markets.

PT Yasuriang is a registered exporter of fishery products to European and Norwegian countries, with the Fish Quarantine and Inspection Agency under the Ministry of Marine Affairs & Fisheries, Indonesia.

All frozen processed seafood products under merchant trading business are sold under our Titanium brand during the Financial Periods Under Review.

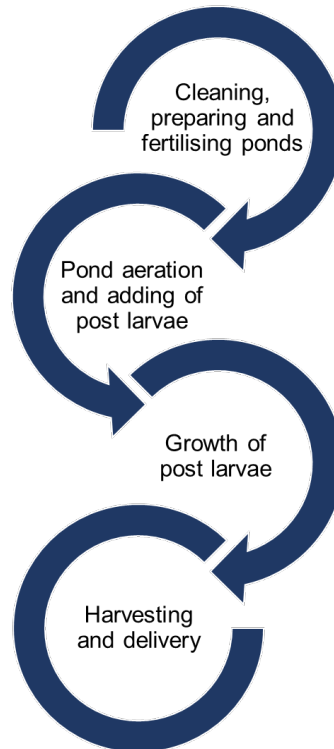
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7. BUSINESS OVERVIEW *(cont'd)*

7.3 BUSINESS AND OPERATION PROCESS

7.3.1 Process Flow for Aquaculture Shrimp Farming

The process flow for the aquaculture shrimp farming of whiteleg shrimps and black tiger prawns is depicted in the following diagram:-



It generally takes about 150 days for whiteleg shrimps or 210 days for black tiger prawns from the start of the pond preparation process, adding of shrimp post larvae, growing of the post larvae into adult shrimps, partial harvesting until the full harvesting, before the next cycle of pond preparation and shrimp culture commences again. The actual duration and the cycle of each grow out pond may vary across different ponds, depending on the type and growth rate of the shrimps.

Cleaning, preparing and fertilising the ponds

Aquaculture shrimp farming begins with the preparation of the ponds before stocking with shrimp post larvae. Pond preparation includes cleaning of the pond bottom, drying under the sun, treatment with lime before topping up with treated seawater.

Our shrimp farming process adheres to the agricultural practices as set out under our myGAP certification by the MAFS which emphasises on environment, economy and social aspects to ensure the produce is safe and of good quality. Under our shrimp farming process, the ponds are cleaned, dried and prepared over a period of about 30 days after every harvest cycle and before the commencement of the next culture cycle. This allows us to condition the ponds as well as to perform maintenance on damaged liners and equipment such as aerators.

7. BUSINESS OVERVIEW (*cont'd*)

During the drying process, residue at the pond bottom comprising shrimp feed and shrimp faeces left behind after the full harvest is cleaned using high-pressured water jets and then removed to the sludge holding pond using sludge pumps. Such waste materials need to be removed as they can release toxic gases that are harmful to the shrimps when the pond is re-filled with seawater for the next culture cycle. Once the sludge is dried out, it will be used to top up the perimeter bund.

The drying process takes between 1 to 2 weeks depending on weather conditions. Ponds are required to be dried until the soil cracks. Exposure to sunlight and air accelerates the decaying process of the remaining organic matters left in the pond to increase the pond's fertility.

After the ponds are sufficiently dried, the workers will scatter compounds such as calcium hypochlorite, hydrated lime, zeolite and sodium bicarbonate, on the pond surface to lower the soil acidity. Once completed, the ponds will be filled with treated seawater to around 1.6 metre deep. The seawater quality in the ponds will be monitored throughout the shrimp cultivation process to ensure it is within the range acceptable for the farming process in accordance with the myGAP practices.

The ponds are then fertilised with urea, tea seed cake and probiotics to encourage the growth of plankton to act as shade material and prevents algae growth on the base of the ponds.

Both the Kurau Farm and Selinsing Farm are located along the coastline of the Straits of Malacca. Before seawater is drawn into our farms using water pumps and pipes before going through a filtration process where the seawater will pass through filters to remove unwanted particles. The filtered seawater is then flowed through the sedimentation canal to allow other unfiltered particles to settle at the bottom of the sedimentation canal to reduce the water turbidity before flowing into the reservoir for treatment with chlorine. Thereafter, the treated seawater will be channelled into the ponds for shrimp cultivation.

Aerating of ponds and adding of post larvae

Before adding the shrimp post larvae, water in the ponds is aerated to increase dissolved oxygen, a process which is carried out using installed paddle wheel aerators in the ponds which takes approximately 10 days. Each pond requires between 12 and 17 aerators.

Paddle wheel aerators are used in the shrimp ponds to diffuse atmospheric oxygen into the pond water and maintain dissolved oxygen level. It also serves to keep the feeding zone clean and accumulate sediment at the centre, create uniform water circulation, help to mobilize nutrients in water column, enhance the growth of phytoplankton and enhance the effects of the probiotics used.

We source shrimp post larvae from third party hatcheries that have the requisite certifications by relevant regulatory authorities, such as the myGAP and FQC certifications.

The post larvae are normally packed in plastic bags at the hatchery before being delivered to the farms. Prior to the packaging at the hatchery, the samples of the post larvae are sent to an external Government accredited laboratory in Selangor by our suppliers for virus analysis to ensure that they are free from any viruses or diseases before being introduced to our farms for stocking. The laboratory checks for common viruses which include amongst others, WSSV, IMNV, yellow head virus and taura syndrome virus.

The shrimps post larvae will be released into the ponds once the water quality such as its pH level, dissolved oxygen, salinity and temperature are within the required ranges. Water parameters are tested daily at our laboratory in the farms to ensure that the water quality is maintained at acceptable levels.

7. BUSINESS OVERVIEW *(cont'd)*

Growing of post larvae into adult shrimps

The post larvae in our ponds are left to grow naturally without the use of antibiotics and growth hormones in line with good aquaculture practices. The growing period takes approximately 120 days (for whiteleg shrimps) to 180 days (black tiger prawns), depending on the growth rate of the shrimps.

Over the growing period, routine farm management is carried out. The shrimps are fed with the use of automatic feeder and the quantity and type of feed provided are determined by the density of each pond and size of the shrimps. The shrimps in our aquaculture farms are only fed with shrimp feed which are sourced by our Group from approved sources.

Water quality is checked twice daily during the growing period, where it is tested for its temperature (using thermometer), pH (using pH meter), dissolved oxygen (using dissolved oxygen meter) and salinity levels (using salinity scope). Probiotics are added into the pond water to lower the level of ammonia, nitrate and nitrite, if required.

Harvesting and delivery to our Kurau Plant for processing

The harvesting process consists of partial harvesting and full harvesting. Generally, a harvest cycle for black tiger prawns lasts around 80 days, with partial harvest commencing around the 100-day mark from the date the post larvae are first added into the ponds and continuous partial harvest will be carried out every 2 to 3 weeks, depending on our customers' orders and seasonal demand. A full harvest will be conducted after 180 days. For whiteleg shrimps, the harvest cycle lasts around 50 days, with partial harvest commencing around the 70-day mark after the post larvae are first added into the ponds. A full harvest will be conducted after 120 days.

The partial harvesting process is carried out with a trap net, which can capture about 10% of the stock each time. This also reduces intraspecific competition specifically amongst black tiger prawns and allows the remaining prawns to maximise their growth, leading to higher yields. Full harvesting involves draining of all the seawater in the pond and manual collection of prawns at the bottom of the pond.

Harvested shrimps are kept in fibreglass insulated tubs filled with ice and water to keep them fresh during the delivery to our Kurau Plant for processing. They are kept at a temperature of +2 degree Celsius once harvested and are then transported in our own fleet of temperature-controlled trucks. Depending on customers' requirements, the harvested shrimps may also be delivered alive where they are kept in aerated tanks whilst being transported using our trucks to the Kurau Plant for processing.

Discharge of seawater after full harvest

During the full harvest, the ponds will be emptied whereby seawater will be pumped out from the ponds through the sedimentation canal (allowing a sedimentation process to reduce the water turbidity) to the treatment pond where the water will be monitored for the biochemical oxygen demand ("**BOD**") level for 1 to 2 days. No chemical is added into the treatment pond during this process. Once the BOD level is at an acceptable level, the seawater will be pumped out and discharged back into the sea.

7. BUSINESS OVERVIEW *(cont'd)*

7.3.2 Process Flow for Seafood Processing

(a) Process flow for processing, freezing and packing of shrimps

The process flow for the processing, freezing and packing of shrimps is depicted in the following diagram:-



Preparation of processing area and workers

Every morning prior to the commencement of operations, all production facilities will be sanitised and washed down. All workers are required to wear protective uniforms (including rubber gloves, rubber boots, caps, face masks and aprons) and go through a disinfection foot bath before entering processing area. Before commencing of work, the workers dip their rubber gloves in sanitisers for disinfection.

After each batch of processing, the facilities will be sanitised and prepared for the next batch of processing.

Receiving, inspection and washing

Our shrimp processing process is developed and implemented in accordance with the HACCP program for food safety with 2 identified CCP. The first food safety CCP is upon the receiving of live or chilled shrimps from both our own farms and third-party suppliers. The shrimps are transported to our seafood processing plant at temperatures of about +2 degree Celsius. Upon arrival, our quality control personnel will inspect the shrimps manually and perform organoleptic tests to assess the texture, flavour, odour, appearance and mouthfeel.

They are then sent to a receiving section for washing with clean water shower using the shrimp washing machine and kept in iced water which is maintained at temperature of about +2 degree Celsius to maintain freshness before being uploaded into the automatic sizing machine for further washing (to remove any remaining particles) and sizing.

Sizing, weighing and chilling

The shrimps pass through a conveyor system of automatic sizing machines where the shrimps are automatically sorted according to sizes. They are then weighed and placed into different buckets before being chilled with ice and clean water in bigger tubs for the next stage of processing.

Processing

The shrimps are then processed which may involve deheading, peeling or deveining in accordance with our customers' preferences, such as head-on shell-on, headless shell-on, peeled and deveined.

Weighing and arranging

The processed shrimps are weighed again and arranged by the workers manually on trays or in boxes according to our customers' specifications and prepared for freezing.

7. BUSINESS OVERVIEW (cont'd)

Freezing and glazing

Depending on customers' preferences, the shrimps are then frozen either individually or in blocks. The arranged shrimps are placed inside the semi-contact freezers where they are frozen at -45 degree Celsius for 2 to 4 hours depending on the weight. This freezing process preserves the freshness of the shrimps and enables our frozen processed shrimps to have commercial shelf life of up to 24 months if it is stored in proper refrigerated conditions.

The shrimps also undergo a process called glazing, which refers to spraying the frozen shrimps with a thin layer of water to produce a thin protective layer of ice on the frozen shrimps. The glazing process protects the frozen shrimps further by limiting dehydration during cold storage.

During this stage, we will also collect random samples of shrimp which we will send for testing at government accredited laboratories to test for food-borne pathogens such as *E.coli*, *Vibrio cholerae*, *Salmonella*, etc.

The pictures below show our frozen processed shrimps in different forms:-

Semi-IQF



Semi-IQF refers to the semi-individually quick frozen process. The shrimp are first arranged on trays or in boxes, whereby the shrimps are in contact with one another, before water is added into the tray or boxes. For semi-IQF, up to 20% of the trays or boxes will be filled with water before being frozen in semi-contact freezers. After freezing, the frozen shrimp will be glazed and frozen again to provide a thin protective layer of ice over the frozen shrimps. Currently, we reserve our processing capacity to produce up to 3,500 tonnes of frozen shrimps in semi-IQF form per annum at our Kurau Plant.

IQF



7. BUSINESS OVERVIEW *(cont'd)*

IQF refers to the individual quick frozen process. The shrimp are arranged individually, whereby the shrimps are not touching one another, on metal trays before being frozen in semi-contact freezers. Our semi-contact freezers are also capable to produce frozen shrimps in IQF form without the use of an IQF freezer. The frozen shrimp are then glazed and frozen again to provide a thin protective layer of ice over the frozen shrimp. The IQF method allows us to pack the individually-frozen shrimp in bags and allows consumers to easily take out the amount of shrimps they need each time. Currently, we reserve our processing capacity to produce up to 250 tonnes of frozen shrimps in IQF form per annum at our Kurau Plant.

Block Frozen



Block frozen refers to a freezing process whereby the shrimps are frozen into a block. The shrimp are first arranged on trays or in boxes, whereby the shrimp are in contact with one another, before water is added into the tray or boxes. For the block frozen process, up to 50% of the trays or boxes will be filled with water before being frozen in semi-contact freezers. After freezing, the frozen shrimp will be glazed and frozen again to provide a thin protective layer of ice over the frozen shrimps. Once frozen, the blocks will be removed from the trays or boxes. Currently, we reserve our processing capacity to produce up to 800 tonnes of frozen shrimps in block frozen form per annum at our Kurau Plant.

Final packing and cold storage

The frozen shrimps are then sent to the packing section, where they are closed with box covers which are pre-printed with either our own brand or our customers' brands.

Our workers will place the covered boxes into a shrink packing machine, where a layer of plastic film is wrapped around the boxes. The heat emitted from the shrink packing machine chamber shrinks the film to seal the boxes.

For IQF and block frozen shrimps, they are directly sent to the packing section where they slotted into plastic bags which are pre-printed with either our own brand or our customers' brands. The plastic bags are then sealed using a L-bar sealing machine.

The sealed frozen products then pass through metal detection machines. This is our second food safety CCP of the process, where the machines detect presence of any metal objects which may be unintentionally dropped or left by the workers into the sealed boxes or plastic bags. If any metal object is detected, the entire box or plastic bags containing the metal object will be removed and discarded.

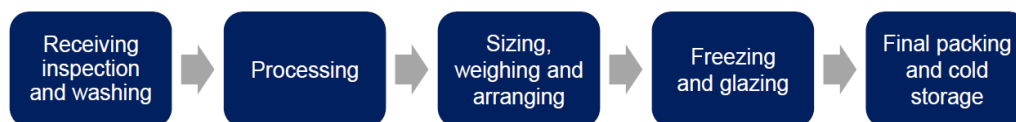
After completing the metal detection test, the packed frozen shrimps in boxes and plastic bags are packed into carton boxes and strapped using our strapping machines. The carton boxes are then transferred into our cold room facilities for storage at temperature of -22 degree Celsius pending loading and delivery to the customers.

7. BUSINESS OVERVIEW *(cont'd)*

Loading and delivery

Our finished products are loaded into refrigerated containers and trucked to the nearest port located in Butterworth, Penang namely the North Butterworth Container Terminal, before being shipped to our overseas customers together with the requisite health certificates issued by the MOH, where required. For local customers, our products will be delivered in refrigerated trucks directly to their designated locations.

(b) **Process flow for processing, freezing and packing cephalopods**



Receiving, inspection and washing

Our production process for cephalopods (comprising mainly cuttlefish, squids and octopus) is also developed and implemented in accordance with HACCP program for food safety with 2 identified food safety CCP established during the process.

The first food safety CCP is upon the receiving of chilled or frozen cephalopods from our third-party suppliers. The chilled cephalopods are transported to our Kurau Plant at temperature of about +2 degree Celsius and inspected by our quality control personnel where they manually perform organoleptic tests on the produce involving the assessment of texture, flavour, odour, appearance and mouthfeel. As for the frozen cephalopods, upon arrival at our seafood processing plant, they are firstly stored in our cold room. To process the frozen cephalopods, they are taken out from our cold room and allowed to thaw before our quality control personnel inspects the cephalopods and performs organoleptic tests before being allowed to be sent for further processing.

They are then sent to another area for washing with clean water shower and then kept in iced water which is maintained at temperature of about +2 degree Celsius to maintain freshness.

Processing

Depending on our customers' orders, the cephalopods may be sold as "whole round" which involves only washing whilst maintaining its original form or as "whole clean" which requires processing whereby the skin, eyes, beak, bones and internal organs are gutted and removed. The "whole clean" cephalopods will further undergo agitation using our horizontal curling machines to cure the texture to make them firmer.

Sizing, weighing and arranging

Our workers then manually sort the cephalopods according to size, appearance and quality. Depending on our customers' requirements, the cephalopods are then weighed before the workers arrange them manually on metal trays before freezing.

Freezing and glazing

Depending on customers' preferences, the cephalopods are then frozen either individually or in blocks. The cephalopods are placed inside the semi-contact freezers where they are frozen at -45 degree Celsius for 3 to 5 hours depending on the weight. This preserves the freshness and enables our frozen cephalopods to have commercial shelf life of up to 24 months if they are stored in proper refrigerated conditions.

7. BUSINESS OVERVIEW (cont'd)

The cephalopods also undergo a process called glazing, which refers to spraying the frozen cephalopods with a thin layer of water to produce a thin protective layer of ice on the frozen cephalopods. The glazing process protects the frozen cephalopods further by limiting dehydration during cold storage.

During this stage, we will also collect random samples of cephalopods which we will send for testing at government accredited laboratories to test for food-borne pathogens such as *E.coli*, *Vibrio cholerae*, *Salmonella*, etc.

The pictures below show the frozen cephalopods in different forms:-

IQF



IQF refers to the individual quick frozen. The cephalopods are arranged individually, whereby the cephalopods are not touching one another, on metal trays before being frozen in semi-contact freezers. Our semi-contact freezers are capable to produce frozen cephalopods in IQF form without the use of an IQF freezer. The frozen cephalopods are then glazed and frozen again to provide a thin protective layer of ice on the frozen cephalopods. The IQF method allows us to pack the individually-frozen cephalopods in bags and allows consumers to easily take out the amount of cephalopods they need at each time. Currently, we reserve our processing capacity to produce up to 150 tonnes of frozen cephalopods in IQF form per annum at our Kurau Plant.

Block Frozen



Block frozen refers to a freezing process whereby the cephalopods are frozen into a block. The cephalopods are first arranged on trays or in boxes, whereby the shrimp are in contact with one another, before water is added into the tray or boxes. For the block frozen process, up to 50% of the trays or boxes will be filled with water before being frozen in semi-contact freezers. After freezing, the frozen cephalopods will then be glazed and frozen again to provide a thin protective layer of ice over the frozen cephalopods. Once frozen, the blocks will be removed from the trays or boxes. Currently, we reserve our processing capacity to produce up to 100 tonnes of frozen cephalopods in block frozen form per annum at our Kurau Plant.

7. BUSINESS OVERVIEW *(cont'd)*

Final packing and cold storage

The frozen cephalopods are then sent to the packing section, where they are either inserted into plastic bags or carton boxes which are pre-printed with either our own brand or our customers' brands. The plastic bags containing frozen cephalopods are then sealed using a L-bar sealing machine.

The sealed frozen products then pass through metal detection machines. This is our second food safety CCP of the process, where the machines detect presence of any metal objects which may be unintentionally inserted or left by the workers into the boxes or plastic bags. If any metal object is detected, the entire box or plastic bag containing the metal object will be removed and discarded.

After completing the metal detection test, the packed frozen cephalopods in plastic bags are packed into carton boxes and strapped using our strapping machines. The carton boxes are then transferred into our cold room facilities for storage at temperatures of -22 degree Celsius pending loading and delivery to the customers.

Loading and delivery

Our finished products are loaded into refrigerated containers and trucked to the nearest port located in Butterworth, Penang namely the North Butterworth Container Terminal before being shipped to our overseas customers together with the requisite health certificates issued by the MOH, where required. For local customers, our products will be delivered in refrigerated trucks directly to their designated locations.

7.3.3 Process Flow for Merchant Trading of Frozen Processed Seafood Products



Sourcing

Upon receipt of purchase orders from our overseas customers for certain seafood products, particularly cephalopods and fish, we will in turn issue our purchase orders to our Indonesian supplier, namely, PT Yasuriang.

PT Yasuriang will procure the necessary produce from its own suppliers where they are then processed and packed at its own seafood processing plant located in Medan, Indonesia in accordance with our instructions which are based on our customers' specifications.

Delivery and Shipping

Once the frozen processed seafood products are ready, we will direct PT Yasuriang to ship the products directly from the Indonesian port to our overseas customers, who are mainly from the EU region, together with the requisite health certificates issued by the Fish Quarantine and Inspection Agency under of Ministry of Marine Affairs & Fisheries, Indonesia.

7. BUSINESS OVERVIEW (cont'd)

7.4 FOOD SAFETY AND QUALITY CONTROL**7.4.1 Food Safety and Quality Control Procedures**

Our Group observes strict measures that emphasise on quality, freshness, stringent hygiene and food safety and handling practices over the course of our operations. Our operations adhere and comply to food safety standards and good aquaculture practices imposed by relevant regulatory authorities in Malaysia including the MOH and DOF, including having traceability of the food supply chain from the source of supply of raw materials including our aquaculture farms to the processing operations.

Our Group's food safety and quality control measures are incorporated into our aquaculture farm operations as well as seafood processing activities. Our laboratory personnel in our aquaculture farms are responsible for carrying out tests to monitor the water quality and parameters and health status of our shrimps in cultivation. At our seafood processing plant, various food safety and quality control measures are also undertaken throughout the processing stages.

Quality control and food safety measures in our aquaculture farms include:-

- Using post larvae which have been tested by the Government accredited laboratory to be specific pathogen free;
- Procuring post larvae from hatcheries which have been certified with myGAP and/or FQC;
- Sample testing for heavy metal content in the shrimps cultivated in our aquaculture farms at third-party laboratories;
- Prohibiting the use of antibiotics and harmful chemicals in our shrimp farming activities;
- Conduct daily tests on quality of the seawater (for pH level, dissolved oxygen level, salinity and temperature) taken from our shrimp ponds at our own laboratories in our aquaculture shrimp farms;
- Implementing good aquaculture practices in compliance with the requirements under myGAP and FQC certifications; and
- Using trusted shrimp feed approved by the DOF and prohibiting the use of live feeds which may introduce unwanted pathogens.

Quality control and food safety measures in our seafood processing operations include:-

- Implementing food safety and hygienic measures such as proper sanitisation and wash down of the processing area on a daily basis, in compliance with the HACCP, GMP and MeSTI certifications;
- Procuring shrimps from aquaculture farms which have been certified with myGAP and/or FQC;
- Performing organoleptic test by our quality control personnel upon receiving seafood produce before being sent for processing;
- Using shrimp washing machines and automatic sizing machines to wash and sort the seafood produce to minimise human interactions;
- Using machinery and equipment which are made of food grade stainless steel which are corrosion resistant and easily cleaned; and

7. BUSINESS OVERVIEW (cont'd)

- Conducting microbiological tests on our finished products using random samples at government accredited laboratories to ensure that they are free from food borne pathogens such as *E.coli*, *Vibrio Cholerae*, *Salmonella*, etc.
- Conducting metal detection test on the packed frozen seafood products using metal detector machine.

We also conduct process improvement studies, such as the study on effects of the use of approved food grade antioxidant agents on quality of the shrimps. In addition, our laboratory in our seafood processing plant also continuously monitors the quality of the frozen shrimps during their shelf life.

Quality control and food safety measures in our merchant trading business segment include regular visits to the seafood processing plant of PT Yasuriang in Medan, Indonesia, to ensure that:-

- Their seafood processing plant has been certified by the Fish Quarantine and Inspection Agency in Indonesia to have effectively implemented and fulfilled the requirements of quality safety assurance system in accordance with prevailing laws and regulations in Indonesia and is based on HACCP concept;
- They implement food safety and hygienic measures such as proper sanitisation and wash down of the processing area, in compliance with the food safety and hygiene certifications from Indonesia;
- They use seafood processing machinery and equipment which are made of food grade stainless steel which are corrosion resistant and easily cleaned;
- They conduct microbiological tests on the frozen seafood product processed by them to ensure that they are free from food borne pathogens such as *E.coli*, *Vibrio Cholerae*, *Salmonella*, etc.; and
- They conduct metal detection tests on the packed frozen processed products.

Our Group's operations adhere to various standards, certifications and requirements, which include, amongst others, the following:-

Standards	Description
HACCP	: Procedures issued by the MOH which are aimed at ensuring consistent quality of end food products. It requires that all potential hazards that may occur in food production chain be identified and assessed. Both Fantastic Seafood and SBH Marine have been certified by the MOH under the HACCP system for the frozen seafood products processed at our Kurau Plant.
GMP	: Requirement standards for food hygiene and safety defined by the MOH in ensuring that food productions intended for human consumption are safe. Both Fantastic Seafood and SBH Marine have received GMP certificates for our Kurau Plant from the MOH.
MeSTI	: A food safety programme by the MOH with the objective of putting in place a system where the maintenance of food hygiene and process controls include food safety assurance and food traceability. Both Fantastic Seafood and SBH Marine have received MeSTI certifications for our Kurau Plant from the MOH.

7. BUSINESS OVERVIEW (cont'd)

Standards	Description
myGAP	<p>: A comprehensive certification scheme by the DOF under the MAFS for agricultural, aquaculture and livestock sector which emphasises on environment, economy and social aspects to ensure the produce is safe and of good quality.</p> <p>SBH Perak Agro has obtained myGAP certifications for both Kurau Farm and Selinsing Farm certifying that the company has fulfilled the necessary requirements under the GAqP.</p>
FQC	<p>: A scheme by the DOF under the MAFS which certifies companies which supply their fish (including shrimps and cephalopods) to food processing centres for purpose of export into the EU market based on best production practices in the fishery sector, covering fish farming aquaculture, seed production, ornamental fish, seaweed feed manufacturing and fish meal mills, and hygiene practices on fishing vessels in compliance to the EU Standards. SBH Perak Agro has obtained FQC certifications for both the Kurau Farm and Selinsing Farm.</p>
Certificate for Export of Fish and Fishery Products to the EU	<p>: A certificate issued by the MOH which certifies that a processing centre's operations and facilities, from transportation to ice sources and to raw materials are audited and approved by the MOH, for the purposes of exportation of fish and fishery products to the EU. Both Fantastic Seafood and SBH Marine have been certified by the MOH which allow frozen prawns and cephalopods which are processed at our Kurau Plant to be exported to the EU.</p>
Certificate of Registration of a Food Premise	<p>: A certificate of registration issued by the MOH under the Food Hygiene Regulations, 2009 for a food premise which is being used for the purposes of, or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabeling, reprocessing or reconditioning of any food and such registered food premise must comply with food safety and proper food handling requirements of the MOH. Our Kurau Plant is registered with the MOH as a food premise for the purpose of manufacturing of food.</p>

Further details on the food safety and quality control certifications are disclosed in Section 7.4.2 of this Prospectus.

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7. BUSINESS OVERVIEW (cont'd)

7.4.2 Food Safety and Quality Control Certifications

Our Group's operations have been certified by the relevant regulatory bodies relating to food safety and quality control as follows :-

No.	Company	Certification Body	Certificate	Description of Certification	Effective Date/ Issue Date/ Expiry Date	Material Conditions Imposed	Status of Compliance
1.	Fantastic Seafood	MOH	HACCP	Certification on the fulfilment of the terms and conditions for implementation of HACCP system for the following fish and fish product:- • Fish	07.11.2022/ 06.11.2025	Nil	Not applicable
2.	SBH Marine	MOH	HACCP	Certification on the fulfilment of the terms and conditions for implementation of HACCP system for the following fish and fish product:- • Fish	07.11.2022/ 06.11.2025	Nil	Not applicable
3.	Fantastic Seafood	MOH	GMP	Certification on the fulfilment of the terms and conditions for the implementation of the GMP system	07.11.2022/ 06.11.2025	Nil	Not applicable
4.	SBH Marine	MOH	GMP	Certification on the fulfilment of the terms and conditions for the implementation of the GMP system	07.11.2022/ 06.11.2025	Nil	Not applicable
5.	Fantastic Seafood	MOH	MeSTI	Certification on the fulfilment of the terms and conditions for the certification of MeSTI	17.11.2022/ 06.11.2025	Nil	Not applicable
6.	SBH Marine	MOH	MeSTI	Certification on the fulfilment of the terms and conditions for the certification of MeSTI	17.11.2022/ 06.11.2025	Nil	Not applicable
7.	SBH Perak Agro	MAFS	myGAP	Certification on the fulfilment of all the requirements set under the Malaysian Standard for the GAqP for marine shrimp culture in brackishwater pond for Kurau Farm	05.02.2024/ 04.02.2025	Nil	Not applicable
8.	SBH Perak Agro	MAFS	myGAP	Certification on the fulfilment of all the requirements set under the Malaysian Standard for the myGAP certification for the GAqP for shrimp culture in brackishwater pond for Selinsing Farm	08.02.2024/ 07.02.2025	Nil	Not applicable

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Certification Body	Certificate	Description of Certification	Effective Date/ Issue Date/ Expiry Date	Material Conditions Imposed	Status of Compliance
9.	SBH Perak Agro	DOF	FQC	Certification on compliance with the EU requirements pursuant to Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009 for Kurau Farm	05.02.2024/ 04.02.2025	Nil	Not applicable
10.	SBH Perak Agro	DOF	FQC	Certification on compliance with the EU requirements pursuant to Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009 for Selinsing Farm	08.02.2024/ 07.02.2025	Nil	Not applicable
11.	Fantastic Seafood	MOH	EU Number 103	Certification for exports of fish and fisheries products to the EU for:- <ul style="list-style-type: none"> • Frozen raw prawn • Frozen raw cephalopods • Frozen raw fish fillets • Frozen blanched prawn • Frozen raw fish • Frozen blanched cephalopods 	27.08.2012 / Not applicable	Nil	Not applicable
12.	SBH Marine	MOH	EU Number 88	Certification for exports of fish and fisheries products to the EU for:- <ul style="list-style-type: none"> • Frozen raw prawn (aquaculture and sea catch) • Frozen blanched prawn • Frozen raw cephalopods • Frozen blanched cephalopods 	04.01.2019/ Not applicable	Nil	Not applicable
13.	Fantastic Seafood	MOH	Certificate of registration of a food premise	Certification of registration issued under the Food Hygiene Regulations, 2009 for our Kurau Plant as a registered food premise involved in the manufacturing of food	07.02.2024/ 07.02.2027	Nil	Not applicable
14.	SBH Marine	MOH	Certificate of registration of a food premise	Certification for food premise issued under the Food Hygiene Regulations, 2009 for our Kurau Plant as a registered food premise involved in the manufacturing of food	12.06.2022/ 12.06.2025	Nil	Not applicable
15.	SBH Marine	JAKIM	HALAL	HALAL certification for frozen cephalopods, fish and prawns manufactured, distributed and managed by SBH Marine	01.06.2023/ 31.05.2025	Nil	Not applicable

7. BUSINESS OVERVIEW (cont'd)

7.5 COMPETITIVE STRENGTHS**7.5.1 Vertical Integration and Strategic Location of Our Operations**

Our Group's business operations range from cultivating shrimps at our aquaculture shrimp farms, to distributing and trading of aquaculture related products to the processing and sale of frozen seafood products and merchant trading of frozen processed seafood products. We also intend to venture further upstream by operating our own Hatchery Centre to produce and supply shrimp post larvae directly to our aquaculture shrimp farms by the fourth quarter of 2024.

The cultivation of shrimps and processing of frozen shrimp products in particular, provide us with the ability to control the quality and traceability of our frozen seafood products. Our ability to control the input in each stage results in higher-quality products that can command premium selling prices. Furthermore, seafood products that we source externally have been sourced from suppliers with the relevant certifications, allowing our Group to maintain the quality of our products.

In addition, we also enjoy operational and process efficiencies arising from our operations. As the shrimp harvested from our farms are all supplied directly to our Kurau Plant for processing, we can have better control of the product quality as well as the costing, quantity and consistency of shrimp supply to cater to the market demand and seasonality effects.

Our Kurau Plant, which is located within half an hour's drive from our Kurau Farm and Selinsing Farm enable us to maintain the freshness of the shrimps upon arrival at our Kurau Plant for processing. We are also able to easily source for farmed shrimps from external suppliers which are mostly located in Perak and Kedah and wild-caught shrimps and cephalopods from local fishermen from nearby fishing villages such as Tanjong Piandang and Kuala Kurau.

7.5.2 Compliance With Food Safety, Manufacturing, Aquaculture and Environmental Standards

Our aquaculture shrimp farming and seafood processing operations have been accredited with several certifications from the relevant regulatory authorities in Malaysia in compliance with various standards relating to food safety, food manufacturing, good aquaculture practices and environment control. Further details of our Group's compliance with these standards are available in Section 7.4.2 of this Prospectus.

As over 90% of our products are exported overseas, it is imperative that our operations adopt best production practices in the fishery sector with emphasis on traceability, food hygiene and product quality. Our operational documents relating to our Kurau Plant's operations are audited bi-annually by the MOH to ensure that we continue to meet requisite food manufacturing and food safety standards. For our products which are exported to the EU market, we also ensure that the seafood produce is sourced from suppliers which have been certified with FQC.

7.5.3 Established Track Record and Strong Customer and Supplier Base

With over 20 years of experience since our Group's inception in 2000, we have built and established a proven track record as a frozen seafood processing company supported by our own aquaculture shrimp farming. With direct involvement in different stages of the value chain, we are able to consistently produce quality seafood products that meet expectations of our customers, whom are mostly from the international markets.

7. BUSINESS OVERVIEW *(cont'd)*

We have also built a strong customer base from different countries with established and long-standing relationships with many of our major customers. Most of them are repeat customers, from countries such as France, Italy, South Korea, Taiwan and Türkiye. We work closely with them to meet their demand and preference for our products, growing together with them to secure repeat orders throughout the years which enable our Group to plan our farming, harvesting, procurement and processing operations accordingly.

Apart from having our own aquaculture shrimp farms to supply shrimps, we also source for farmed and wild-caught shrimps as well as cephalopods from multiple domestic and international suppliers. We have built strong and trusted relationships with our suppliers over the years thus ensuring quality and sustainable supply of seafood produce for our seafood processing operations. Further information on our major customers and suppliers are available in Sections 7.17 and 7.18 of this Prospectus respectively.

7.5.4 Experienced Management Team

Our Group is led by our Group MD, Tan Boo Nam, who has more than 50 years of experience in the marine seafood industry. He is supported by two of his sons, Tan Yuak Ming and Tan Yuak Kwang, both acting in the capacities of Deputy MDs as well as Saw Leng Hean, being the Executive Director of the Company. Tan Yuak Ming is primarily responsible as the Group's COO, Aquaculture overseeing the aquaculture shrimp farming as well as the Group's future hatchery related activities whereas Tan Yuak Kwang is primarily responsible as the Group's COO, Manufacturing overseeing the seafood processing operations as well as sales and marketing initiatives of the Group. Saw Leng Hean is responsible for the Group's corporate strategy and business development.

They, in turn, are supported by a team of experienced key senior management, including Tan Yok Jin, our Group's Chief Procurement Officer, who is responsible for the procurement and maintaining close relationships with external farmers and suppliers, our Group Accountant, Hng Chun Kia, who is responsible for accounts and finance related matters of the Group, our Group Treasurer, Lean Gim Lean, who is responsible for the treasury and banking related matters of our Group and the General Manager of our Aquaculture division, Ng Perk Tsong, who is responsible for managing our Group's farm operations.

Please refer to Sections 5.1.3 and 5.5.2 of this Prospectus for profiles of our Group MD, Deputy MDs, Executive Director and Key Senior Management.

7.6 SEASONALITY

Our Group's operations and sales are subject to seasonal fluctuations annually. We typically experience higher demand for our products closer to the major festive periods such as Chinese New Year and Christmas, particularly during the second half of the year.

During the monsoon seasons, we have experienced fluctuations in the supply of wild-caught seafood produce such as shrimps and cephalopods, as the fishermen are not able to go out to the sea resulting in a decrease in the wild-caught seafood produce. The monsoon seasons generally occur during the months of November to January annually. As the amount of wild-caught shrimps that we process were below 1% over the Financial Periods Under Review, our business operations and financial performance have not been affected by any shortages of wild-caught shrimps during monsoon seasons. As for cephalopods that we process which are all wild-caught, we mitigate the shortage of cephalopods during the monsoon seasons by stocking up frozen unprocessed cephalopods during off monsoon seasons. Based on our past experience, our source of supply of frozen cephalopods from the Indonesian supplier, PT Yasuriang, has not been materially affected by the monsoon seasons in Indonesia as PT Yasuriang has been able to source from different areas of the Indonesian archipelago which are less affected.

7. BUSINESS OVERVIEW *(cont'd)*

Our aquaculture shrimp farming activities are less affected by the monsoon seasons as we are able to better plan our farming and harvesting activities. Over the Financial Periods Under Review, our business operations and financial performance have not been affected by any material shortage of seafood supplies during the monsoon seasons.

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7. BUSINESS OVERVIEW (cont'd)

7.7 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The major materials purchased by our Group for our operations during the Financial Periods Under Review are as follows:-

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Value of Purchases (RM'000)	% of Total Purchases (%)	Value of Purchases (RM'000)	% of Total Purchases (%)	Value of Purchases (RM'000)	% of Total Purchases (%)	Value of Purchases (RM'000)	% of Total Purchases (%)
Shrimps (such as black tiger prawns and whiteleg shrimps) ⁽¹⁾	63,353	50.90	74,498	49.53	79,310	48.73	65,805	54.92
Cephalopods (such as cuttlefish, octopus and squid) ⁽²⁾	48,514	38.98	60,782	40.42	67,554	41.51	43,020	35.90
Other marine seafood (frozen fish) ⁽³⁾	1,676	1.35	1,788	1.19	2,529	1.55	931	0.78
Packing materials	2,915	2.34	3,416	2.27	3,160	1.94	3,205	2.67
Shrimp feed ⁽⁴⁾	5,964	4.79	7,883	5.24	7,988	4.91	4,993	4.17
Shrimp post larvae ⁽⁴⁾	1,459	1.17	1,487	0.99	1,886	1.16	1,670	1.39
Chemicals and probiotics ⁽⁴⁾	587	0.47	536	0.36	334	0.20	207	0.17
Total	124,468	100.00	150,390	100.00	162,761	100.00	119,831	100.00

Notes:-

- (1) These figures represent live and chilled shrimps sourced from SBH Perak Agro, Ocean Champion and other external aquaculture shrimp farms.
- (2) These figures represent chilled and frozen unprocessed cephalopods sourced from third party suppliers and local fishermen as well as frozen processed cephalopods sourced from our Indonesian supplier, namely PT Yasuriang, under the Supplies and Marketing Agreement for direct export to our customers in the overseas markets.
- (3) The other marine seafood represents frozen processed fish sourced under the Supplies and Marketing Agreement for direct export to our customers in the overseas markets.
- (4) The shrimp feed, shrimp post larvae, chemicals and probiotics are purchased by our Group and supplied to the aquaculture shrimp farms of SBH Perak Agro, Ocean Champion as well as an external aquaculture shrimp farm.

7. BUSINESS OVERVIEW (cont'd)

The main raw materials that we purchase are shrimps and cephalopods which accounted for, on a combined basis, 89.88%, 89.95%, 90.24% and 90.82% of our total purchases for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

We place purchase orders with our suppliers as and when we need the materials. The price and availability of our raw materials are influenced by various factors including market supply and demand conditions, quantity purchased and negotiation with our suppliers.

The table below sets out the sources of shrimps for the Financial Periods Under Review:

Sources	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
<u>Live and chilled shrimps purchased for processing at the Kurau Plant</u>								
- Kurau Farm	564	25.46	471	18.29	451	18.22	248	11.38
- Selinsing Farm	-	-	124	4.81	162	6.55	145	6.66
	564	25.46	595	23.10	613	24.77	393	18.04
- External suppliers	1,651	74.54	1,981	76.90	1,862	75.23	1,786	81.96
Total	2,215	100.00	2,576	100.00	2,475	100.00	2,179	100.00

For the Financial Periods Under Review, the live and chilled shrimps sourced from our Kurau Farm and Selinsing Farm accounted for 25.46%, 23.10%, 24.77% and 18.04% of all the shrimps processed at our Kurau Plant respectively. The remaining shrimps supplies are mainly farmed shrimps from third party local aquaculture shrimp farms.

The table below sets out the sources of cephalopods for the Financial Periods Under Review:-

Sources	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
<u>Chilled and frozen cephalopods purchased for processing at the Kurau Plant</u>								
- External suppliers	561	21.41	1,014	35.39	773	29.11	592	31.29
<u>Frozen processed cephalopods purchased under the Supplies and Marketing Agreement</u>								
- PT Yasuriang	2,059	78.59	1,851	64.61	1,882	70.89	1,300	68.71
Total	2,620	100.00	2,865	100.00	2,655	100.00	1,892	100.00

For the Financial Periods Under Review, all the cephalopods such as cuttlefish, octopus and squid processed at our Kurau Plant are sourced from external suppliers comprising wild caught cephalopods from local fishermen and frozen cephalopods which we import from overseas.

Save for the Supplies and Marketing Agreement we entered into with PT Yasuriang, we typically do not enter into long term supply agreements with our suppliers. Please refer to Section 7.11.3 of this Prospectus for the salient terms of the Supplies and Marketing Agreement.

7. BUSINESS OVERVIEW *(cont'd)*

7.8 SALES AND MARKETING

Our sales and marketing initiatives are headed by Tan Yuak Kwang, our Deputy MD and Group COO, Manufacturing who is responsible for, amongst others, implementing the sales and marketing strategies of our Group. Over the years, we have built long term and trusted relationships with our major customers which enable the Group to continue to grow its sales. We work closely with our customers to plan the timing of harvesting, processing and delivery of our products to meet their orders on a timely basis.

Our frozen processed products are either marketed under our Titanium brand or supplied under our customers' own brands, with emphasis on premium quality seafood products targeted at the international markets particularly in the European, Asian and the Middle Eastern regions. Our products are mainly sold and exported to overseas-based importers, wholesalers, distributors and specialty food producers, and in turn, our customers would sell our products to supermarkets, hypermarket chains and frozen seafood retailers.

We regularly take part in exhibitions and tradeshow which allow us to raise our profile as well as to gain knowledge on latest market trends and customers' expectations. The table below summarises the past events that we have attended:-

Year	Event	Location
2018	European Seafood Exposition/Seafood Exposition Global	Brussels, Belgium
2018	Seoul International Seafood Show	Seoul, South Korea
2018	Japan International Seafood and Technology Show	Tokyo, Japan
2019	European Seafood Exposition/Seafood Exposition Global	Brussels, Belgium
2019	Japan International Seafood and Technology Show	Tokyo, Japan
2019	Agrofest	Perak, Malaysia
2023	European Seafood Exposition/Seafood Exposition Global	Barcelona, Spain

During the years from 2020 to 2022, we temporarily suspended attendance of exhibitions and tradeshow due to postponement/cancellation of major seafood expositions, travel restrictions and concerns following the global outbreak of the COVID-19 pandemic. Since April 2023, we have resumed our participation in overseas exhibitions.

Through such exhibitions and tradeshow, we are able to meet with both our existing and potential new customers. In 2020, we successfully penetrated into a new market, namely Türkiye and manage to significantly increase our sales to Türkiye from RM4.19 million in FYE 2020 to RM46.65 million in FYE 2022.


It is part of our strategy to work closely with our customers where we cater to their demands, growing together with them by supporting them while securing repeat orders that meet their requirements, which internally also facilitates planning and production schedules.

We also promote our products by uploading information on our product range on our corporate website (www.sbhmarine.com) where we would also receive enquiries from potential customers. Upon the receipt of enquiries from our existing as well as potential customers, our sales personnel will follow up with them to close the sales.

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7. BUSINESS OVERVIEW (cont'd)**7.9 INTELLECTUAL PROPERTY**

As at the LPD, our Group has registered the following trademark with the Registrar of Trade Marks, MyIPO:-

Representation of Trademark	Registered Owner	Issuing Authority/ Application No.	Effective Date/ Expiry Date	Classification
	SBH Marine	MyIPO/ 08005574	21.03.2008/ 21.03.2028 ⁽¹⁾	29 ⁽²⁾

Notes:-

- (1) Our trademark was first registered with MyIPO since 21 March 2008 and subsequently renewed by MyIPO on 17 August 2017 for another 10 years, expiring on 21 March 2028.
- (2) Frozen meat products, frozen fish products, frozen seafood, food products derived from seafood, frozen seafood products, prepared meals consisting substantially of seafood, preserved seafood, processed seafood, seafood extracts, seafood jellies, fresh frozen shrimps, canned fish and poultry, preserved fish and poultry, poultry products being frozen, fresh fish (not live), anchovy and anchovy fillets.

The details of our products sold under our own Titanium brand by business segments during the Financial Periods Under Review are as follows:-

Business segments	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Processing and sale of frozen seafood products	1,737	31,898	39,086	21,816
Merchant trading of frozen processed seafood products	45,689	50,345	59,279	37,329
Distribution and trading of aquaculture related products	-	-	-	-
Total	47,426	82,243	98,365	59,145
Total Group's revenue	140,581	192,006	194,426	144,212
% of total Group's revenue	33.74%	42.83%	50.59%	41.01%

Save as disclosed above, we have not registered nor applied for any other major intellectual property rights.

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7. BUSINESS OVERVIEW (cont'd)

7.10 MAJOR LICENCES AND PERMITS

As at the LPD, save as disclosed below, there are no other major licenses and permits held by or issued to our Group to carry out our business operations.

7.10.1 Business Licence and Permit

No.	Company	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	SBH Holdings	MDK	20.07.2023/ 19.07.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
2.	Fantastic Seafood	MDK	28.07.2023/ 27.07.2024	Business and signage licence for office premise, seafood processing factory and warehouse/storage located at the Kurau Plant	Nil	Not applicable
3.	SBH Marine	MDK	20.07.2023/ 19.07.2024	Business and signage licence for office, seafood processing factory and warehouse/storage located at the Kurau Plant	Nil	Not applicable
4.	Jaguh Dinamik	MDK	18.11.2023/ 17.11.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
5.	Ocean Island	MDK	18.11.2023/ 17.11.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
6.	SBH Aquaculture	MDK	18.11.2023/ 17.11.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
7.	SBH Perak Agro	MDK	22.09.2023/ 21.09.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
8.	Top Grade	MDK	28.09.2023/ 27.09.2024	Business licence for office premise located at the Kurau Plant	Nil	Not applicable
9.	SBH Perak Agro	MDK	25.08.2023/ 24.08.2024	Business licence for shrimp farming, office premise and warehouse/ storage at the Kurau Farm	Nil	Not applicable

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
10.	SBH Perak Agro	MDK	12.10.2023/ 11.10.2024	Business licence for shrimp farming, office warehouse/storage at the Selinsing Farm	Nil	Not applicable
11.	Top Grade	MDK	10.08.2023/ 09.08.2024	Business licence for the Hatchery Centre	Nil	Not applicable
12.	Fantastic Seafood	MDK	20.07.2023/ 19.07.2024	Business and signage for warehouse/storage and office located at the New Cold Room	Nil	Not applicable
13.	SBH Perak Agro	MDK	31.12.2023/ 30.12.2024	Business licence for workers' accommodation at No. 3 (1 st and 2 nd Floors), Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	Nil	Not applicable
14.	SBH Marine	MDK	13.08.2023/ 12.08.2024	Business licence for workers' accommodation located at No. 5 (1 st and 2 nd Floors), Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	Nil	Not applicable
15.	SBH Marine	MDK	02.08.2023/ 01.08.2024	Business licence for workers' accommodation located at No. 19 (1 st Floor), Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	Nil	Not applicable
16.	SBH Perak Agro	MDK	02.08.2023/ 01.08.2024	Business licence for workers' accommodation located at No. 19 (2 nd Floor), Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	Nil	Not applicable
17.	SBH Marine	MDK	15.03.2024/ 14.03.2025	Business licence for workers' accommodation located at No. 21 (1 st and 2 nd Floors), Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	Nil	Not applicable
18.	Fantastic Seafood	MDK	01.01.2024/ 31.12.2024	Temporary building permit for the New Cold Room	Nil	Not applicable
19.	SBH Marine	MDK	01.01.2024/ 31.12.2024	Temporary building permit for the roof extension at the Kurau Plant	Nil	Not applicable
20.	SBH Perak Agro	MDK	01.01.2024/ 31.12.2024	Temporary building permit for the Kurau Farm (Phase I)	Nil	Not applicable

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Issuing Authority	Effective/Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
21.	SBH Perak Agro	MDK	01.01.2024/ 31.12.2024	Temporary building permit for the Kurau Farm (Phase II)	Nil	Not applicable
22.	SBH Perak Agro	MDK	01.01.2024/ 31.12.2024	Temporary building permit for the Selinsing Farm	Nil	Not applicable
23.	Top Grade	MDK	01.01.2022/ 31.12.2024	Temporary building permit for the Hatchery Centre	Nil	Not applicable

The application for the renewal of the major licences/permits above is expected to be submitted to the relevant authorities at least 1 month before the expiry of the said licences/permits.

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7. BUSINESS OVERVIEW (*cont'd*)

7.10.2 Manufacturing Licence

No.	Company	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	Fantastic Seafood	MITI	30.12.2011/ Valid until it is revoked or surrendered	Manufacturing licence for frozen seafood	<p>(a) Plot: Lot 1744, Batu 13, Jalan Pantai, 34350 Kuala Kurau, Perak, subject to the approval from the relevant State Government and the DOE.</p> <p>(b) MITI and MIDA must be notified on any sale of shares in the company.</p> <p>(c) The company shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all levels of employment.</p> <p>(d) The company shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia.</p>	<p>Complied.</p> <p>Complied. The notification to MITI was made vide letter dated 18 July 2022.</p> <p>Complied.</p> <p>Complied.</p>
2.	SBH Marine	MITI	26.10.2007/ Valid until it is revoked or surrendered	Manufacturing licence for frozen seafood and processed seafood products	<p>(a) Plot: Lot 1744, Batu 13, Jalan Pantai, 34350 Kuala Kurau, Perak, subject to the approval from the relevant State Government and the DOE.</p> <p>(b) MITI must be notified on any sale of shares in the company.</p> <p>(c) The company shall train Malaysian citizens to ensure that the transfer of technology and expertise can be channelled to all levels of employment.</p> <p>(d) The company shall implement its projects as approved and in accordance with the laws and other regulations of Malaysia.</p>	<p>Complied.</p> <p>Noted.</p> <p>Complied.</p> <p>Complied.</p>

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Issuing Authority	Effective/ Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
2.	SBH Marine	LKIM	Valid until 30.06.2024	License for dealing, importing, exporting and processing of fish <u>Entry point</u> Any gazetted entry point <u>Category of fish</u> Frozen / processed	<p>(a) SBH Marine shall:-</p> <p>(i) The Licence shall be displayed openly at the business or processing premises. This licence may be renewed three months before expiry.</p> <p>(ii) Comply with the quality, quantity and type of fish to be imported and exported.</p> <p>(iii) Comply with the good fish handling practices according to the schedule, Rules 8 and 9 under the Fish Marketing Rules 2010.</p> <p>(iv) Uses the scale approved by LKIM or the Ministry of Domestic Trade, Cooperatives and Consumerism.</p> <p>(v) To pack fishes in containers prescribed by LKIM.</p> <p>(vi) Comply with the fish grading methods as required by LKIM.</p> <p>(vii) Comply with Rule 23(1) of Fish Marketing Rules 2010, no person shall deal with, process, export or import fish that are unsafe for human consumption without the written consent from LKIM.</p>	<p>Complied</p> <p>Complied</p> <p>Noted</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p>

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Issuing Authority	Effective/Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(v) To pack fishes in containers prescribed by LKIM.	Complied
					(vi) Comply with the fish grading methods as required by LKIM.	Complied
					(vii) Comply with Rule 23(1) of Fish Marketing Rules 2010, no person shall deal with, process, export or import any fish that are unsafe for human consumption without the written consent from LKIM.	Noted
					(viii) Comply with Rule 23(1A) of Fish Marketing Rules 2010, no person shall deal with, process, export or import any fish which is illegally obtained or caught or in contravention of the law.	Noted
					(ix) Be responsible of its employees' actions relating to activities permitted in the licence.	Complied
					(b) The licence shall not be transferred or used by anyone other than the licensee.	Complied
					(c) Transactions or processing may be carried out at the place specified in the licence only.	Complied
					(d) The licence may be revoked if any of the limits and conditions of the licence or the provisions of LKIM 1971, or any rules made thereunder are violated or not complied with, or found to have committed a related offence under any written law.	Noted

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7. BUSINESS OVERVIEW (cont'd)

No.	Company	Issuing Authority	Effective/Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
					(b) The license shall not be transferred or used by anyone other than the licensee.	Complied
					(c) Transactions or processing may be carried out at the place specified in the licence only.	Complied
					(d) The licence may be revoked if any of the limits and conditions of the licence or the provisions of LKIM 1971, or any rules made thereunder are violated or not complied with, or found to have committed a related offence under any written law.	Noted

7.10.4 Certificate of Fitness for Equipment/Machineries

No.	Company	Issuing Authority	Effective/Expiry Date	Nature of Approval	Major Conditions Imposed	Status of Compliance
1.	SBH Marine	DOSH	Valid until 23.02.2025	Certificate of fitness for unfired pressure vessel (air receiver)	The approval is valid until the date specified, unless it is suspended, cancelled or otherwise terminated earlier pursuant to the provisions of FMA 1967, provided that the provisions of FMA 1967 and the regulations applicable to the air receiver are not breached.	Complied
2.	SBH Marine	DOSH	Valid until 04.05.2025	Certificate of fitness for boiler (autoclave)	The approval is valid until the date specified, unless it is suspended, cancelled or otherwise terminated earlier pursuant to the provisions of FMA 1967, provided that the provisions of FMA 1967 and the regulations applicable to the steam boiler are not breached.	Complied

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7. BUSINESS OVERVIEW *(cont'd)*

7.11 DEPENDENCY ON CONTRACTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, PERMITS AND/OR PRODUCTION OR BUSINESS PROCESS

As at the LPD, save for our certifications as set out in Section 7.4.2 above, our registered trademark as set out in Section 7.9 above, our material licences and permits as set out in Section 7.10 above and the agreements as disclosed below, there are no other commercial or financial contracts, intellectual property rights, licences, permits and/or production or business processes, which we are highly dependent on or that are material to our business and/or profitability.

7.11.1 Road Usage and Damage Remediation Agreement

SBH Perak Agro has entered into the Road Usage and Damage Remediation Agreement dated 14 October 2011 with Sime Darby Plantation Sdn Bhd ("**SDP**") for the non-exclusive right and licence to SBH Perak Agro to use SDP's estate roadways and rights of ways to/from the Kurau Farm at a monthly levy of RM165, which has been further extended for a period of 4 years from 1 January 2022 to 31 December 2025. Any subsequent extension therefrom shall be at the absolute discretion of SDP.

The salient terms of the said agreement are set out below:-

- | | | |
|-------------------------------|---|--|
| Purpose | : | SDP to grant to SBH Perak Agro a non-exclusive right to use SDP's estate roadways and rights of ways (" Right to Use ") in strict accordance with the vehicle route map in the agreement. |
| Duration | : | 1 January 2022 to 31 December 2025 and subsequent extension at the absolute discretion of SDP. |
| Obligations of SDP | : | SDP to grant SBH Perak Agro the Right to Use. |
| Obligations of SBH Perak Agro | : | <p>(a) SBH Perak Agro shall pay a monthly levy of RM165 for the Right to Use and a refundable deposit of RM6,000 being the minimum value of the costs and actual damage and decreased life expectancy of roadways and/or rights of way reasonably anticipated as well as a proportionate sum for SDP to repair and maintain its roadways and rights of way based upon normal usage by SBH Perak Agro in the event of any damages which SBH Perak Agro fails to repair.</p> <p>(b) SBH Perak Agro shall make timely and adequately payment failing which SDP has the authority to prohibit the Right to Use and suspend any permits issued and make a claim on security.</p> <p>(c) SBH Perak Agro shall adhere to the safety requirements in the agreement and shall be liable for additional road damage assessments should it deviate from the approved vehicle route map in the agreement.</p> <p>(d) SBH Perak Agro shall maintain vehicle insurance, commercial general liability insurance and motor vehicle insurances.</p> |
| Indemnities | : | SBH Perak Agro will indemnify SDP for any liabilities, losses, claim, demand, damages, fees or expenses incurred arising out of personal injuries or injuries to the property as well as personal injuries and death in connection with the use of roadway including claims and damages arising from the sole negligence of SDP. |

7. BUSINESS OVERVIEW *(cont'd)*

7.11.2 Technical Assistance and Collaboration Services Agreement

Top Grade has entered into the Technical Assistance and Collaboration Services Agreement dated 21 December 2017 with TopGen Aquaculture for, inter-alia, the operational aspect of the Hatchery Centre on a 5 years terms commencing from 21 December 2017 to 20 December 2022. The parties had on 30 September 2022 agreed to mutually extend the agreement for another period of 5 years from 30 September 2022 to 29 September 2027 with further renewal of additional 3 years, subject to the parties' mutual agreement.

The salient terms of the said agreement are set out below:-

- | | | |
|-----------------------------------|---|--|
| Purpose | : | TopGen Aquaculture to provide technical assistance support services to Top Grade in respect of the shrimp hatchery and nursery activities carried out at the Hatchery Centre. |
| Duration | : | 21 December 2017 to 29 September 2027 with further renewal of additional 3 years subject to terms and conditions mutually agreed by the parties. |
| Consideration | : | TopGen Aquaculture to supply and Top Grade to purchase broodstocks supplied by TopGen Aquaculture at price to be mutually agreed by the parties. In consideration of the purchase of the broodstocks by Top Grade, TopGen Aquaculture shall provide the technical assistance support service as agreed in the agreement. |
| Obligations of Top Grade | : | Top Grade to cooperate with TopGen Aquaculture to facilitate the performance by TopGen Aquaculture of its services and to provide sufficient and timely access free of charge to facilities, data, information relating to the shrimp hatchery and nursery operation of Top Grade. |
| Obligations of TopGen Aquaculture | : | <p>TopGen Aquaculture shall provide the following technical assistance support services:-</p> <ul style="list-style-type: none"> (a) sharing of technical know-how, good aquaculture practices and experience of TopGen Aquaculture for the design, operations and management of hatchery for shrimps with the objective to improve production yield and efficiency; (b) supplying genetically enhanced broodstocks to Top Grade's hatchery and nursery at prices to be mutually agreed; and (c) conducting periodic review and assessment of the processes applied by Top Grade in undertaking of the shrimp hatchery and nursery. |

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7. BUSINESS OVERVIEW (cont'd)Information on TopGen Aquaculture

TopGen Aquaculture is a company incorporated in January 2017 according to the law of Thailand with registered address at No. 54/5, Moo 3, Chathing Phra Sub-district, Sathing Phra District, Songkhla Province, Thailand.

The company is principally involved in the business of shrimp aquaculture where its founders/management have more than 30 years of experience in the industry particularly relating to the breeding processes of both monodon (black tiger prawn) and vannamei (whiteleg shrimp).

The Directors of the company are Chatchai Viriyapongsukit, Trongchit Viriyapongsukit, Sukit Viriyapongsukit, Siriporn Viriyapongsukit, Chaowalit Sangchai and Jutamas Saengchai. The shareholders of the company are Trongchit Viriyapongsukit (25%), Siriporn Viriyapongsukit (25%), Jutamas Saengchai (25%), Chatchai Viriyapongsukit (5%), Chaowalit Sangchai (5%), Sayant Kongpetch (5%), Theerayuth Yanglang (5%) and Sukit Viriyapongsukit (5%).

7.11.3 Supplies and Marketing Agreement

SBH Marine has entered into the Supplies and Marketing Agreement dated 1 June 2021 with PT Yasuriang for the supply of all of its frozen (processed or unprocessed) wild-caught and farm-raised seafood supplies, including squids, cuttlefish, octopus, fishes, shrimps and etc. (sourced from Indonesia) **either:**

- (a) to us, in frozen unprocessed form, for processing at our Kurau Plant; **or**
- (b) for direct export, in frozen processed form after being processed at PT Yasuriang's seafood processing plant in Medan, Indonesia, to our customers in overseas markets where we have presence.

We will issue purchase orders to PT Yasuriang stating the type and quantity of seafood required as well as the instruction and arrangement thereon – as and when the need arises.

The salient terms of the said agreement are set out below:-

- | | | |
|---------------|---|--|
| Purpose | : | PT Yasuriang to sell/supply all of its frozen wild-caught and farm-raised seafood supplies, including squids, cuttlefish, octopus, fishes, shrimps and etc. (sourced from Indonesia) to be supplied directly to SBH Marine for processing at the Kurau Plant and/or to be marketed/sold/exported directly to any overseas market where we have presence. |
| Exclusivity | : | PT Yasuriang shall supply all their frozen seafood supplies to SBH Marine on an exclusive basis and PT Yasuriang shall be prohibited from selling and/or supplying its frozen seafood supplies to any other person/companies/corporation unless otherwise expressly authorised by SBH Marine. |
| Duration | : | 1 June 2021 to 30 May 2026 with further renewal mutually agreed by the parties. |
| Consideration | : | In accordance with the invoices for the supply of frozen seafood. |

7. BUSINESS OVERVIEW (cont'd)

- Obligations of PT Yasuriang : (a) PT Yasuriang to source and procure sufficient frozen seafood supplies based on quality and quantity as may be determined by both parties from time to time; and
- (b) PT Yasuriang to obtain necessary licences and permits and comply with relevant licensing requirements and conditions imposed by governmental authorities in Indonesia for the supply and exporting of its products to SBH Marine in Malaysia and/or any other countries that SBH Marine may be selling/exporting.
- Obligations of SBH Marine : (a) SBH Marine to provide PT Yasuriang with its desired quantity and quality of frozen seafood supplies from time to time;
- (b) SBH Marine to pay PT Yasuriang based on the agreed payment terms promptly; and
- (c) SBH Marine to obtain all necessary licences and permits and comply with all relevant requirements and conditions imposed by the governmental authorities in Malaysia for the importation of the frozen seafood supplies from PT Yasuriang into Malaysia.
- Indemnities : Both parties shall indemnify, defend and hold each other and their respective affiliates, directors, employees, agents, successors, assignees, clients and consumers harmless from any and all claims resulting from, directly or indirectly, in whole or in part, with the breach of any provision of the agreement or any applicable law or any torts, actions or omissions in performing their respective obligations under the agreement.
- Termination : (a) Either party can terminate the agreement in the event of the other party:-
- fails to comply with any conditions or obligation of this agreement and such failure is not cured;
 - becomes insolvent;
 - makes an assignment for the benefit of creditors;
 - admits its inability to pay its obligations as they become due;
 - files a voluntary petition for bankruptcy;
 - is declared bankrupt or insolvent.
- (b) Both parties can terminate this agreement upon mutual agreement.

Information on PT Yasuriang

PT Yasuriang is a company incorporated in October 2014 according to the law of Indonesia with registered address at Jl. Gabion Pelabuhan Perikanan Samudera Belawan No. 98 Lingkungan XI, Bagan Deli Sub-district, Medan Belawan District, Medan Regency, North Sumatera Province, 20414 Indonesia.

The company is principally involved in the business of wholesale trading of fishery products (including fish, shrimps, crabs, oysters, pearls, shellfish, seaweed, sponges and frogs) and business of preserving fish and crustaceans through the frosting process (including frozen milkfish, frozen tuna/skippers, frozen snapper, frozen shrimps, frozen frog legs, frozen cephalopods, frozen crabs and frozen clams).

The Commissioner and Director of the company are Pui Beng and Yasu Rieng, respectively. The shareholders of the company are Yasu Rieng (99.98%) and Pui Beng (0.02%).

7. BUSINESS OVERVIEW (cont'd)

7.11.4 JV Agreement

On 29 September 2011, our Group had entered into a joint venture agreement with PASB to form a joint venture to carry out shrimp breeding activities at the Kurau Farm and Selinsing Farm. Pursuant to the JV Agreement, SBH Perak Agro was formed as the joint venture vehicle on 31 October 2011. To regulate the parties' relationship and their respective rights and obligations as shareholders of SBH Perak Agro as well as for the conduct of the business and affairs of the SBH Perak Agro for shrimp breeding activities on Kurau Farm and Selinsing Farm, the parties have entered into the following agreements:-

- (a) Joint Venture Agreement dated 29 September 2011;
- (b) Supplemental Agreement dated 29 March 2012;
- (c) Addendum dated 6 July 2012;
- (d) Second Supplemental Agreement dated 7 October 2020;
- (e) Third Supplemental Agreement dated 7 July 2022; and
- (f) Fourth Supplemental Agreement dated 14 December 2023.

The salient terms of the JV Agreement are set out below:-

- | | | |
|-------------------------------|---|--|
| Duration of the Joint Venture | : | The joint venture shall commence on 29 September 2011 and shall continue in existence until terminated, liquidated or dissolved by law or as provided in the JV Agreement. |
| Purpose of the Joint Venture | : | The purpose of the joint venture is to carry out shrimp breeding project on Kurau Farm and Selinsing Farm (" Business "). |
| Obligations of PASB | : | <ul style="list-style-type: none"> (a) PASB shall procure both Kurau Farm and Selinsing Farm to be approved by the land proprietor i.e. PPPNP to SBH Perak Agro for the Business at an agreed lease fee or rental in lease and/or tenancy agreements. SBH Perak Agro had on 7 July 2022 entered into the Lease Agreement for Kurau Farm (Phase I) and Tenancy Agreement for Kurau Farm (Phase II), and on 14 December 2023 entered into the Tenancy Agreement for Selinsing Farm as referred to in Section 7.11.5 of this Prospectus. (b) PASB undertakes to ensure that the existing land use category and express condition imposed on the land title of Kurau Farm (Phase II) shall be amended for the land to be fit for the shrimp breeding activities as envisaged under the joint venture at PASB's costs and expenses. The category of land use and express condition imposed on the land title of Kurau Farm (Phase II) have since been amended to "agriculture" and "shrimp breeding" pursuant to the letter of approval issued by the PTG on 30 March 2023. (c) PASB undertakes to ensure that all the necessary approvals or consents including state consent for leasing of Kurau Farm (Phase I) shall be procured within 30 days from 7 July 2022 (which has been further extended to 30 June 2024), of which is still pending as at the LPD, at PASB's costs and expenses. |

7. BUSINESS OVERVIEW (cont'd)

- (d) PASB undertakes to make available or procure to make available both Kurau Farm and Selinsing Farm for shrimp breeding activities to SBH Perak Agro shall continue to subsist so long as the Business are carried out by SBH Perak Agro notwithstanding the cessation of PASB as the shareholder of SBH Perak Agro upon completion of the Acquisition of SBH Perak Agro unless the Parties agree otherwise.
- Obligations of SBH Aquaculture : (a) SBH Aquaculture undertakes the development and commercialisation aspects of the business including carrying out all management operations, implementation, development, breeding and related activities of the joint venture at its own costs in accordance with the business plan and any annual budget as approved by the board of directors.
- (b) SBH Aquaculture to ensure sufficient skilled resources are in place to carry out the Business at all material times and shall purchase all produce from the shrimp breeding to be supplied to its factory at competitive or prevailing market prices.
- Indemnities : (a) The parties shall have no liability to the other for any loss suffered which arises out of any action or inaction if, in good faith, it is determined that such course of conduct was in the best interest of the joint venture and it did not constitute negligence or misconduct.
- (b) The parties shall each be indemnified by the other against losses, judgements, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with the joint venture.
- Force Majeure : A party shall not be liable for failure to perform its obligations under the JV Agreement, nor be liable to any claim for compensation or damage, nor be deemed to be in breach of the JV Agreement if such failure arises from an occurrence or circumstances beyond the reasonable control of that party.
- Other salient terms upon completion of the Acquisition of SBH Perak Agro : Following the cessation of PASB as shareholder of SBH Perak Agro (upon completion of the Acquisition of SBH Perak Agro):-
- (a) SBH Perak Agro will be wholly-owned by SBH Aquaculture;
- (b) the board of SBH Perak Agro shall be appointed solely by SBH Aquaculture; and
- (c) all rights and duties concerning PASB as a shareholder of SBH Perak Agro shall cease.

All the above clauses will remain in force notwithstanding that the Acquisition of SBH Perak Agro has been completed on 15 January 2024 and SBH Perak Agro has become a wholly-owned subsidiary of SBH Aquaculture.

Following the completion of the Acquisition of SBH Perak Agro, Dato' Haji Yahanis bin Yahya and Mohd Kahar bin Mukktarudin, being representatives of PASB, had resigned from the board of directors of SBH Perak Agro on 15 January 2024.

7. BUSINESS OVERVIEW (cont'd)

7.11.5 Lease and Tenancy Agreements

Lease and tenancy agreements between SBH Perak Agro and PPPNP for Kurau Farm and Selinsing Farm are set out below.

Background

For the purpose of the joint venture, PASB has agreed in the JV Agreement that it shall make available the Kurau Farm and Selinsing Farm owned by its ultimate shareholder, PPPNP, to SBH Perak Agro so long these lands are continue in use by SBH Perak Agro for the joint venture. These lands have since been delivered to SBH Perak Agro for its occupation, development and use of such lands in accordance with the agreed terms under the joint venture. To better facilitate the joint venture in particular on the use of these lands, PASB has also undertaken in the JV Agreement that it will procure PPPNP being the land proprietor of these lands to enter into lease and tenancy agreements with SBH Perak Agro. In view thereof, PPPNP and SBH Perak Agro had entered into the following agreements:-

- (a) Lease Agreement for Kurau Farm (Phase I) on 7 July 2022;
- (b) Tenancy Agreement for Kurau Farm (Phase II) on 7 July 2022; and
- (c) Tenancy Agreement for Selinsing Farm on 14 December 2023.

PPPNP and SBH Perak Agro had earlier on 7 July 2022 entered into a lease agreement ("**Lease Agreement for Selinsing Farm**") for the direct lease of Selinsing Farm from PPPNP to SBH Perak Agro whereby PPPNP was required to, amongst others, procure the state consent to lease the Selinsing Farm to SBH Perak Agro. The state consent to lease Selinsing Farm was declined by the PTG in August 2023 and PPPNP was subsequently informed by the Department of Survey and Mapping Malaysia in October 2023 that the reason for the rejection was because Selinsing Farm falls within the area of Kalompang Malay Reservation which was previously gazetted back in 1923 via Gazette No. GN 177. In view of the above, PPPNP and SBH Perak Agro had on 14 December 2023 agreed to convert the lease into a tenancy arrangement between PPPNP and SBH Perak Argo whereby the Lease Agreement for Selinsing Farm was terminated and replaced with the Tenancy Agreement for Selinsing Farm. Notwithstanding the conversion, the Tenancy Agreement for Selinsing Farm has the same effects as the Lease Agreement for Selinsing Farm as the terms and conditions of the Tenancy Agreement for Selinsing Farm are essentially and in substance the same and mirror the terms and conditions of the Lease Agreement for Selinsing Farm whereby SBH Perak Agro is allowed, under both agreements to occupy Selinsing Farm:-

- (1) for the same purpose which is shrimp farming;
- (2) for the same 60 years of duration provided SBH Perak Agro elects to renew the tenancy in accordance with the terms of the Tenancy Agreement for Selinsing Farm; and
- (3) for the same amount of consideration and termination effect if PPPNP breaches the agreements.

Please refer to Annexure A of this Prospectus for the legal opinion on the Tenancy Agreement for Selinsing Farm dated 6 March 2024 prepared by the Solicitors.

7. BUSINESS OVERVIEW (cont'd)

The salient terms of the said agreements are set out below:-

Lease Agreement for Kurau Farm (Phase I):

Direct Lease	Duration	Lease Fee
Direct lease from PPPNP to SBH Perak Agro	<p>30 years from 1 January 2017 to 31 December 2046 ("Kurau Farm (Phase I) – Initial Term") and upon expiry of the 30 years initial term, it may be extended at the option of SBH Perak Agro so long the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.</p> <p>PPPNP shall, at its own cost, procure the state consent to lease Kurau Farm (Phase I) in favour of SBH Perak Agro within 30 days from 7 July 2022 (which has been further extended to 30 June 2024). Pending the procurement of the state consent, SBH Perak Agro shall be allowed to occupy the land as a tenant for 10 consecutive terms of 3 years tenancy in accordance with the terms and conditions of the agreement whereby such tenancy shall be converted automatically into a lease upon procurement of the state consent.</p>	<p>Initial Term Lease payment of RM488,170 and land survey cost of RM31,976 which have already been satisfied by SBH Perak Agro on 23 February 2012 via allotment of 255,000 ordinary shares representing 51% equity interest to PASB for PASB's undertaking to procuring a 30 years lease of Kurau Farm (Phase I) in favour of SBH Perak Agro.</p> <p>Subsequent term (if extended) At a lease fee to be mutually agreed by the parties.</p>

Tenancy Agreement for Kurau Farm (Phase II):

Tenancy	Duration	Rental
Tenancy from PPPNP to SBH Perak Agro	<p>A tenancy of 3 years from 1 January 2017 to 31 December 2019, which has been renewed for 3 years from 1 January 2020 to 31 December 2022 and further renewed for another 3 years from 1 January 2023 to 31 December 2025. The tenancy is subject to further renewal at the option of SBH Perak Agro for 7 subsequent consecutive 3-year period each ("Tenancy Initial Term") and upon expiry of the Tenancy Initial Term, be extended at the option of SBH Perak Agro so long the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.</p>	<p>Initial Term Rental payment of RM86,490 and land survey cost of RM14,686 which have already been satisfied by SBH Perak Agro on 23 February 2012 via allotment of 255,000 ordinary shares representing 51% equity interest to PASB for PASB's undertaking to procuring a 10 consecutive terms of 3-year tenancy for Kurau Farm (Phase II) in favour of SBH Perak Agro.</p> <p>Subsequent term (if extended) At a rental payment to be mutually agreed by the parties.</p>

Tenancy Agreement for Selinsing Farm

Tenancy	Duration	Rental
Tenancy from PPPNP to SBH Perak Agro	<p>2 tenancy terms, comprising the first 10 consecutive 3-year periods under the Selinsing Farm First Term (1 July 2020 to 30 June 2050) and the second 10 consecutive 3-year periods under the Selinsing Farm Second Term (1 July 2050 to 30 June 2080).</p>	<p>Selinsing Farm First Term An upfront rental payment for the Selinsing Farm First Term amounting to RM1,583,722 which have already been satisfied by SBH Perak Agro in the following manner:-</p>

7. BUSINESS OVERVIEW (cont'd)

Tenancy	Duration	Rental
	<p>The first tenancy period of 3 years under the Selinsing Farm First Term had commenced from 1 July 2020 to 30 June 2023 and has been subsequently renewed to 30 June 2026. It is further renewable at the option of SBH Perak Agro for 8 subsequent consecutive 3-year periods, ending on 30 June 2050. The terms and conditions, including the rental payments for the Selinsing Farm First Term have been agreed upfront by the parties (which have already been fully paid by SBH Perak Agro), would not be subject to further review by PPPNP. As such, the renewal of the 3-year tenancy periods by SBH Perak Agro during the Selinsing Farm First Term would be procedural in nature, provided that SBH Perak Agro is not in breach of the Tenancy Agreement for Selinsing Farm.</p> <p>Upon expiry of the Selinsing Farm First Term, the tenancy may be further extended for another 10 subsequent consecutive 3-year periods from 1 July 2050 to 30 June 2080 under the Selinsing Farm Second Term, at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties upfront before commencement of the Selinsing Farm Second Term and PPPNP's right to review and consider any increase in rental rate. The renewal of the 3-year tenancy periods by SBH Perak Agro during the Selinsing Farm Second Term would be procedural in nature so long as the terms and conditions, including the rental rate, have been mutually agreed upfront by both the parties before commencement of the Selinsing Farm Second Term and provided that SBH Perak Agro is not in breach of the Tenancy Agreement for Selinsing Farm.</p> <p>Upon expiry of the Selinsing Farm Second Term, the tenancy may be further extended so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed by both parties.</p>	<ul style="list-style-type: none"> • RM265,978.54 satisfied in cash to PASB on 17 January 2024; and • the remaining RM1,317,743.46 paid to SBH Holdings, as nominated by PPPNP, on 16 January 2024 whereby the sum has been utilised as subscription price to subscribe for the 5,989,743 new Shares pursuant to the Subscription by PASB. <p>The land survey cost of RM181,267 has been settled in cash on 7 February 2022.</p> <p><u>Subsequent terms (if extended)</u> At a rental payment to be mutually agreed upfront by the parties before commencement of the subsequent term(s), subject to PPPNP's right to review and consider any increase in rental rate for the extended term.</p>

7. BUSINESS OVERVIEW (cont'd)

- Purpose of lease/tenancy : For shrimp breeding activities ("**Shrimp Breeding**").
- Obligations of PPPNP : (a) PPPNP shall lease Kurau Farm (Phase I) and rent Kurau Farm (Phase II) and Selinsing Farm free from any encumbrances with vacant possession in favour of SBH Perak Agro.
- (b) PPPNP shall allow SBH Perak Agro to have peaceful enjoyment of the lands without interference by PPPNP or any person lawfully claiming its rights through or under PPPNP.
- (c) PPPNP shall at its own costs register the lease of Kurau Farm (Phase I) in favour of SBH Perak Agro upon fulfilment of the conditions precedent.
- (d) PPPNP shall at its own costs take all necessary steps to procure the endorsement of the tenancy of Kurau Farm (Phase II) on the issue documents of title of the land in favour of SBH Perak Agro, of which, as at the LPD, is still pending.
- (e) PPPNP shall apply to the relevant land office for the conversion/addition of the category of land use and express condition of Kurau Farm (Phase II) at its own expenses. The category of land use and express condition imposed on the land title of Kurau Farm (Phase II) have since been amended to "agriculture" and "shrimp breeding" pursuant to the letter of approval issued by the PTG on 30 March 2023.
- Obligations of SBH Perak Agro : (a) SBH Perak Agro to accept the lease and tenancy of Kurau Farm and Selinsing Farm at the lease/rental as stated above.
- (b) SBH Perak Agro shall at all times during the period of the lease or tenancy agreement in force cultivate the land for the purpose of Shrimp Breeding and shall carry out and implement this activity without causing disturbance and damage to residents and owners of adjacent property or land.
- (c) SBH Perak Agro shall ensure that the activities carried out cover not less than 90% of the area of the land where failure to do so will give PPPNP the full right to terminate the agreements and take back the land or if necessary any part thereof and the lease rate/ rental will be reviewed even if the lease fee/rental has been paid.
- Solely for information purpose only, the 90% mentioned above was mutually agreed by both parties where the intention is to ensure that the land is not used for any other purpose other than shrimp breeding and is progressively utilised up to 90% of the land area for such purpose.
- (d) SBH Perak Agro shall use the land in accordance with the GAqP and comply with all farm biosecurity requirements during the term of the agreements.
- (e) SBH Perak Agro will not leave the land vacant continuously for a period of a maximum of 1 year during the lease period without any activity related to the shrimp farming or any agricultural activity permitted by PPPNP.

7. BUSINESS OVERVIEW (cont'd)

- (f) SBH Perak Agro shall maintain the company status of SBH Perak Agro and the shareholding by the existing shareholders in SBH Perak Agro for the duration of this agreement except with the written consent of PPPNP. PPPNP had on 7 July 2022 and 14 December 2023 given its written consent to SBH Perak Agro for the change in its shareholders, whereby SBH Perak Agro has become a wholly-owned subsidiary of SBH Aquaculture following the completion of the Acquisition of SBH Perak Agro on 15 January 2024.

Conditions precedent : PPPNP shall, at its own cost, procure the state consent to lease Kurau Farm (Phase I) in favour of SBH Perak Agro within 30 days from 7 July 2022 (which has been further extended to 30 June 2024), of which is still pending as at the LPD. Pending the procurement of the state consent, SBH Perak Agro shall be allowed to occupy the land as a tenant for 10 consecutive terms of 3 years tenancy in accordance with the terms and conditions of the agreement whereby such tenancy shall be converted automatically into a lease upon procurement of the state consent.

Indemnities : SBH Perak Agro shall indemnify PPPNP for any action, claim or damages arising out of the lease/tenancy including any action caused by SBH Perak Agro, its employees, agents or contractors or any other third parties appointed by SBH Perak Agro.

Force Majeure : When a situation occurs under a situation commonly known as "*force majeure*", which includes but is not limited to earthquakes, nuclear/radioactive explosions, major floods, landslides that cause damage/burial of more than half of the land's total area, and calamity or natural disaster - 'Act of God', or, any situation beyond the control of the parties such as war or the like agreed by the parties to be a situation under "force majeure", any party will not be deemed to be in breach of this agreement for its delay or failure to perform its obligations affected by force majeure.

The party affected by force majeure to perform its obligations under the lease and tenancy agreements ("**Affected Party**") shall immediately notify the other party in writing stating the cause and the Affected Party and the unaffected party (or both parties if both parties are Affected Parties) shall use all reasonable efforts to reduce the effect of its delay or failure to perform its obligations affected by force majeure within 6 months or a period agreed by the parties after the termination of said force majeure. If the Affected Party still fails to perform its obligations affected by force majeure after the period stated above, then these lease and tenancy agreements are terminated without any claim between the parties.

Termination : (a) SBH Perak Agro can terminate the agreements with 3 months' notice with forfeiture of the paid lease fee or rental.

(b) PPPNP can terminate the agreements in the event that SBH Perak Agro:-

(i) is subject to any winding up or liquidation action under the Act;

(ii) is in default of express and material terms or undertaking of the agreements and fails to remedy such default;

7. BUSINESS OVERVIEW (cont'd)

- (iii) fails to carry out any activity on the land for shrimp farming or other agricultural activities as permitted by PPPNP; or
 - (iv) fails to maintain its shareholding throughout the lease period unless with written consent of PPPNP,
- and fails to remedy the aforesaid events or pay a reasonable compensation to PPPNP.

Information on PPPNP

PPPNP is a body corporate incorporated in February 1973 according to Perbadanan Pembangunan Pertanian Negeri Perak Enactment 1973 with registered address at No 3, Jalan Taman Kinta, Taman Chateau, 30250 Ipoh, Perak.

PPPNP was established to, amongst others, promote agricultural industry and development in Perak and to carry on all activities for the purpose of assisting any person, company or agency in advancing the agricultural industry and development in Perak.

As at the LPD, the Chairman of PPPNP is Dato` Seri Saarani bin Mohamad, the Perak Menteri Besar whilst the Directors are Dato` Ahmad Suaidi bin Abdul Rahim, Dato` Azmir Shah bin Zainal Abidin, Dato` Mohd Zaki bin Mahyudin, Dato` Zolkafly bin Harun, Dato` Haji Mohamad Fariz bin Mohamad Hanip, Dato` Sri Wan Ahmad Dahlan bin Haji Abdul Aziz, Puan Norizam binti Abas, Datuk Che Murad Sayang bin Ramjan, Azman bin Noh, Jason Ng Thien Yeong and Dr Muhaimin bin Sulam.

Presently, the Chief Executive Officer of PPPNP is Dato` Haji Yahanis bin Yahya.

7.12 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) during the Financial Periods Under Review up to the date of this Prospectus:-

- (a) Sale and Purchase Agreement dated 22 December 2021 entered into between SBH Marine and Tan Boo Nam for the disposal by SBH Marine of a freehold land identified as Lot 1480, Mukim 9, Permatang Kling, Nibong Tebal, Seberang Perai Selatan, Pulau Pinang, held under GM 113 measuring approximately 17,224 sqm for a cash consideration of RM5,562,053.10, which was completed on 30 December 2021.
- (b) Share Sale Agreement dated 29 December 2021 entered into between SBH Aquaculture and Teoh Chew Wang for the disposal by SBH Aquaculture of its 51.67% equity interest in Ocean Champion comprising 2,878,572 ordinary shares for a cash consideration of RM2,100,000, which was completed on 21 January 2022.
- (c) Share Purchase Agreement dated 7 April 2022 entered into between our Company and the shareholders of Fantastic Seafood for the acquisition by our Company of the entire 100% equity interest in Fantastic Seafood comprising 24,000,000 ordinary shares for a total consideration of RM57,698,160 which was satisfied via the issuance 672,472,725 new Shares at RM0.0858 each by our Company and completed on 27 June 2022.
- (d) Share Purchase Agreement dated 7 April 2022 entered into between our Company and SBH Marine for the acquisition by our Company of the entire 100% equity interest in SBH Aquaculture comprising 6,000,000 ordinary shares for a cash consideration of RM8,314,000, which was completed on 20 October 2022.

7. BUSINESS OVERVIEW *(cont'd)*

- (e) Share Purchase Agreement dated 7 July 2022 entered into between our Company, SBH Aquaculture and PASB for the acquisition by SBH Aquaculture of 51% equity interest in SBH Perak Agro comprising 255,000 ordinary shares from PASB for a purchase consideration of RM5,898,256 which was satisfied via the issuance of 26,810,257 new Shares at RM0.22 each by our Company and completed on 15 January 2024.
- (f) Share Purchase Agreement dated 7 July 2022 entered into between our Company, SBH Aquaculture and the Top Grade Vendors for the acquisition by SBH Aquaculture of 30% equity interest in Top Grade comprising 600,000 ordinary shares from the Top Grade Vendors for a purchase consideration of RM600,000 which was satisfied via the issuance of 2,727,274 new Shares at RM0.22 each by our Company and completed on 3 January 2024.
- (g) Subscription Agreement dated 7 July 2022 entered into between our Company and PASB whereby PASB agreed to subscribe for 5,989,743 new Shares at RM0.22 each for a total subscription price of RM1,317,743 pursuant to the Subscription by PASB, which was completed on 17 January 2024.
- (h) Underwriting Agreement dated 19 January 2024 entered into between our Company and the Sole Underwriter for the underwriting of up to 81,000,000 Public Issue Shares.

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7. BUSINESS OVERVIEW (cont'd)

7.13 PROPERTY, PLANT AND EQUIPMENT

7.13.1 Own Landed Properties

Details of the landed properties owned by our Group as at the LPD are as follows:-

No.	Registered Owner	Address / Title Details	Description and Existing Use	Approximate Land Area/ Built-up Area	Date of CF/CCC Issuance	Land Status/ Category of Land Used/ Express Condition Imposed on Land Title	Encumbrances	Audited NBV as at 30.09.2023 (RM'000)
1.	SBH Marine	<u>Address</u> Lot 1744, Batu 13, Jalan Pantai, 34350 Kuala Kurau, Perak <u>Title details</u> Lot 1744, New Coast Road, Mukim Tanjong Piandang, Daerah Kerian, Perak held under Geran Mukim No. 2368	2-storey office building and a single storey detached factory used as the Group's seafood processing plant and cold room storage	78,124 sq ft/ 35,221 sq ft	16.05.2012	Freehold land / Industrial use for processing of seafood	Charged to Malayan Banking Berhad	3,580
2.	SBH Marine	<u>Title details</u> PT 2422, New Coast Road, Mukim Kuala Kurau, Daerah Kerian, Perak held under Hakmilik Sementara No. 2317	A vacant land with the New Cold Room erected thereon and the intention to construct a new single storey office building and a double-storey seafood processing plant ⁽¹⁾	0.52 hectares or 1.29 acres/ -	Not issued yet	Freehold / Agriculture use for commercial crop (coconut) ⁽²⁾	Nil	2,056
3.	SBH Marine	<u>Address</u> No. 5, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak <u>Title details</u> Lot 12118, New Coast Road, Mukim Kuala Kurau, Daerah Kerian, Perak held under Geran Mukim No. 6145	3-storey shop house whereby the ground floor is currently vacant whilst first and second floors are used as workers' accommodation	1,400 sq ft/ 4,200 sq ft	23.01.2013	Freehold / Building use for business - shop house ⁽³⁾	Nil	657

7. BUSINESS OVERVIEW (cont'd)

Notes:-

- (1) A new seafood processing plant is proposed to be constructed adjacent to the New Cold Room. The Group expects the construction work for the new seafood processing plant to commence in the third quarter 2024 and completion thereof in the third quarter of 2025.
- (2) The approval from the PTK for the conversion of the land use category and express condition of the land title from "agriculture use for commercial crop (coconut)" to "industrial (seafood processing factory)" was obtained via its letter dated 25 October 2023. A new land title with the amended land use category and the express condition is expected to be issued by the second quarter of 2024.
- (3) The 3-storey shophouse is imposed with the category of land use of "building" and subject to express condition for the use of 'business – shop house' based on the issue document of title. Whilst the first and second floors of the shophouse are currently used as workers' accommodation and have valid Certificate for Accommodation, the ground floor has remained vacant. The Board has confirmed that the ground floor will be intended for commercial or business use (either by the Group or rented out to third party) and the entire premise will not at the same time be used for workers' accommodation.

Save as disclosed above, our properties are not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on the Group's business operations and financial conditions as at the LPD.

7.13.2 Leased/Rented Properties

Details of the properties leased/rented by our Group as at the LPD are as follows:-

No.	Landlord/ Tenant or Lessee	Address / Title Details	Description / Existing Use / Propose Use	Approximate Land Area/ Built-up Area	Date of CCC Issuance	Duration/Tenure	Lease/Rental Payment
1.	PPNP / SBH Perak Agro	<u>Title</u> PT 3031, Mukim Kuala Kurau, Daerah Kerian, Perak held under HSD 10243	Kurau Farm (Phase I) / 99-year leasehold land expiring on 12 December 2112 used for shrimp farming	48.82 hectares or 120.63 acres/ -	Note (1)	<u>Initial Term</u> 30 years from 1 January 2017 to 31 December 2046. <u>Subsequent term (if extended)</u> Upon expiry of the 30-year initial term, the lease may be extended at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed.	One-off upfront payment of RM520,146 (inclusive of total lease payments under Initial Term and land survey cost) which has been satisfied via allotment of 255,000 ordinary shares representing 51% of the share capital of SBH Perak Agro to PASB pursuant to the JV Agreement. Lease fee for the subsequent term (if extended) will be mutually agreed by the parties.

7. BUSINESS OVERVIEW (cont'd)

No.	Landlord/ Tenant or Lessee	Address / Title Details	Description / Existing Use / Propose Use	Approximate Land Area/ Built-up Area	Date of CCC Issuance	Duration/Tenure	Lease/Rental Payment
2.	PPPNP / SBH Perak Agro	<u>Title</u> PT 3030, Mukim Kuala Kurau, Daerah Kerian, Perak held under HSD 10242	Kurau Farm (Phase II) / 99-year leasehold land expiring on 12 December 2112 used for shrimp farming	8.65 hectares or 21.37 acres/	Note (1)	<u>Initial Term</u> 10 terms of 3 years each from 1 January 2017 to 31 December 2046. Subsequent term (if extended) Upon expiry of the initial term, the tenancy may be extended at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed.	One-off upfront payment of RM101,176 (inclusive of total rental payment under Initial Term and land survey cost) which has been satisfied via allotment of 255,000 ordinary shares representing 51% of the share capital of SBH Perak Agro to PASB pursuant to the JV Agreement. Lease fee for the subsequent term (if extended) will be mutually agreed by the parties.
3.	PPPNP / SBH Perak Agro	<u>Title</u> PT 1370, Mukim Selinsing, Daerah Kerian, Perak held under HSD 13261	Selinsing Farm / 99-year leasehold land expiring on 25 November 2120 used for shrimp farming	120.88 hectares or 298.71 acres/	Note (1)	<u>Selinsing Farm First Term</u> 10 terms of 3 years each from 1 July 2020 to 30 June 2050. <u>Subsequent terms (if extended)</u> Upon expiry of the Selinsing Farm First Term, the tenancy may be further extended for 10 subsequent consecutive 3-year periods up to 30 June 2080, and upon expiry thereof, may be further extended at the option of SBH Perak Agro so long as the land continues to be in use by SBH Perak Agro for shrimp breeding, subject to new terms and conditions to be mutually agreed upfront by the parties.	RM1,583,722 being the rental payment for the Selinsing Farm First Term has been settled upfront on 16 and 17 January 2024 pursuant to the terms and conditions of Tenancy Agreement for Selinsing Farm. Rental payment for the subsequent terms (if extended) will be mutually agreed upfront by the parties before commencement of the subsequent term(s), subject to PPPNP's right to review and consider any increase in rental rate for the extended term.
4.	Abdul Karim Bin Fatullah / Top Grade	<u>Title</u> A portion of Lot 4260, Bagan Selatan, Mukim Tanjong Plandang, Daerah Kerian, Perak held under PM 28	A portion of the 99-year leasehold agriculture land expiring on 22 September 2102 on which the Group's Hatchery Centre is erected (2)	19,800 sq ft/ 19,800 sq ft	Note (1)	1 March 2023 to 28 February 2026 (with option to renew for a further 3 terms of 3 years each subject to renegotiation of rent)	RM1,150 per month

7. BUSINESS OVERVIEW (cont'd)

No.	Landlord/ Tenant or Lessee	Address / Title Details	Description / Existing Use / Propose Use	Approximate Land Area/ Built-up Area	Date of CCC Issuance	Duration/Tenure	Lease/Rental Payment
5.	Ooi Seh Thong and Ooi Seh Wei / SBH Marine	Address 1 st and 2 nd Floor, No. 3, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	3-storey shop house / Workers' accommodation ⁽³⁾	1,400 sq ft/ 2,800 sq ft	23.01.2013	<u>1st Floor</u> 4 November 2023 to 3 November 2026 <u>2nd Floor</u> 16 May 2023 to 15 May 2026	RM550 per month RM520 per month
6.	Teoh Kim Kooi / SBH Marine	Address 1 st and 2 nd Floors, No. 21, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	3-storey shop house / Workers' accommodation ⁽³⁾	2,250 sq ft/ 4,500 sq ft	23.01.2013	1 March 2022 to 28 February 2025	RM2,600 per month
7.	Teoh Kim Kooi / SBH Marine	Address 1 st and 2 nd Floors, No. 19, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak	3-storey shop house / Workers' accommodation ⁽³⁾	1,400 sq ft/ 2,800 sq ft	23.01.2013		

Notes:-

- (1) The appointed architect had confirmed that as all the building/structure constructed at the Kurau Farm, Selinsing Farm and Hatchery Centre are approved by MDK as temporary buildings, CCC will not be required to be issued. Please refer to Section 7.10.1 of this Prospectus on the temporary building permits issued by MDK.
- (2) Application to the PTK to convert the land use category and express condition imposed the land title from "agriculture" use for "orchard plantation" to "building" use for "shrimp hatchery centre" is pending approval as at the LPD.
- (3) The 3-storey shop houses are imposed with the category of land use of "building" and subject to express condition for the use of 'business - shop house' based on the issue document of title. Whilst the first and second floors of the shop houses are being rented by the Group for its current and future workers' accommodation, the ground floors remain a space of use which is at the landlord's discretion. In the event that the landlord is found to be in breach of the category of land use and/or express condition, the management would take appropriate steps to relocate the affected workers to another location that also has a valid Certificate for Accommodation.

As at the LPD, we have obtained the requisite Certificates for Accommodation for all our rented workers' accommodation on the 1st and 2nd floors of the 3 shop houses located at No. 3, 19 and 21, Jalan Lintang Aman 1, Taman Kurau Aman 34350 Kuala Kurau, Perak.

Save as disclosed above, as at the LPD, none of our rented properties is in breach of any category of land use and express condition imposed on the land titles nor in breach of any prevailing statutory requirements, land rules or building regulations/by-laws, which would have a material adverse impact on the Group's business operations and financial conditions.

7. BUSINESS OVERVIEW (cont'd)

7.13.3 Key Machinery and Equipment

A summary of our key machinery and equipment owned and used at our Kurau Plant and our aquaculture shrimp farms are as follows:-

	No. of Units	Approximate Age (Year)	NBV as at 30.09.2023 (RM'000)
<u>Kurau Plant</u>			
Shrimp washing and auto-sizing machine	4	14-16	*
Seafood processing machines ⁽¹⁾	11	5-16	^
Semi contact freezers	17	4-17	97
Flake ice machines	2	2-17	27
Cold rooms	3	3-17	2,152
Packing and metal detector machines	2	3-4	31
Motor vehicles	27	1-19	1,552
Laboratory equipment	3	4-17	16
Wastewater treatment plant	1	17	65
<u>Kurau Farm</u>			
Farm equipment ⁽²⁾	822	1-11	266
Motor vehicles	18	1-6	160
Laboratory equipment	13	3-12	4
<u>Selinsing Farm</u>			
Farm equipment ⁽²⁾	469	1-4	638
Motor vehicles	21	1-4	320
Laboratory equipment	12	3-4	11

Notes:-

* Fully depreciated as at 30 September 2023.

^ Less than RM1,000.

(1) Seafood processing machines include curling machines for the processing of cephalopods, cuttlefish peeler machines, skewer machine, oil burner for blanching of seafood, conveyor working tables for the sorting of seafood products and automatic sealer machine for sealing frozen seafood in plastic bags.

(2) Farm equipment include automatic shrimp feed feeders, paddle wheel aerators, water pumps and piping system, and other farm related equipment.

7.13.4 Production Capacity and Output

The annual carrying capacity for our aquaculture farming activities at the Kurau Farm and Selinsing Farm and production capacities for our seafood processing operations at the Kurau Plant for FYE 2020 to FYE 2023 are as follows:-

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Aquaculture shrimp farming				
<u>Kurau Farm</u>				
No. of ponds in cultivation	58	58	58	58
Annual carrying capacity (tonnes) ⁽¹⁾	620	620	620	620
Actual production (tonnes)	564	471	451	378
Production yield (%)	91.0	76.0	72.7	61.0
<u>Selinsing Farm</u>				
No. of ponds in cultivation ⁽²⁾	-	13	23	30
Annual carrying capacity (tonnes) ⁽¹⁾	-	140	167	260
Actual production (tonnes)	-	124	162	194
Production yield (%)	-	88.6	97.0	74.6

7. BUSINESS OVERVIEW (cont'd)

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Seafood processing				
Annual production capacity (tonnes) ⁽³⁾	4,800	4,800	4,800	4,800
Actual production output (tonnes)	2,776	3,590	3,248	3,875
Utilisation rate (%)	57.8	74.8	67.7	80.7

Notes:-

- (1) The annual carrying capacity of the aquaculture shrimp farms is derived assuming an average shrimp cultivation mix comprising 75% of black tiger prawns and 25% of whiteleg shrimps throughout the years.
- (2) Selinsing Farm began operations in 2021 with 13 ponds in cultivation as of end of the FYE 2021 which was later increased to 30 ponds as of end of the FYE 2023.
- (3) The annual production capacity of our Kurau Plant is derived based on the availability of our 17 units of semi-contact freezers and assuming an average seafood processing mix comprising 80% of shrimps and 20% of cephalopods throughout the years.

Production Capacity and Output of Shrimp Aquaculture Farm

The production yield of Kurau Farm declined from 91.0% in FYE 2020 to 76.0% in the FYE 2021 as a result of the decrease in shrimp production by 93 tonnes from 564 tonnes to 471 tonnes mainly due to the management's decision to mobilise some of the resources to develop and rehabilitate the new shrimp ponds in Selinsing Farm ready for cultivation. In the FYE 2021, a total of 13 new ponds in Selinsing Farm were developed and cultivated which produced 124 tonnes of shrimps, which more than offset the lower production from the Kurau Farm.

The production yield of Kurau Farm further decreased from 76.0% in FYE 2021 to 72.7% in FYE 2022 as a result of reduction in the shrimp production by 20 tonnes from 471 tonnes to 451 tonnes. This was mainly due to shortage of foreign workers as we could not replace the foreign workers who had returned to their home countries in 2022 in a timely manner as a result of the freeze imposed by the Government on hiring new foreign workers since June 2020 due to impact of the COVID-19 pandemic and the implementation of the MCO. Some of the resources were also mobilised to develop 10 more new shrimp ponds in Selinsing Farm in FYE 2022, which eventually produced higher shrimp yield by 38 tonnes, which more than offset the lower shrimp production in Kurau Farm.

The production yield of Selinsing Farm improved from 88.6% in FYE 2021 to 97.0% in FYE 2022 as the additional 10 new ponds were developed and put into shrimp cultivation. As a result, the shrimp production from Selinsing Farm increased by 38 tonnes from 124 tonnes to 162 tonnes.

The production yield of Kurau Farm decreased from 72.7% in FYE 2022 to 61.0% in FYE 2023. From March to October 2023, we had undertaken maintenance works for the entire 58 shrimp ponds and related infrastructures at our Kurau Farm on a progressive basis which involved the temporary suspension of shrimp cultivation for the shrimp ponds to be thoroughly reconditioned. The maintenance works on each shrimp pond required an average duration of 3 to 4 weeks' time. This is the first major pond reconditioning work undertaken at our Kurau Farm since the development of Kurau Farm (Phase I) began in October 2011. As at end of October 2023, we have completed the reconditioning of all the shrimp ponds and they are in various stages of the shrimp cultivation as at the LPD. As a result of the said maintenance works, the production yield of Kurau Farm was affected. Nonetheless, with the resumption of the shrimp cultivation activities, the production yield of Kurau Farm is expected to normalise in the FYE 2024.

7. BUSINESS OVERVIEW (cont'd)

The production yield of Selinsing Farm decreased from 97.0% in FYE 2022 to 74.6% in FYE 2023 despite an increase in the shrimp production by 32 tonnes from 162 tonnes to 194 tonnes as the additional 7 new ponds which were developed during the FYE 2023 were still under early stages of shrimp cultivation, especially the last 4 new ponds which were only developed in the last quarter of 2023.

Production Capacity and Output of Seafood Processing

The utilisation rate of our Kurau Plant improved from 57.8% in FYE 2020 to 74.8% in the FYE 2021 as a result of higher production output by 814 tonnes of frozen processed seafood products from 2,776 tonnes to 3,590 tonnes. This was mainly due to recovery in the demand for our Group's frozen seafood products from our overseas customers, after the unanticipated drop in demand from our overseas customers in 2020 as a result of the COVID-19 pandemic which disrupted the global demand. Our revenue from the processing and sale of frozen seafood products business segment recovered and improved from RM85.46 million in the FYE 2020 to FYE 129.89 million in the FYE 2021.

The utilisation rate of our Kurau Plant declined from 74.8% in FYE 2021 to 67.7% in the FYE 2022 as a result of lower production output by 342 tonnes of frozen processed seafood products from 3,590 tonnes to 3,248 tonnes. This was mainly due to the shortage of foreign workers at our Kurau Plant as we could not replace the foreign workers who had returned to their home countries in 2022 in a timely manner as a result of the freeze imposed by the Government on hiring new foreign workers since June 2020 due to impact of the COVID-19 pandemic and the implementation of the MCO, which affected the productivity during the year.

The utilisation rate of our Kurau Plant improved from 67.7% in FYE 2022 to 80.7% in the FYE 2023 as we increased our seafood processing output to meet higher demand from our customers. The production output for FYE 2023 reached 3,875 tonnes of frozen processed seafood products as compared to 3,248 tonnes achieved in the FYE 2022.

In view of the increasing global demand for seafood, in particular from the European region such as France and Italy, Asian region such as China and the Middle East, mainly from Turkiye, we intend to expand our seafood processing capacity via the construction of a new seafood processing plant on an approximately 1.29 acres of freehold land located at Lot PT 2422, New Coast Road, Mukim Kuala Kurau, Daerah Kerian, Perak held under HSM No. 2317, which is located within 1 km from our Kurau Plant. Upon completion, our total estimated annual production capacity will be increased by an additional 4,000 tonnes of frozen processed seafood.

7.13.5 Material Plans to Construct, Expand or Improve Facilities

Save for our expansion plans as disclosed in Section 7.19 of this Prospectus, we have no other material plans to construct, expand and improve our existing facilities.

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7. BUSINESS OVERVIEW (cont'd)**7.14 EMPLOYEES**

As at the LPD, our Group has a total of 293 employees, of which 92 are local employees while 201 are foreign employees who are employed on contractual basis, of which 149 are production workers under our seafood processing operations and 52 are farm workers under our farm operations.

As at 30 September 2023 and the LPD, the number of employees in our Group (including our Executive Directors) is as follows:-

Category	No. of Employees	
	As at 30.09.2023	As at the LPD
Directors and key senior management *	12	10
Finance, human resources and administration *	29	30
Seafood processing operations		
- Permanent employment	25	23
- Contracted employment (foreign workers)	147	149
Farm operations		
- Permanent employment	5	5
- Contracted employment (foreign workers)	33	52
Quality Assurance/Quality Control and laboratory *	10	10
Other general workers (i.e. drivers and security guards) *	13	14
Total	274	293

Note:-

* All under permanent employment.

Category	No. of Employees	
	As at 30.09.2023	As at the LPD
Local		
- Permanent employment	94	92
- Contracted employment	-	-
Foreign		
- Permanent employment	-	-
- Contracted employment	180	201
Total	274	293

As at the LPD, all our 201 foreign employees from Nepal, Myanmar and Vietnam are employed on contract basis with valid working permits, which are renewable on an annual basis. As the application and renewal of the work permits for our foreign workers is an ongoing process, there will be foreign workers whose work permits are in the midst of renewal at any one point in time.

All 201 foreign workers are provided accommodation by the Group in accordance with the Employees' Minimum Standards Of Housing, Accommodations and Amenities Act 1990.

Based on the current policies on recruitment of foreign workers issued by the Ministry of Home Affairs Malaysia, we are allowed to hire foreign workers for our business operations as we are involved in the manufacturing and agriculture sectors which are amongst the sectors allowed to employ foreign workers in Malaysia.

7. BUSINESS OVERVIEW *(cont'd)*

None of our employees belong to any labour union and as at the LPD, there has not been any past material industrial dispute between our Group and our employees.

7.15 R&D

We are not involved in any R&D activities and we have not incurred any R&D expenditure during the Financial Periods Under Review.

7.16 TECHNOLOGY USED

Over the course of our seafood processing operations, we utilise various machinery and equipment (as stated in Section 7.13.3 of this Prospectus) to facilitate our seafood processing activities ranging from sorting, washing to freezing of our processed seafood. Our key processing machinery and equipment are made of food-grade stainless steel in compliance with the HACCP requirements on food safety. Stainless steel is corrosion-resistant and can be easily cleaned, highly durable and able to withstand harsh, caustic chemicals and extreme temperature without damage.

We use automatic sizing machines which allow us to automatically wash and sort the shrimps according to sizes as the shrimps pass through the machines. This significantly enhances the efficiency of the process with minimal human interaction.

We have also installed our own flake ice machine at our Kurau Plant which enable us to produce flake ice that is light with no sharp edges. This can prevent any injury to our workers who handle the flake ice.

In addition, we utilise semi-contact blast freezers to quick freeze our seafood products. This quick freeze process is able to preserve the freshness of our frozen seafood products to have a commercial shelf life of up to 24 months, if stored properly. Our semi-contact blast freezers give us the flexibility to freeze our processed seafood in the form of IQF, semi-IQF and block frozen.

Seafood products that have been frozen are kept in our existing cold rooms located at the Kurau Plant. The cold rooms, which have a combined capacity to store up to 1,000 tonnes of frozen seafood products, are maintained at temperatures of -22 degree Celsius while awaiting for the shipment to our customers.

We have also installed a wastewater treatment plant at our Kurau Plant which collects the wastewater used during the washing and seafood processing for treatment prior to being released to the sea. The wastewater will go through a biological treatment system which removes organic wastes in an environmentally friendly manner. Equipment used in our wastewater treatment plant include, amongst other, pH adjustment tank, equalisation pit, sequencing batch reactor, sludge holding tank and filter press.

In an effort to reduce our dependence on foreign workers, we intend to further invest in automation by purchasing a new IQF tunnel freezer to be installed in our new seafood processing plant. The IQF tunnel freezer is expected to improve the productivity of the new seafood processing plant as it is capable of freezing up to 1 tonne of seafood per hour continuously with less manpower, as compared to the freezing process using semi-contact freezers which requires more manpower to move frozen seafood in and out of the freezers.

7. BUSINESS OVERVIEW (cont'd)

In addition, we also utilise various machinery and equipment (as stated in Section 7.13.3 of this Prospectus) to facilitate our aquaculture shrimp farming activities. We utilise water pumps and piping systems to pump seawater in and out of the farm premises and shrimp ponds. We use automatic shrimp feed feeders that enables us to conveniently feed our shrimp. We also utilise paddle wheels aerators to diffuse oxygen into the pond water as well as circulate water in the ponds.

7.17 MAJOR CUSTOMERS

Our top 5 major customers for each of the Financial Periods Under Review are set out below:-

FYE 2020

Major Customer	Country	Type of Products Sold	RM'000	% of Total Revenue	* Length of Business Relationship (Year)
Company A	South Korea	Frozen shrimps and cephalopods	18,458	13.13	12
Customer B	France	Frozen shrimps	17,094	12.16	5
Customer C	Taiwan	Frozen shrimps and cephalopods	15,483	11.01	8
Customer D	South Korea	Frozen shrimps and cephalopods	14,317	10.18	11
Customer E	Italy	Frozen shrimps and cephalopods	6,732	4.79	10
Total top 5 major customers			72,084	51.27	
Total Group revenue			140,581	100.00	

FYE 2021

Major Customer	Country	Type of Products Sold	RM'000	% of Total Revenue	* Length of Business Relationship (Year)
Customer F	Türkiye	Frozen shrimps and cephalopods	31,898	16.61	1
Customer A	South Korea	Frozen shrimps and cephalopods	19,622	10.22	13
Customer B	France	Frozen shrimps	17,634	9.18	6
Customer E	Italy	Frozen shrimps and cephalopods	13,011	6.78	11
Customer C	Taiwan	Frozen shrimps and cephalopods	12,735	6.63	9
Total top 5 major customers			94,900	49.42	
Total Group revenue			192,006	100.00	

FYE 2022

Major Customer	Country	Type of Products Sold	RM'000	% of Total Revenue	* Length of Business Relationship (Year)
Customer F	Türkiye	Frozen shrimps and cephalopods	39,086	20.10	2
Customer G	South Korea	Frozen shrimps and cephalopods	15,242	7.84	2
Customer H	France	Frozen shrimps	15,109	7.77	2
Customer C	Taiwan	Frozen shrimps and cephalopods	15,023	7.73	10
Customer A	South Korea	Frozen shrimps and cephalopods	13,422	6.90	14
Total top 5 major customers			97,882	50.34	
Total Group revenue			194,426	100.00	

7. BUSINESS OVERVIEW (cont'd)**FPE 2023**

Major Customer	Country	Type of Products Sold	RM'000	% of Total Revenue	* Length of Business Relationship (Year)
Customer F	Türkiye	Frozen shrimps and cephalopods	21,816	15.13	3
Customer G	South Korea	Frozen shrimps and cephalopods	17,203	11.93	3
Customer A	South Korea	Frozen shrimps and cephalopods	14,080	9.76	15
Customer H	France	Frozen shrimps	13,329	9.24	3
Customer C	Taiwan	Frozen shrimps and cephalopods	11,264	7.81	11
Total top 5 major customers			77,692	53.87	
Total Group revenue			144,212	100.00	

Note:-

* Length of business relationship is determined as at the end of each of the respective financial years/period.

None of our Promoters, substantial shareholders, Directors and key senior management has any interest, direct or indirect, in all of the abovementioned major customers.

Our top 5 major customers for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 have contributed in aggregate approximately 51.27%, 49.42%, 50.34% and 53.87% to our Group's total revenue respectively.

We are/were dependent on the following major customers which have contributed more than 10% of our total revenue during the Financial Periods Under Review:-

Major Customers	Country	% Contribution to the Total Revenue of Our Group			
		FYE 2020	FYE 2021	FYE 2022	FPE 2023
Customer A	South Korea	13.13	10.22	6.90	9.76
Customer B	France	12.16	9.18	-	0.94
Customer C	Taiwan	11.01	6.63	7.73	7.81
Customer F	Türkiye	1.24	16.61	20.10	15.13
Customer G	South Korea	-	5.31	7.84	11.93

Notes:

- (1) Customer A is an importer, distributor and trader of frozen seafood products such as shrimps and cephalopods based in South Korea. It is a long term repeat customer of the Group, with approximately 15 years of business relationship as at the LPD. Whilst we were dependent on Customer A in FYE 2020 and FYE 2021, its contribution has reduced to less than 10% of the Group's revenue for FYE 2022 and FPE 2023.
- (2) Customer B is an importer and distributor of frozen fishes and seafood products based in France. It has been a long-term repeat customer of the Group with approximately 9 years of business relationship since 2015 (except for 2022 where it did not purchase any products from the Group due to lower demand from its end customers). It has resumed its purchases from our Group since February 2023 as demand improved. Whilst we were dependent on Customer B in FYE 2020, its contribution has reduced to less than 10% of the Group's revenue for FYE 2021, FYE 2022 and FPE 2023.

7. BUSINESS OVERVIEW (cont'd)

- (3) Customer C is wholesaler and retailer of aquatic products as well wholesaler of vegetables, fruits, other agriculture and livestock products based in Taiwan. It is a long term repeat customer of the Group with over 11 years of business relationship as at the LPD. Whilst we were dependent on Customer C in FYE 2020, its contribution has reduced to less than 10% of the Group's revenue for FYE 2021, FYE 2022 and FPE 2023.
- (4) Customer F is an importer and distributor of seafood products such as shrimps and cephalopods based in Türkiye. It is a relatively new customer of the Group with over 3 years of business relationship as at the LPD.
- (5) Customer G is an importer, distributor and trader of frozen seafood such as shrimps and cephalopods based in South Korea. It became our customer since it took over the business of Customer D in 2021, which in turn had 12 years of business relationship with our Group from 2009 to 2021.

The Group enjoys good relationships with the above major customers and foresees the business dealings with them to continue into the foreseeable future. Having built a long term and trusted relationship with them, the Group has been able to grow the revenue consistently over the years with most of the major customers by focusing on maintaining good quality and high level of food safety and traceability standards for the Group's products.

Other than the above, we are not dependent on any other customers. We also have a total of 50 active customers spread across the EU, Asian and Middle Eastern regions in the FPE 2023, of which 80.0% are recurring customers.

Typically, we do not enter into any long-term supply agreement with our customers. Our sales are based on purchase orders that we receive from our customers from time to time. As a result, the Group's future financial performance, to a certain extent, depends on its ability to secure repeat orders from these major customers or new orders from prospective customers. The loss of any customers or reduction in orders, if not replaced in a timely manner with new customers or orders of similar quantum, may adversely affect the Group's business operations and financial performance.

We also continue to diversify our customer base geographically by exploring new markets/countries for our products as demonstrated by our success in expanding our exports to Türkiye since the FYE 2020.

There has been no major dispute with these major customers during the Financial Periods Under Review which has significantly affected our operations or financial performance.

Please refer to Section 9.1.1 of this Prospectus for further details on the risk pertaining to dependency on certain major customers.

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7. BUSINESS OVERVIEW (cont'd)**7.18 MAJOR SUPPLIERS**

The Group's top 5 major suppliers for each of the Financial Periods Under Review are as follows:-

FYE 2020

Major Suppliers	Country	Type of Materials Supplied	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
PT Yasuriang	Indonesia	Frozen cephalopods and fish	48,844	39.24	6
SBH Perak Agro ⁽²⁾	Malaysia	Farmed shrimps	17,301	13.90	8
Blue Archipelago Berhad and iSharp Sdn Bhd ⁽³⁾	Malaysia	Farmed shrimps	16,542	13.29	3
Ocean Champion ⁽⁴⁾	Malaysia	Farmed shrimps	9,664	7.76	2
Fleet Quality Shrimp Farming Sdn Bhd	Malaysia	Farmed shrimps	5,458	4.39	4
Total top 5 major suppliers			97,809	78.58	
Total Group purchases			124,468	100.00	

FYE 2021

Major Suppliers	Country	Type of Materials Supplied	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
PT Yasuriang	Indonesia	Frozen cephalopods and fish	62,117	41.30	7
Blue Archipelago Berhad and iSharp Sdn Bhd ⁽³⁾	Malaysia	Farmed shrimps	21,438	14.26	4
SBH Perak Agro ⁽²⁾	Malaysia	Farmed shrimps	18,220	12.12	9
Rongcheng Haibo Seafood Co, Ltd	China	Frozen cephalopods	9,628	6.40	1
Ocean Champion ⁽⁴⁾	Malaysia	Farmed shrimps	9,448	6.28	3
Total top 5 major suppliers			120,851	80.36	
Total Group purchases			150,390	100.00	

FYE 2022

Major Suppliers	Country	Type of Materials Supplied	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
PT Yasuriang	Indonesia	Frozen cephalopods and fish	74,243	45.61	8
Blue Archipelago Berhad and iSharp Sdn Bhd ⁽³⁾	Malaysia	Farmed shrimps	23,092	14.19	5
SBH Perak Agro ⁽²⁾	Malaysia	Farmed shrimps	20,700	12.72	10
Asia Aquaculture (M) Sdn Bhd and Star Feedmills (M) Sdn Bhd ⁽⁵⁾	Malaysia	Shrimp post larvae and shrimp feed	8,974	5.51	7
Rongcheng Haibo Seafood Co, Ltd	China	Frozen cephalopods	4,224	2.60	2
Total top 5 major suppliers			131,233	80.63	
Total Group purchases			162,761	100.00	

7. BUSINESS OVERVIEW (cont'd)**FPE 2023**

Major Suppliers	Country	Type of Materials Supplied	RM'000	% of Total Purchases	(1) Length of Business Relationship (Year)
PT Yasuriang	Indonesia	Frozen cephalopods and fish	43,747	36.51	8
Blue Archipelago Berhad and iSharp Sdn Bhd ⁽³⁾	Malaysia	Farmed shrimps	12,737	10.63	6
SBH Perak Agro ⁽²⁾	Malaysia	Farmed shrimps	11,763	9.82	10
Ternakan Udang Manjung Sdn Bhd	Malaysia	Farmed shrimps	5,961	4.97	12
Asia Aquaculture (M) Sdn Bhd and Star Feedmills (M) Sdn Bhd ⁽⁵⁾	Malaysia	Shrimp post larvae and shrimp feed	5,776	4.82	8
Total top 5 major suppliers			79,984	66.75	
Total Group purchases			119,831	100.00	

Notes:-

- (1) Length of business relationship is determined as at the end of each of the respective financial years/period.
- (2) For the Financial Periods Under Review, SBH Perak Agro is regarded as a third party supplier of farmed shrimps to the Group as it was a joint venture company of the Group prior to the completion of the Acquisition of SBH Perak Agro.
- (3) iSharp Sdn Bhd is a wholly-owned subsidiary of Blue Archipelago Berhad, which in turn is ultimately wholly-owned by Khazanah Nasional Berhad. For the Financial Periods Under Review, the purchases from Blue Archipelago Berhad and iSharp Sdn Bhd were as follows:-

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	% of Total Purchases	RM'000	% of Total Purchases	RM'000	% of Total Purchases	RM'000	% of Total Purchases
Blue Archipelago Berhad	9,692	7.79	10,297	6.85	11,971	7.36	3,023	2.52
iSharp Sdn Bhd	6,850	5.50	11,141	7.41	11,121	6.83	9,714	8.11
Total	16,542	13.29	21,438	14.26	23,092	14.19	12,737	10.63

- (4) For the Financial Periods Under Review, Ocean Champion is regarded as a third party supplier of farmed shrimps to the Group as it has been demerged from the Group following the Disposal of Ocean Champion, the details of which are stated in Section 6.5(c) of this Prospectus.
- (5) Asia Aquaculture (M) Sdn Bhd and Star Feedmills (M) Sdn Bhd are wholly-owned subsidiaries of Charoen Pokphand Foods (Malaysia) Sdn Bhd, which in turn is ultimately wholly-owned by Charoen Pokphand Foods Public Company Limited, a company listed on the Stock Exchange of Thailand. For the Financial Periods Under Review, the purchases from Asia Aquaculture (M) Sdn Bhd and Star Feedmills (M) Sdn Bhd were as follows:-

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	% of Total Purchases	RM'000	% of Total Purchases	RM'000	% of Total Purchases	RM'000	% of Total Purchases
Asia Aquaculture (M) Sdn Bhd	763	0.61	309	0.21	1,015	0.62	1,054	0.88
Star Feedmills (M) Sdn Bhd	-	-	4,021	2.67	7,959	4.89	4,722	3.94
Total	763	0.61	4,330	2.88	8,974	5.51	5,776	4.82

7. BUSINESS OVERVIEW (cont'd)

We are dependent on the following major suppliers which have contributed more than 10% of our total purchases during the Financial Periods Under Review:-

Major Suppliers	Country	% Contribution to the Total Purchases of Our Group			
		FYE 2020	FYE 2021	FYE 2022	FPE 2023
PT Yasuriang	Indonesia	39.24	41.30	45.61	36.51
SBH Perak Agro	Malaysia	13.90	12.12	12.72	9.82
Blue Archipelago Berhad and iSharp Sdn Bhd	Malaysia	13.29	14.26	14.19	10.63

Notes:-

- (1) We are dependent on PT Yasuriang for the supply of frozen seafood produce, especially cephalopods and fish. We have had established business relationship with PT Yasuriang for approximately 9 years as at the LPD.

In order to secure a consistent supply from PT Yasuriang, we have entered into the Supplies and Marketing Agreement with PT Yasuriang whereby PT Yasuriang has agreed to supply, on an exclusive basis, all its frozen seafood supplies either to us for processing at our Kurau Plant or for direct export to our customers in the overseas markets.

Notwithstanding that, there can be no assurance that PT Yasuriang will continue to supply us with the required supplies when the agreement expires, or that the said agreement will not be terminated prior to its expiry. In such event, the Group's business operations and financial performance may be adversely affected if the Group is unable to source for alternative suppliers, particularly frozen cephalopods, in a timely manner.

- (2) During the Financial Periods Under Review, SBH Perak Agro was a joint venture company of the Group previously established pursuant to the JV Agreement to supply farmed shrimps to the Kurau Plant for processing. SBH Perak Agro, which has been a supplier of farmed shrimps for approximately 11 years as at the LPD, has since become our wholly-owned subsidiary following the completion of the Acquisition of SBH Perak Agro in January 2024.
- (3) Blue Archipelago Berhad and its wholly-owned subsidiary, iSharp Sdn Bhd, are aquaculture shrimp producers based in Malaysia. They have been long term suppliers of farmed shrimps to the Group with approximately 6 years of business relationship as at the LPD.

Apart from the above, we are not dependent on any other suppliers.

With the continuing development of 79 new shrimp ponds in our Selinsing Farm which is expected to be fully developed and completed by middle of 2027, we expect our external farmed shrimp procurement to be gradually reduced from 82.0% in the FYE 2023 to 48.0% as we are able to procure more farmed shrimps directly from both our farms.

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7. BUSINESS OVERVIEW (cont'd)

7.19 FUTURE PLANS AND STRATEGIES**7.19.1 Expanding our aquaculture shrimp farming operations**

As at the LPD, our Group has a total of 58 shrimp ponds under cultivation in the Kurau Farm capable of producing about 620 tonnes of shrimps annually, all of which are supplied to our Kurau Plant for processing. We have also developed 30 shrimp ponds at the Selinsing Farm which are currently under cultivation as at the LPD which is capable of producing about 260 tonnes of shrimps annually. We intend to continue to develop the remaining 79 new shrimp ponds in Selinsing Farm in phases by middle of 2027. Upon completion of this expansion plan, we expect to increase our annual shrimp carrying capacity of Selinsing Farm to 1,180 tonnes of shrimps.

On a combined basis, both Kurau Farm and Selinsing Farm (upon full development of Selinsing Farm) are expected to have an estimated annual shrimp carrying capacity of 1,800 tonnes. This expansion plan would eventually allow our Group to reduce our purchases of shrimps from third party aquaculture farms from 82.0% in the FYE 2023 to 48.0% and further enhance quality and consistency of the supply for our Group's seafood processing operations.

The proposed rehabilitation of the remaining ponds at the Selinsing Farm will involve carrying out excavation works, laying liners and pipes and constructing farm roads and bridges as well as other related infrastructures such as perimeter bunds and fencing, reservoirs, canals and treatment pond, and electrical systems.

The expansion plan will also include the purchase of additional equipment and machinery to support the farming operations, which include aquaculture-related equipment and machinery (such as paddle wheel aerators, automatic feeders, pumps and generator sets).

We intend to allocate RM16.00 million of the gross proceeds from the Public Issue to fund the cost of development of the 73 shrimp ponds under Phases 2 and 3 of the Selinsing Farm. For avoidance of doubt, the cost to develop the remaining 6 ponds under Phase 1 shall be fully funded from the Group's internal funds. For more information on the estimated cost for the development of Selinsing Farm, kindly refer to Section 4.7(a) of this Prospectus.

We plan to gradually hire a total of 50 additional workers/staff, 23 of which are farm-based workers (including 18 foreign workers) for our shrimp farms operations at an estimated salary cost of approximately RM1.58 million per annum which will be funded from our Group's internally generated funds.

In addition to the Kurau Farm and Selinsing Farm, we will continue to pursue new opportunities to expand our shrimp aquaculture farming activities and continuing to work together with the PPPNP to explore new shrimp farming projects in Perak.

7.19.2 Construction of a new seafood processing plant

Presently, our Kurau Plant houses the seafood processing cum coldroom facilities as well as our head office. It has a built-up area of 35,221 sq ft with an estimated annual processing capacity of 4,800 tonnes of frozen seafood, together with a cold room storage capacity of 1,000 tonnes. For the FYE 2020 to FYE 2023, the utilisation rate of our Kurau Plant was between 57.8% and 80.7%.

In view of increasing global demand for seafood, we intend to expand our seafood processing capacity via the construction of a new seafood processing plant on an approximately 1.29 acres of freehold land located at Lot PT 2422, New Coast Road, Mukim Kuala Kurau, Daerah Kerian, Perak held under HSM No. 2317, which is located within 1 km from our Kurau Plant. Upon completion, our total estimated annual production capacity will be increased by an additional 4,000 tonnes of frozen processed seafood.

7. BUSINESS OVERVIEW (cont'd)

This expansion plan will also include a wastewater treatment plant and various new machinery and equipment to facilitate seafood processing, which include an IQF tunnel freezer, semi-contact freezers, flake ice making machine and automatic sizing machines.

The total estimated cost of construction of the new seafood processing plant is approximately RM6.50 million whilst the Group is also expected to incur about RM4.33 million to purchase new machinery and equipment. These costs are intended to be fully funded from the gross proceeds of our Public Issue.

The construction of the new seafood processing plant is expected to commence in the third quarter of 2024 upon obtaining all require building approvals and complete within 12 months, with the commissioning targeted in the second quarter of 2026.

Pending the construction of the new seafood processing plant, we intend to temporarily use the New Cold Room for storage of our frozen unprocessed seafood supplies as well as frozen processed seafood products from our Kurau Plant, if need arises, following the receipt of the requisite regulatory approval for the change in category of land use and express condition of the land title. The New Cold Room which has already been built and completed on 2 May 2021 at a cost of RM2.52 million has a storage area of 172,800 cubic feet and capacity to store up 1,500 tonnes of frozen seafood products.

For more information on the estimated cost and timeline for the construction of the new seafood processing plant as well as the machinery and equipment to be purchased, kindly refer to Sections 4.7(b) and (c) of this Prospectus.

In addition, we also plan to hire up to 132 additional staff (including up to 100 foreign production workers) for the new seafood processing plant at an estimated salary cost of approximately RM2.68 million per annum which will be funded from our Group's internally generated funds.

7.19.3 Hatchery Centre

We intend to venture further upstream into shrimp hatchery and nursery operations to supply shrimp post larvae to our Group's aquaculture shrimp farms.

Since March 2020, we had rented a piece of land in Tanjung Piandang, Perak which is about 7 km from the Kurau Plant and took over an existing shrimp hatchery erected on the said land from a third party, Lian Hong Hatchery, for a cash consideration of RM0.65 million.

Our Group had since December 2017 entered into the Technical Assistance Agreement with Topgen Aquaculture for the purpose of seeking technical assistance support from Topgen Aquaculture to assist and guide us on setting up our Hatchery Centre. TopGen, which is based in Thailand, has the necessary expertise with over 30 years of experience in nucleus breeding centre for shrimps. With the technical assistance from Topgen Aquaculture, we have put in place various enhancements and modifications to our Hatchery Centre. We intend to apply for myGAP and FQC certifications for our Hatchery Centre prior to the commencement of operations. The process of applying and obtaining the said certifications is expected to take up to 6 months and cost approximately RM5,000.

Currently, our Hatchery Centre has been equipped with the necessary hatchery and laboratory facilities and is ready for operations but we have yet to commence operations pending the approval being sought by the landowner for the change in category of land use and express condition imposed on the land title to facilitate the use of the Hatchery Centre for shrimp hatchery and nursery operations as well as the myGAP and FQC certifications by the DOF. We expect our Hatchery Centre to be operational by fourth quarter of 2024.

7. BUSINESS OVERVIEW (cont'd)

The diagram below summarises the expected key milestones of to put the Hatchery Centre into operations:-

Key Milestones	Estimated timeline
Approval from the PTK for conversion of category of land use and express condition imposed on the land title	Second quarter of 2024
Issuance of new land title with new category of land use and express land condition	Third quarter of 2024
Recruitment and training of employees	Fourth quarter of 2024
Commissioning and commencement of operations at the Hatchery Centre	Fourth quarter of 2024

The start-up costs of the Hatchery Centre (comprising mainly purchase of broodstocks and cost for application for relevant certifications) amount to approximately RM0.03 million whilst the annual operating expenses (including purchase of hatchery consumables and shrimp feeds, staff related costs, laboratory test kits and general overheads) are estimated at about RM0.70 million, both of which will be funded through internally generated funds of the Group.

Once our Hatchery Centre commences operations, we will be able to produce our own post larvae to meet all of our post larvae needs of both Kurau Farm and Selinsing Farm, hence reducing our dependence on external hatcheries. This will also ensure better control over the quality post larvae and consistency of supply of post larvae to our aquaculture shrimp farms.

Currently, we use up to 2 million SPF whiteleg shrimp post larvae and up to 4 million black tiger prawn post larvae a month in both the Kurau Farm and Selinsing Farm, which are presently sourced from third party hatcheries. Upon completion of the development of our Selinsing Farm, our Group's requirements for post larvae are expected to be increased to up to 4 million whiteleg shrimp post larvae and 8 million black tiger prawn post larvae.

In future, once our own Hatchery Centre is in operations, we will be able to produce our own shrimp post larvae. It is expected to be able to produce up to 15 million shrimp post larvae monthly, providing sufficient supply to meet all our post larvae requirements for both our farms.

Any surplus in post larvae produced in our hatchery and nursery may be sold to other shrimp aquaculture farms. Conversely, if there is a shortfall of shrimp post larvae from our Hatchery Centre, we can source for shrimp post larvae from third party hatcheries to supplement our in-house post larvae supply.

We plan to hire up to 9 additional staff (including 5 foreign workers) for the Hatchery Centre at an estimated salary cost of approximately RM0.23 million per annum which will be funded from our Group's internally generated funds.

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7. BUSINESS OVERVIEW *(cont'd)*

7.20 GOVERNING LAWS AND REGULATORY REQUIREMENTS

7.20.1 The relevant laws, regulations, rules and requirements governing the conduct of our Group's business and environmental issues which may materially affect our Group's businesses or operations are summarised below. The following sections do not purport to be an exhaustive description of all relevant laws and regulations to which our business is subject:-

(a) Local Government Act 1976 ("LGA")

The LGA is enacted to revise and consolidate the laws relating to local government in Peninsular Malaysia. It empowers every local authority to, amongst others, grant licence or permit for any trade, occupation or premises and every licence or permit granted by the local authority shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

The LGA also requires every person to whom a licence has been granted to exhibit his licence at all times in some prominent place of the licensed premises and shall produce such licence if required to do so by any officer of the local authority authorised to demand the same. Failure to do so would constitute an offence and would render a person to be liable on conviction to a fine not exceeding RM500 or to imprisonment for a term not exceeding 6 months or to both.

As the Group's business premises are all located in the District of Kerian, Perak, the Group therefore falls under the jurisdiction of MDK. The relevant by-laws governing the conduct of our businesses would include the Licensing of Trade, Business and Industries (Kerian District Council) By Laws 2017 issued by MDK which provides that no person shall use any place or premises within the District of Kerian for any trade, business or industry without a licence issued by MDK; and if a signboard or advertisement is displayed, an advertisement licence issued by MDK is required under the Advertisement (Kerian District Council) By Laws 2013. Failure to obtain such licence would constitute an offence and would render a person to be liable on conviction to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence a sum not exceeding RM200 for each day during which such offence is continued after conviction.

(b) Industrial Co-ordination Act 1975 ("ICA")

The ICA provides that no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity and it requires manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees to apply for a manufacturing licence from the MITI. Failure to observe and adhere to the licensing requirements under the ICA would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 6 months and to a further fine not exceeding RM1,000 per day during which the non-compliance continues.

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:-

- (i) has not complied with any condition imposed in the licence;
- (ii) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (iii) has made a false statement in his application for the licence.

7. BUSINESS OVERVIEW *(cont'd)*

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

(c) **The Environmental Quality Act 1974 (“EQA”) and Environmental Quality (Industrial Effluent) Regulations 2009 (“EQR”)**

The EQA is enacted to provide for the regulation of matters relating to the prevention, abatement, control of pollution and enhancement of the environment in Malaysia and for purposes connected therewith.

The EQA empowers the Minister charged with responsibility for environment protection may by regulations to specify the acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment and may set aside any area, segment or element of the environment within which the emission, discharge or deposit is prohibited or restricted.

Among other regulations, the EQR regulates the discharge or release of industrial effluents or mixed effluents onto or into any soil, or into inland waters or Malaysian water. It requires a person to, amongst others (**“EQR Requirements”**):-

- (i) notify the Director General of Environment for any works that may result in a new source of discharge of industrial effluent or mixed effluents or a material change in the quantity or quality of the discharge or release from an existing source;
- (ii) design and construct the industrial effluent treatment system to collect and treat the industrial effluent or mixed effluent generated within the premises in strict compliance with the specifications as specified by DOE;
- (iii) monitor the discharge of industrial effluent or mixed effluent; and
- (iv) ensure the operation of an industrial effluent treatment system is supervised by a competent person.

Failure to comply with the relevant requirements would constitute an offence and would render a person to be liable on conviction to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 5 years or to both and to a further fine not exceeding RM1,000 per day during which the non-compliance continues.

In addition, the EQA also provides that activities which may have significant environmental impact are specified as prescribed activities under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 and any person intending to carry out such prescribed activity shall appoint a qualified person to conduct an environmental impact assessment and to submit a report thereof to the Director General of Environment for approval. Failure to do so would constitute an offence and would render a person to be liable on conviction to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 5 years or to both and to a further fine of RM1,000 per day during which the non-compliance continues.

7. BUSINESS OVERVIEW (*cont'd*)

(d) Factories and Machineries Act 1967 (“FMA”)

The FMA is enacted to provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in factories, as well as the registration and inspection of machinery and matters connected therewith. The FMA requires a person to, amongst others:-

- (i) obtain the prior written permission of the Inspector of Factories and Machineries (“**Inspector**”) before using or occupying any premises as a factory, failing which would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 1 year or to both.
- (ii) obtain the written approval of the Inspector for the installation of machinery in factory or any machinery in respect of which a certificate of fitness is prescribed, failing which would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 2 years or to both.
- (iii) ensure that the operation of certain prescribed machinery i.e. steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power is prescribed with a valid certificate of fitness, failing which constitute an offence and render a person to be liable on conviction to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

(e) Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA is enacted to make provision for securing the safety, health and welfare of persons at work and protecting others against risks to safety or health in connection with the activities of persons at work and it shall be the duty of every employer to ensure, so far as is practicable, the safety, health and welfare to work of all his employees.

The OSHA requires every employer (save for those with not more than five employees) to prepare and revise as often as may be appropriate a safety and health policy at work, as well as arrange for the carrying out of such policy and bring it and any revisions to it to the notice of all his employees. Failure to do so would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

In addition, employers with 40 or more employees employed at any place of work or as directed by the Director General of Occupational Safety and Health are also required under the OSHA to establish a safety and health committee at the place of work. Failure to do so would constitute an offence and render a person to be liable on conviction to a fine of not exceeding RM5,000 or to imprisonment for a term of not exceeding 6 months or to both.

(f) Food Hygiene Regulations 2009 (“FHR”)

The FHR is enacted to regulate matters pertaining to the registration of food premises, the conduct and maintenance of food premises, food handlers, carriage of food, as well as the handling, preparation, packing, serving, storing and selling of specific food.

7. BUSINESS OVERVIEW (cont'd)

It provides that no person shall use any food premises involved in manufacturing of food or where food is prepared, processed, stored or served for sale for the purposes of, or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabelling, reprocessing or reconditioning of any food except the premises is registered under the FHR. Failure to do so would constitute an offence and shall render a person to be liable on conviction to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years.

(g) Fish Marketing Rules 2010 ("FMR")

The FMR is enacted to regulate, amongst others, the marketing of fish particularly through the licensing of wholesalers, retailers, fish-processors, importers and exporters.

The FMR provides that no person shall:-

- (i) operate any place other than a fish marketing place specified by LKIM by notification in the Gazette as a wholesale fish market or retail fish market, unless such person makes an application with LKIM to register the place as a wholesale fish premises or a retail fish premises;
- (ii) have fish dealings unless at a wholesale fish premises or a retail fish premises which has been registered;
- (iii) import or export any fish without a licence; and
- (iv) process any fish without a licence.

Failure to do so would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM25,000 and, for a second or subsequent offence, to a fine not exceeding RM50,000.

(h) Malaysian Quarantine and Inspection Services Act 2011 ("MAQIS")

The MAQIS is enacted for the Malaysian Quarantine and Inspection Services for the purpose of providing integrated services relating to quarantine, inspection and enforcement at the entry points, quarantine stations and quarantine premises and certification for import and export of plants, animals, carcasses, fish, agricultural produce, soils and microorganisms and includes inspection of and enforcement relating to food and for matters connected to it.

The MAQIS provides that any person intending to import or export any plant, animal, carcass, fish, agriculture produce, soil or microorganism is required to obtain a permit, licence or certificate issued under the MAQIS. Failure to do so would constitute an offence and render a person to be liable on conviction to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 6 years or to both and, for a second or subsequent offence to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 7 years or to both.

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7. BUSINESS OVERVIEW (*cont'd*)

(i) Food (Issuance of Health Certificate for Export of Fish and Fish Product to the European Union) Regulations 2009 (“Health Certificate for EU Exports Regulations”)

The Health Certificate for EU Exports Regulations is enacted to regulate the export of fish and fish products to the EU, whereby any person who intends to export any fish and fish product to the EU is required to:-

- (i) comply with EU requirements; and
- (ii) apply for a health certificate in writing to the competent authority for each consignment of the fish and fish product.

(j) Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009 (“Quality Control of Fish for EU Exports Regulations”)

The Quality Control of Fish for EU Exports Regulations is enacted to prescribe standards for the quality control of fish or fish products and methods to effect such standards and control in relation to fish or fish products to be exported to the EU.

The Quality Control of Fish for EU Exports Regulations requires any owner of any local fishing vessel or culture system which include any establishment, structure or facility employed in aquaculture, from where fish is supplied for export to the EU or from where fish is supplied for fish product for export to the EU, to apply for a fish quality certificate in writing to the Director General of Fisheries.

Failure to do so is an offence and render a person to be liable on conviction to a fine not exceeding RM20,000 or a term of imprisonment not exceeding 2 years or both.

(k) Street, Drainage and Building Act 1974 (“SDBA”) and Uniform Building By-Laws 1984 (“UBBL”)

The SDBA is enacted to amend and consolidate the laws relating to street, drainage and building in local authority areas in Peninsular Malaysia, and for purposes connected therewith.

The SDBA provides that no person shall occupy or permit to be occupied any building or any part thereof unless a CCC has been issued by a qualified person who submits building plans to the local authority for approval in accordance with the SBDA and any by-laws in respect of such building. Failure to comply with such requirement is an offence and render a person to be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

(l) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (“EMSHA”)

The EMSHA is enacted to prescribe the minimum standards of housing, nurseries and accommodation for employees (and their dependants, if applicable) and centralized accommodations, to require employers to allot land for cultivation and grazing in a place of employment, as well as to require employers to provide health, hospital, medical and social amenities and matters incidental thereto to their employees.

7. BUSINESS OVERVIEW (cont'd)

The EMSHA requires employers (if they provide accommodation for their employees) to, amongst others:-

- (i) obtain a certificate for accommodation from the Director General of Labour before providing accommodation for the employee, failing which would constitute an offence and shall render the employer to be liable on conviction to a fine not exceeding RM50,000;
- (ii) inform the Director General of Labour of such accommodation occupied by the employees within 30 days from the date an employee occupies the accommodation, failing which would constitute an offence and shall render the employer to be liable on conviction to a fine not exceeding RM10,000; and
- (iii) ensure that every accommodation provided for employees complies with the minimum standards required under the EMSH or any regulations made thereunder such as the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020, failing which would constitute an offence and shall render the employer to be liable on conviction to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 per day during which such non-compliance continues.

(m) Immigration Act 1959/63 ("IA")

The IA is enacted to regulate matters in respect of immigration, including the issuance of work permits of foreign workers employed by Malaysian employers.

The IA provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit/ pass or has been granted an exemption under the IA. It also provides that an employer who employs one or more persons (other than a citizen or a holder of an entry permit) who is not in possession of a valid pass would constitute an offence and render the employer to be liable on conviction to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such employee. Additionally, where it is proven that a person has at the same time employed more than five such employees, that person shall, on conviction, be liable to imprisonment for a term of not less than 6 months but not more 5 years and shall also be liable to whipping of not more than 6 strokes.

(n) National Land Code ("NLC")

The NLC governs land matters within Peninsular Malaysia and Labuan. Pursuant to the NLC, the state authority may alienate or subdivide land according to three categories of land use known respectively as "agriculture", "building" and "industry" subject to such express conditions and restrictions in interest if any, as may be imposed by the state authority at the time when the land is approved for alienation or subdivision and endorsed on or referred to in the document of title to the land. Failure to use the land in accordance with the category of land use, express conditions and restrictions in interest imposed would allow the Land Administrator to serve a notice to the proprietor to remedy such breach, impose fine and/or forfeit the land which the Land Administrator may deems fit.

Save as disclosed in Section 7.20.2 of this Prospectus, we have complied with all relevant laws, regulations, rules or requirements governing the conduct of our business operations during the Financial Periods Under Review.

7. BUSINESS OVERVIEW (cont'd)

7.20.2 Save as disclosed below, there is no other material non-compliance with the relevant laws, regulations, rules and requirements governing the conduct of the business of the Group during the Financial Periods under Review:-

Current Operations of the Group

Details	Current Status	Material Impact
<p>1. <u>Kurau Farm</u></p> <p>Development of shrimp ponds and ancillary buildings/structures without planning permission, construction of farm buildings without building plan approval, occupation of farm buildings without CCC and operating without business premise licences</p>	<p>Fully rectified/resolved as at the LPD.</p> <p>The Group had since obtained MDK's approvals (subject to renewals) on the following:-</p> <p>(a) limited planning permissions on development of Kurau Farm (Phase I) and Kurau Farm (Phase II) on 3 October 2022 and 25 October 2022, which have been subsequently renewed, with the next renewals due to 2 October 2024 and 24 October 2024 respectively;</p> <p>(b) temporary building permits for all building/structure constructed at the Kurau Farm on 23 September 2022 and 25 October 2022, which have been subsequently renewed, with the next renewal due on 31 December 2024; and</p> <p>(c) business premise licences for Kurau Farm on 17 October 2022 and 28 October 2022, which have been subsequently renewed, with the next renewal due on 24 August 2024.</p> <p>Further, the appointed architect had confirmed that as all the building/structure constructed at the Kurau Farm are approved by MDK as temporary buildings, CCC will not be required to be issued.</p>	<p>There's no material impact to the Group's business operations, financial performances or financial conditions as the non-compliances have been rectified with the necessary approvals received from MDK as at the LPD.</p> <p>The total costs of rectification represented 0.55% of the Group's PAT for the FYE 2022.</p>

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7. BUSINESS OVERVIEW (cont'd)**Future Operations/Businesses of the Group**

Details	Current Status	Material/Potential Impact
<p>1. Hatchery Centre</p> <p>The intended operation of the Hatchery Centre is not consistent with the existing land use category (agriculture) and express condition of land title (orchard plantation).</p>	<p>The registered land owner had on 18 May 2022 applied to PTK to amend the land use category from "agriculture" to "building" and the express condition from "orchard plantation" to "shrimp hatchery centre". The application is still pending approval from PTK. The Group expects the approval to be granted by the second quarter of 2024.</p>	<p>There's no material impact expected to the Group's business operations, financial performances or financial conditions as it has not commenced any operations or carried out any business activities at the Hatchery Centre.</p> <p>The total costs of rectification to-date represented 0.01% of the Group's PAT for the FYE 2022.</p> <p>Save for professional fees and land use conversion premium payable to PTK, which are estimated at RM0.02 million or 0.17% of the Group's PAT for the FYE 2022, the Group is not expected to bear any other cost of rectification in relation to the proposed change in category of land use and express condition.</p> <p>In the event that the land owner is unable to obtain PTK's approval for the change of the land use category and express condition which results in the Group not able to occupy and operate on the land, the Group would have to identify and relocate to another suitable location to operate the Hatchery Centre. The cost of relocation (including writing off of any relevant costs to the Hatchery Centre) is estimated to be approximately RM0.80 million or 6.13% of the Group's PAT for the FYE 2022.</p>

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7. BUSINESS OVERVIEW (cont'd)

Details	Current Status	Material/Potential Impact								
2. New Cold Room										
<p>(a) Commencement of construction of the New Cold Room in November 2020 before obtaining MDK's approval for a temporary building permit which was subsequently granted by MDK in January 2021.</p> <p>(b) The intended operation of the New Cold Room is not consistent with the existing land use category (agriculture) and express condition of land title (commercial crop coconuts).</p>	<p>(a) The requirement to obtain building approval has been rectified as at the LPD. The temporary building permit* for the New Cold Room has been approved by MDK on 26 January 2021 vide its letter dated 8 February 2021. Further thereto, the appointed consultant engineer had confirmed that a planning permission from MDK would not be necessary as the New Cold Room was constructed as a temporary building structure.</p> <p>(b) The Group had on 1 July 2022 applied to PTK to amend the land use category from "agriculture" to "industrial" and the express condition from "commercial crop coconuts" to "seafood processing factory". The approval of PTK was obtained via its letter dated 25 October 2023. A new land title with the amended land use category and the express condition is expected to be issued by the second quarter of 2024.</p>	<p>There's no material impact expected to the Group's business operations, financial performances or financial conditions as it has not commenced any operations or carried out any business activities at the New Cold Room. Further, the non-compliance has been rectified with the necessary approvals received from MDK and PTK as at the LPD.</p> <p>The total costs of rectification to-date represented 1.32% of the Group's PAT for the FYE 2022.</p> <p>PTK had via its letter dated 25 October 2023 approved the said conversion and imposed an additional land premium and quit rent (including penalty thereon) amounting to RM0.13 million, which has been settled by our Group on 24 January 2024, comprising the following:-</p> <table> <tr> <td>Land premium</td> <td>- RM65,000</td> </tr> <tr> <td>Penalty</td> <td>- RM65,000</td> </tr> <tr> <td>Quit rent</td> <td>- RM2,827</td> </tr> <tr> <td>Total</td> <td>- RM132,827</td> </tr> </table> <p>The abovementioned penalty was imposed by PTK for breach of the express condition of the land title.</p>	Land premium	- RM65,000	Penalty	- RM65,000	Quit rent	- RM2,827	Total	- RM132,827
Land premium	- RM65,000									
Penalty	- RM65,000									
Quit rent	- RM2,827									
Total	- RM132,827									

Note:-

- * The temporary building permit for the building/structure constructed on the New Cold Room is subject to annual renewal by MDK with the next renewal due on 31 December 2024.

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7. BUSINESS OVERVIEW *(cont'd)*

7.20.3 Overall impact of the non-compliance incidents

There is no material impact to the Group's business operations and financial conditions due to the following:-

- (a) the non-compliance incidents for the Kurau Farm and the New Cold Room have all been fully resolved and rectified as at the LPD with total costs of rectification amounted to approximately 0.55% and 1.32% of the Group's PAT for the FYE 2022 respectively.
- (b) As for the Hatchery Centre, we will only commence business operations after the approval from PTK is obtained for the proposed change to the category of land use and express condition of the land title. Currently, the Group's business operations do not require the immediate commencement of operations of the Hatchery Centre (as the Group has been sourcing for shrimp post larvae or shrimp fries from external hatcheries).
- (c) The total costs of rectification to-date for the Hatchery Centre amounted to about 0.01% of the Group's PAT for the FYE 2022. Further, save for other professional fees and land use conversion premiums payable to PTK, which are estimated at a total of RM0.02 million or 0.17% of the Group's PAT for the FYE 2022, the Group is not expected to bear any other costs of rectification in relation to the proposed change in category of land use and express condition for the Hatchery Centre.
- (d) In the event that the land owner of the Hatchery Centre is unable to obtain PTK's approval for the change of the land use category and express condition which results in the Group not able to occupy and operate on the land, the Group would have to identify and relocate to another suitable location to operate the Hatchery Centre. The cost of relocation (including writing off of any relevant costs to the Hatchery Centre) is estimated to be approximately RM0.80 million or 6.13% of the Group's PAT for the FYE 2022.

7.20.4 Internal control measures to prevent recurrence of non-compliance incidents

The Group has implemented the following measures to enhance its internal control system to prevent the recurrence of similar incidents particularly relating to the compliance with rules and regulations governing the property assets owned or rented by the Group as well as its operational licensing requirements:-

- (a) Approved and adopted a Building Project Management Manual as of 1 September 2022 which sets out the framework for a consistent approach and the processes that are performed throughout the duration of a building construction project undertaken by the Group. The objectives of the said manual include, amongst other, the following:-
 - (i) to provide clear guidance to the Group on the process for planning, obtaining regulatory approvals and implementation of any building construction project;
 - (ii) to ensure that any building construction project is implemented by the Group in accordance with the prevailing rules and regulations, including requirements on completion and fitness for occupancy; and
 - (iii) to avoid any potential breach of rules and regulations relating to the implementation of any building construction project; and

7. BUSINESS OVERVIEW *(cont'd)*

- (b) The Group has established a register of relevant approvals, licences and certificates with the date of expiry to monitor and take action in regard to renewal prior to the expiry of the relevant approvals, licences and certificates. The Group MD is responsible to ensure that said register is continuously monitored and updated.

7.21 EXCHANGE CONTROLS

As at the date of this Prospectus, we do not have any foreign subsidiary or associated company which requires repatriation of capital and remittance of profit by or to our Group.

7.22 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save as disclosed below, we have not experienced any interruptions that had a significant effect on our operations during the past 12 months preceding the LPD:-

7.22.1 Impact of COVID-19 pandemic on our business operations

COVID-19 was declared a pandemic by the Director-General of the World Health Organisation (“WHO”) on 11 March 2020. In light of the COVID-19 pandemic, the Malaysian Government had announced various stages of lockdown measures across different states or localities in the country at different points in time since 18 March 2020 until LPD namely MCO, conditional MCO, recovery MCO, enhanced MCO (“EMCO”), full lockdown MCO (“FMCO”) as well as the National Recovery Plan (“NRP”). The NRP is a 4-phase strategy based on 3 indicators, namely the percentage of the population protected against COVID-19, based on the number of people that have received complete dose of vaccines, the number of symptomatic new hospital admissions, and the capability of public healthcare system based on the bed utilisation rate in intensive care unit wards. The Government had announced that Malaysia would transit from the NRP into the “transition to endemic” phase beginning 1 April 2022 whereby restrictions have been further eased. This includes abolishing limits on workforce capacity, allowing interstate travel for all, as well as abolishing restrictions on business hours.

During the different lockdown stages, various measures and restrictions have been implemented to limit the spread of the virus. Government and private businesses, save for those engaged in essential services or industries with special authorisation, were mandated to halt operations temporarily. Businesses offering essential services or operating in industries with special permission had to decrease their workforce to a lower capacity. Additionally, limitations on travel were also enforced.

As our Group’s activities were classified as essential services, we were able to resume our operations (with 50% of workforce capacity), after obtaining approvals from the MITI vide its letter 26 March 2020 and the MAFS vide its letter 5 October 2020 to ensure that companies directly involved in essential services are able to ensure the food supply chain and marketing activities are not affected. We were also required to implement standard operating procedures set out by the MITI. Our Group continued to comply with the various SOPs imposed by the Malaysian government during the various lockdown phases.

Measures to commence and continue our business operations

In order to continue to operate our business under a safe environment for our staff and workers, we had put in place various SOPs to address the risks arising from the COVID-19 pandemic, including ensuring that face masks are worn at all times, providing hand sanitisers in common areas, sanitising our premises daily, and prohibiting visitors save for those approved by the management. Upon the easing of restrictions and safety measures as Malaysia entered the “transition to endemic” phase, our Group has also eased the imposition of COVID-19 related SOPs at our premises.

7. BUSINESS OVERVIEW (cont'd)

7.22.2 Impact of COVID-19 pandemic on our supply chain

Our major suppliers are primarily made up of suppliers of live and chilled seafood produce and supplier of shrimp feed which fall under the defined “essential services” segment, and thus were able to continue our operations during the various lockdown phases, albeit at lower levels of capacity/production level, particularly during the months of March to June 2020. The reduced capacity/production levels had resulted in delays in delivery of our products. Notwithstanding the delay in delivery of our products during the Financial Periods Under Review, we did not experience any penalties from our customers as they are aware of the disruption in global logistics services, except for a trade receivable amounting to RM0.27 million which was written off by us due to the delay in delivery of our products to one of our major customers in Europe caused by the global logistics disruption during the COVID-19 pandemic.

The prolonged COVID-19 outbreak has nevertheless resulted in increased shipping and freight charges to ship our products to our customers overseas, coupled with decreased shipment frequencies. However, we have been able to factor in the increase in shipping and freight charges in our seafood products and our customers have agreed to bear the increased charges for these shipments. Therefore, we did not experience significant impact from the increased shipping and freight charges during the Financial Periods Under Review.

7.22.3 Impact of COVID-19 on our sales

Our customers consist of companies that operate in the food industry such as importers, wholesalers and distributors which further distribute and supply our products to retailers, restaurants and caterers. During the start of the COVID-19 pandemic, we experienced lower demand for our products particularly during the months from March 2020 to June 2020. This is attributed to the various lockdown measures implemented in various countries, which saw movement restrictions and temporary closure of businesses, such as restaurants and caterers. Demand for our Group’s products gradually recovered from July 2020 as major economic sectors began to resume operations with more relaxed restrictions.

We recorded lower revenue and PAT amounting to RM140.58 million and RM8.31 million for the FYE 2020. Our revenue and profitability have gradually improved in the next 2 years where we recorded sales and PAT of RM192.01 million and RM194.43 million, and RM13.04 million and RM13.05 million, respectively, for the FYE 2021 and FYE 2022.

Other than the above, we have not experienced any material drop in the demand of our products and disruption to our operations.

7.22.4 Impact of COVID-19 on our employees and workers

The COVID-19 pandemic had also resulted in constraints in availability of foreign labour as the Government restricted the intake of new foreign labour to contain the spread of COVID-19 pandemic. As our Group’s operations, to a certain extent, are dependent on foreign labour, the freeze in foreign labour intake since 2020 had resulted in lower level of aquaculture farm activities which affected the shrimp production during the FYE 2021.

In August 2021, as part of our routine testing, we discovered cases of COVID-19 infections among our workers, where 60 of our workers who were based at our processing plant tested positive, with another 40 workers identified as close contacts. The affected workers were isolated and quarantined accordingly. We continued to monitor their conditions throughout the quarantine period and they were subsequently released from quarantine and reported back to work upon their full recovery.

7. BUSINESS OVERVIEW *(cont'd)*

Following the incident, the Kerian District Health Office issued a temporary suspension of 7 days effective from 13 August 2021 to 20 August 2021. During the period, we fully sanitised the premises, including the processing area and subsequently resume operations on 21 August 2021. The temporary suspension of work had disrupted the processing operations which resulted in delay in our product shipment. Notwithstanding that, our Group did not incur any substantial losses except for additional costs incurred such as COVID-19 screening tests, complimentary food and supplements (e.g. vitamins) to our workers throughout the quarantine period.

Save for the abovementioned, we have not been experienced any additional temporary suspension of our operations due to COVID-19 outbreaks in our Group.

7.22.5 Compliance with Government's COVID-19 SOPs

On 28 June 2021, SBH Marine paid a fine of RM6,000 to the MOH for failing to comply with 60% workforce capacity limit at one time and failing to register temperature of one of the workers entering the Group's premises, resulting in a breach of the COVID-19 SOPs of the MOH.

Save for the abovementioned non-compliance, there were no additional instances of our Group breaching COVID-19 SOP of the MOH.

7.23 ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT AND CORPORATE GOVERNANCE PRACTICES

Our business operations may have a material impact on several economic, environmental and social conditions affecting our stakeholders, which include our customers, employees, regulators, investors and the local communities.

Sustainability development involving economic, environment and social impact is essential in driving our Group's business and future growth. We are fully committed to incorporate sustainability into our business operations as it is fundamental to being a responsible corporate citizen in line with our Group's vision to be a "**provider of sustainable and safe seafood production solutions**". We strongly believe that careful management of sustainability risks and opportunities will be key in ensuring that the Group's long-term plans and strategies can be realised in delivering value to our shareholders and meeting expectations of our stakeholders.

The global trend towards environmentally sustainable and socially responsible food production has raised questions about food safety and sustainability within the seafood industry. Our customers and the regulators, as well as the end consumers have become much more attuned to the negative economic, environmental and social impact of aspects of our shrimp aquaculture farming and seafood processing operations, including the use of banned chemicals, environmental pollution, and human and labour rights violations.

Our Board provides the stewardship and oversight over the Group's sustainability strategies. The key sustainability strategies of our Group can be summarised as follows:-

- (a) Responsible operations, which involves sustainable aquaculture farming and seafood processing;
- (b) Responsible sourcing, which includes establishing traceability of our products throughout the supply chain and supporting local fishermen; and
- (c) Providing safe and conducive environment for our employees and workers, which includes upholding good labour practices for both our local and foreign workers.

7. BUSINESS OVERVIEW (cont'd)

7.23.1 Responsible Operations

We are committed to ensure that our Group's operations are carried out in a responsible and sustainable manner. We are committed to achieving and promoting quality products, which are safe and fit for human consumption, using zero antibiotics, fully traceable process and with a minimal environmental impact.

Shrimp Aquaculture Farming

Our aquaculture shrimp farming activities in both Kurau Farm and Selinsing Farm have been assessed and received the myGAP certification from the MAFI, which certifies that we have fulfilled the requirements under the GAqP which emphasises on environment, economy and social aspects to ensure the produce is safe and of good quality. Having our shrimp farms certified under myGAP, we have fulfilled various requirements which include traceability, soil and substrate control, harvesting and post-harvesting management, management of pesticide residue, waste water management, hygiene practices, animal health, health and safety of workers, and management of environment issues.

We have also received FQC certifications for both our farms which certify that we have complied with the EU requirements as stated under Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009, which allows farmed shrimps harvested from both farms to be exported to the EU after being processed at our Kurau Plant.

Our aquaculture farms are subject to bi-annual audits by the DOF.

In our shrimp aquaculture farms, we draw seawater from the sea to fill our ponds for purpose shrimp cultivation and after every full harvest, the used seawater is then discharged back into the sea. Such used seawater may pollute the sea with excess nutrients (such as ammonia, nitrites, nitrates, and phosphorus) and solid waste such as shrimp feed and fecal matter, due to the large numbers and concentration of farmed shrimps. As such, before the used seawater is discharged back into the sea, it will flow to the treatment pond through the sedimentation canal where the suspended solid will be collected. We continue to closely monitor the water in the treatment pond for the biochemical oxygen demand level for 1 to 2 days before pumping it back into the sea.

In line with good aquaculture practices, we do not apply antibiotics and growth hormones in our shrimp aquaculture. As such the seawater that we discharge back into the sea will also be free from antibiotics and/or growth hormones residue.

Frozen Seafood Processing

We strive to ensure that our frozen seafood products meet strict food safety and quality control standards. As at the LPD, our Kurau Plant is operating in accordance with the food safety and quality practices under the HACCP, GMP and MeSTI certifications. Our employees and workers have been trained in HACCP and GMP food safety practices.

We also maintain an effective food traceability to ensure that we are able to trace the origin of our frozen seafood products processed at our seafood processing plant to the source of supply, such as aquaculture shrimp farms and other suppliers. Food traceability is critical to protect our reputation, maintain consumer confidence and reduce possible liability claims. During the Financial Periods under Review and the period up to the LPD, there has not been any product recall by us due to our products being found unsafe for human consumption.

7. BUSINESS OVERVIEW (cont'd)

Wastewater from our seafood processing operations can be high in biochemical oxygen demand and nitrogen content. We have installed a wastewater treatment plant at our Kurau Plant to treat the wastewater generated from our seafood processing operations in accordance with the requirements set by the DOE. Monthly reports on the quality of the treated wastewater that we discharge are submitted to the DOE for monitoring purposes.

7.23.2 Responsible Sourcing

Regulators and customers, driven by consumer demands, are becoming increasingly concerned about food safety and product sustainability. We strive to ensure that our frozen seafood products are processed sustainably in ways that minimise environmental pollution and are highly traceable across the supply chain to provide greater transparency and accountability to our customers and the end consumers.

Apart from obtaining our seafood supplies from our own farms as well as other local aquaculture farms, we also source and procure our supplies directly from local fishermen from nearby fishermen villages in Kuala Kurau and Tanjung Piandang in support of the local community and to reduce our carbon footprint.

7.23.3 Providing Safe and Conducive Environment for our Employees and Workers

We are determined to uphold good labour practices and comply with requirements of relevant labour laws and best practices. Our operations are generally labour intensive and we employ foreign workers to work at both our aquaculture farms as well as our seafood processing plant. We do not condone human trafficking, human rights abuses, child labour and forced labour. We provide safe and healthy environment for our employees and workers. Foreign workers are also provided with proper accommodation.

7.23.4 Corporate Governance

We are committed to uphold the good corporate governance and ethical conduct in accordance with the principles and guidance of corporate governance as set out in the Malaysian Code on Corporate Governance 2021 (“**MCCG 2021**”).

Our Company has generally adopted the recommendations under the MCCG 2021, where applicable. The following are some of our key corporate governance practices in line with the recommendations under the MCCG 2021:-

Appointment of Chairman of the Board	Mohd Salim Bin Dulatti, our Independent Non-Executive Chairman, will be responsible for instilling good corporate governance practices, providing leadership and effectiveness of the Board.
The positions of Chairman and Managing Director	The positions of Chairman and Managing Director of our Company are held by different individuals, namely by Mohd Salim Bin Dulatti as our Independent Non-Executive Chairman and Tan Boo Nam as our Group MD.
The Chairman of the board should not be a member of committees of the Board	Mohd Salim Bin Dulatti, our Independent Non-Executive Chairman is not a member of the Audit, Risk Management, Nomination and Remuneration Committees.
Governance of sustainability	Our Board together with senior management will be responsible for the governance of our Group's sustainability initiatives.

7. BUSINESS OVERVIEW (cont'd)

Board membership	<p>Half of the Board comprises independent directors. Currently, none of our independent directors has served on the Board for more than 9 years.</p> <p>Annual performance evaluation of our Board members will be conducted by the Nomination Committee, which is chaired by Teoh Li Hoon, our Independent Non-Executive Director.</p>
Audit Committee	We have established an Audit Committee comprising 3 Independent Non-Executive Directors.
Board Charter, Code on Ethics and Conduct and Whistleblowing Policy & Procedures and other policies and procedures	Our Board Charter, Code on Ethics and Conduct, Policy on Directors' Remuneration, Policy on Risk Management, Policy on Related Party Transactions, Policy on Anti-Bribery & Anti-Corruption, and Whistleblowing Policy are made available on our company website and will be reviewed periodically.

As at the LPD, 1 out of 8 of our Board members is a woman. Whilst this is below the recommended practice under the MCGG 2021 for the Board to comprise at least 30% women directors, our Board, in support of gender diversity, will endeavour to comply with the recommended practice to have at least 30% women directors within 2 years from the date of the listing of the Company on the ACE Market.

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively. Our Nomination Committee will be tasked to ensure there is diversity among our board members regardless of age, ethnicity, cultural background and gender, and at the same time, ensuring they possess the requisite skills, knowledge, experience, foresight and sound judgement to serve on our Board.

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8. IMR REPORT

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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

The Board of Directors
SBH Marine Holdings Berhad
(formerly known as Fantastic Holdings Berhad)
39, Irving Road
10400 George Town
Penang

19 FEB 2024

Dear Sirs/Madams,

Strategic Analysis of the Marine Shrimp Aquaculture Market and the Frozen Seafood Market in Malaysia

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this "Strategic Analysis of the Marine Shrimp Aquaculture Market and the Frozen Seafood Market in Malaysia for inclusion into the Prospectus of SBH Marine Holdings Berhad (formerly known as Fantastic Holdings Berhad) ("SBH Holdings" or the "Company") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

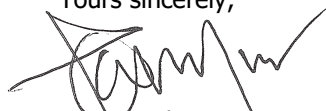
Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key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

Dr. Tan Chin How is a Director of Protégé Associates. He has 20 years of experience in consulting and market research for multiple industries ranging from manufacturing, information technology, renewable energy, steel, oil and gas, aquaculture to various other sectors. He has also provided his market research expertise to government agencies such as Malaysian Technology Development Corporation Sdn Bhd, Department of Fisheries Malaysia and Malaysian Green Technology Corporation.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced, 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,



Dr. Tan Chin How,
Director

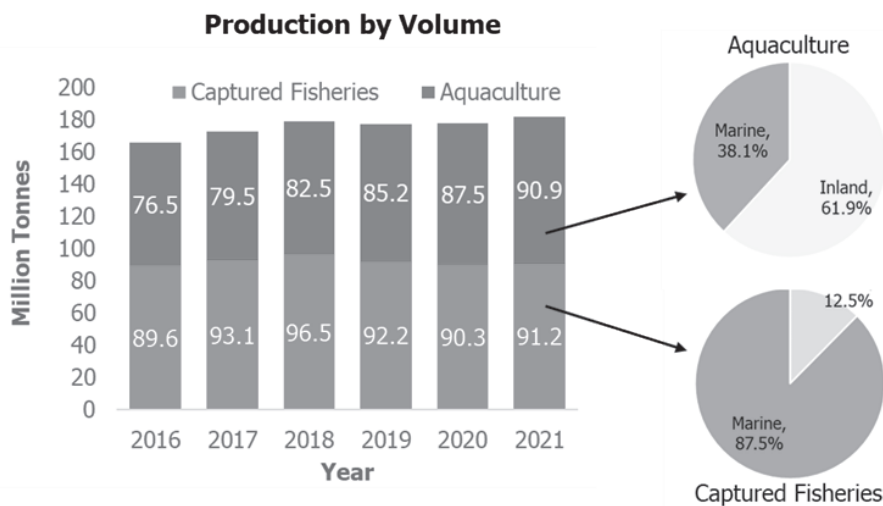
8. IMR REPORT (cont'd)



1.0 Overview of the Global Seafood Industry

Seafood, like poultry, beef and other types of animal meat, serves as an important source of protein for the world’s population. Generally, seafood includes fishes, crustaceans (such as shrimps, prawns and crabs) and molluscs (such as clams, oysters, mussels, scallops and cephalopods i.e., cuttlefish, squids and octopus)). Due to its characteristics as a low-fat protein, seafood has been gaining popularity over time. To meet the growing demand for seafood, the global seafood industry relies on two main sources, namely captured fisheries and aquaculture. Captured fisheries refer to all kinds of harvesting of naturally occurring living resources in both marine and freshwater environments, while aquaculture is the breeding, rearing and harvesting of seafood in all types of water environments. These two sources can be further divided into marine and inland segments. The marine segment mainly refers to fisheries or aquaculture caught or produced from marine water sources such as oceans and marine farms, while the inland segment mainly refers to fisheries or aquaculture caught or produced from inland natural water sources such as rivers and lakes, and freshwater farms. Captured fisheries and aquaculture can also occur in brackish water environments, where the water body has more salinity than freshwater, but not as much as seawater. Over the years, the contribution from captured fisheries have remain relatively stagnant due to overfishing, whereas the global seafood industry has mainly been driven by the expansion in aquaculture.

Figure 1: Seafood Industry Breakdown



Source: Food and Agriculture Organization of the United Nations ("FAO")

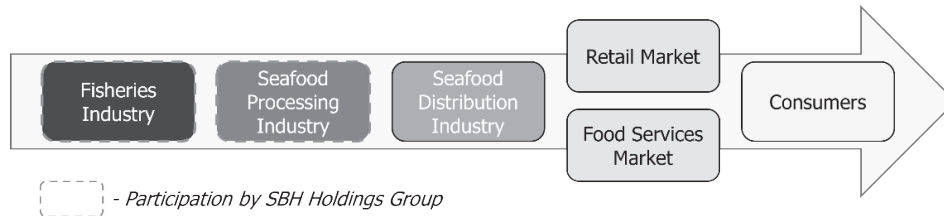
Global seafood production was recorded at 182.1 million tonnes in 2021, which was an increase of 2.4% from 177.8 million tonnes in 2020. During the year, aquaculture accounted for 49.9% of total seafood production, as compared to a share hovering around 30.0% in the 2000s. In particular, inland aquaculture produced 56.2 million tonnes of aquatic animals in 2021, amounting to 61.9% of the world’s farmed seafood production. Marine aquaculture produced a total 34.6 million tonnes of aquatic animals, amounting to 38.1% of the world’s farmed seafood production. The global aquaculture segment is dominated by Asia including major producing countries such as China, India, Indonesia, Vietnam and Bangladesh. Outside Asia, major producers include Chile, Egypt and Norway.

Global captured fisheries production reached 91.2 million tonnes in 2021, whereby marine catches was recorded at 79.8 million tonnes and accounts for 87.5% of world captured fisheries while inland catches contributed 11.4 million tonnes and makes up the remaining 12.5% of capture fisheries. Some of the top producing countries of global captured fisheries included China, Indonesia, Peru, India, Russia, the United States of America ("USA") and Vietnam.

In 2021, around 89.0% of world seafood production was utilised for direct human consumption. The remaining was used for non-food purposes, of which the bulk of it was used to produce fishmeal and fish oil. Live, fresh or chilled fish represented the largest share of seafood utilised for direct human consumption. This was followed by frozen, prepared and preserved, and cured seafood.

8. IMR REPORT (cont'd)

Figure 2: Seafood Industry Value Chain



Source: Protégé Associates

- The **fisheries industry** is the primary industry involved in the capture or farming of aquatic animals such as fish, molluscs and crustaceans and other aquatic organisms (i.e., aquatic plants) in freshwater, brackish water and marine water, which are then supplied to the seafood processing industry. The fisheries industry can be segmented into the captured fisheries and aquaculture sub-segments.
- The **seafood processing industry** mainly involves the preparation and processing of raw seafood products into marketable seafood products through various methods, including cleaning, cutting, homogenising, pasteurising, mixing and cooking. The industry also includes food preservation activities such as refrigeration and freezing, canning, irradiation, dehydration and fermentation, as well as the packaging of processed seafood products. The processed seafood products are then supplied to the seafood distribution industry.
- The **seafood distribution industry** revolves around the distribution of both locally produced and imported processed seafood products to consumers. The industry can be segmented into the retail market and the food services market. The *retail market* refers to locations that sell processed seafood products to retail customers which includes hypermarkets, supermarkets, wet markets, traditional grocery and meat specialty stores. The *food services market* refers to entities that provide meals to consumers for immediate consumption without the need for further preparations and can include restaurants, cafeterias, canteens, and food stalls.

SBH Holdings and its subsidiaries ("SBH Holdings Group") is principally a frozen seafood processing group with involvement in various stages of the value chain, from aquaculture shrimp farming to the processing and sale of frozen processed seafood products to both local as well as overseas customers, merchant trading of frozen seafood products, and distribution and trading of aquaculture related products (such as shrimp feed, post larvae, probiotics and test kits). SBH Holdings Group is not involved in the seafood distribution industry.

2.0 Overview of the Marine Shrimp Aquaculture Market in Malaysia

The marine shrimp aquaculture market mainly involves the commercial rearing and cultivation of shrimp in controlled environments for human consumption. In general, marine shrimp are cultivated in brackish water bodies in mangroves or in marine water around coastal areas.

Over the years, there has been an increase in demand for marine shrimp as a preferred seafood among consumers. This has led to growing interest in marine shrimp aquaculture and trading activities. At present, marine shrimp farming is dominated by Asia and Latin America. The major producing countries in Asia are China and India, while major producing countries in Latin America include Ecuador, Peru and Mexico.

In Malaysia, marine shrimp aquaculture serves as a source of local food self-sufficiency. However, the growing global demand and value for marine shrimp has created increased demand for imported products. As a country with a resource-rich coastline coupled with conducive-geological and climate conditions, Malaysia is well placed to meet demands from the global marine shrimp aquaculture industry.

In Malaysia, the marine shrimp aquaculture market is dominated by two shrimp species, namely the pacific white shrimp (also known as whiteleg shrimp) and the tiger shrimp (also known as black tiger prawn). Both shrimp species are considered high-value food species, and are much sought after globally. In particular, the pacific white shrimp is the main shrimp species cultivated for food. The species is native to the Eastern Pacific coast spanning from Mexico to Southern Peru. The tiger shrimp is also a popular shrimp species for food consumption and is native to the coasts of Australia,

8. IMR REPORT (cont'd)



Southeast Asia, South Asia and East Africa. The tiger shrimp is currently mainly cultivated in Asian water bodies.

Figure 3 depicts the breakdown of the local aquaculture industry in terms of production volume, including the market share of various shrimp species as compared to other major cultivated and seafood in the country.

Figure 3: Breakdown of Aquaculture Production Volume by Species, 2022

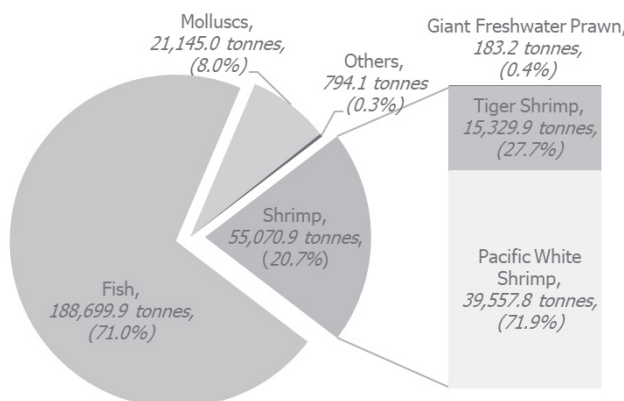
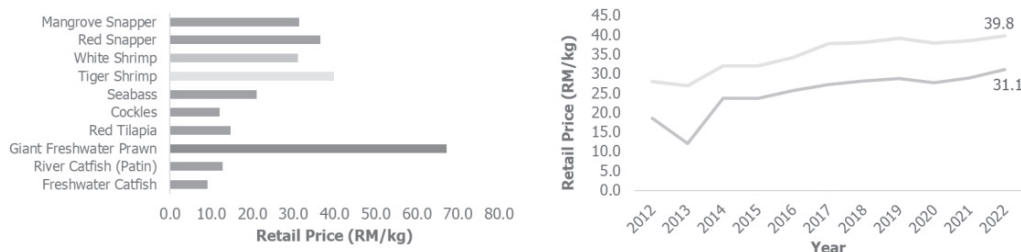


Figure 4 below compares the retail price of major cultivated shrimp and prawn species against selected cultivated species in Malaysia in 2022, as well as the price trend of the major shrimp and prawn species over the years.

Sources: Department of Fisheries Malaysia and Protégé Associates

Figure 4: Retail Price of Selected Aquaculture Species, 2022



Note: Retail price herein referred to the weighted price of retail prices in the 13 states of Malaysia. Source: Department of Fisheries Malaysia

Figure 5: Production and Export Volume of Marine Shrimp, 2013-2022

Year	Production and Export Volume (Tonnes)		
	Production	Export	
		Live	Frozen
Pacific White Shrimp			
2013	45,473.7	46.2	3,029.8
2014	57,181.2	49.4	2,484.6
2015	48,284.2	107.3	2,264.5
2016	37,592.8	127.5	2,394.8
2017	35,648.0	491.7	4,473.9
2018	36,007.3	1,039.2	6,590.5
2019	38,767.1	917.1	12,666.4
2020	35,063.9	622.0	10,137.7
2021	38,376.8	801.1	9,818.2
2022	39,557.8	Not available ("NA")	
Tiger Shrimp			
2013	4,483.2	1.3	1,241.3
2014	4,205.2	1.5	636.5
2015	4,286.3	570.4	492.7
2016	5,654.7	456.4	1,138.0
2017	10,132.9	769.3	2,798.3
2018	9,905.6	1,059.3	3,692.0
2019	14,632.9	1,405.7	3,968.6
2020	13,524.8	896.2	2,927.0

8. IMR REPORT (cont'd)



2021	18,119.6	1,275.4	5,812.4
2022	15,329.9	NA	NA

Source: Department of Fisheries Malaysia

A large percentage of marine shrimp species farmed in Malaysia are consumed locally, with the export of live and frozen marine shrimp only accounting for a fraction of total production. Nonetheless, as Malaysian cultivated shrimps have gradually been accepted as quality certified products in the global market, driven by various Government-led programmes such as the Economic Transformation Programme (“ETP”) (namely the entry point project 2: Integrated Cage Farming under the Agriculture NKEA), there has been an increase in the export of marine shrimp, both live and frozen over the years.

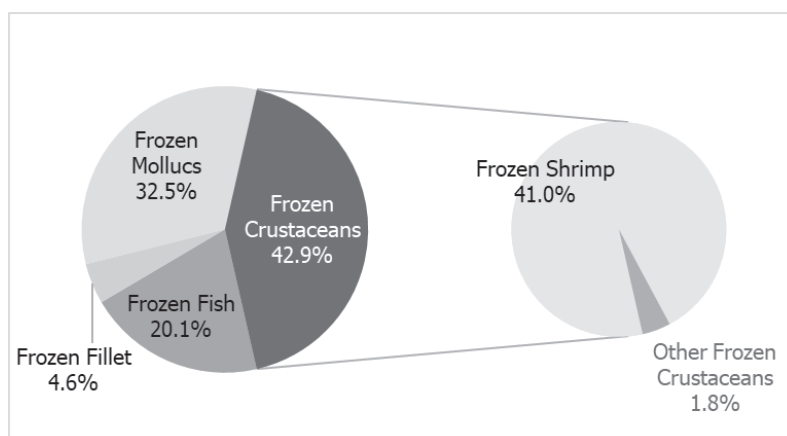
3.0 Overview of the Frozen Seafood Market in Malaysia

Frozen seafood refers to seafood that are stored or kept at freezing temperatures to prolong shelf life by preventing the growth of microorganisms. In general, the US and Canada has dominated the global seafood market due to its developed and advanced cold chain infrastructure and facilities. However, the Asia Pacific region is expected to become the new growth spot due to the increasing demand for frozen seafood as a result of rapid population growth. At the same time, the increase in health awareness among consumers has led to a shift away from canned food to frozen food, which is expected to also foster growth in the global frozen seafood market. Other factors priming the growth of the frozen seafood market include the rising trend of consuming seafood as replacement for red meat and the continuous development and innovation in cold chain transport infrastructure across the globe.

Malaysia is considered a relatively small player in the global frozen seafood market. The Malaysian frozen seafood market is export oriented, whereby the majority of seafood traded are in live or chilled form. It is estimated that Malaysia exported around 190,000 tonnes of frozen seafood in 2023, up from 184,680 tonnes in 2022. The major export markets for Malaysian frozen seafood products are China, Korea, Singapore and the European Union.

In particular, frozen shrimp (part of frozen crustaceans) represent the primary export product within the Malaysian frozen seafood market. Frozen shrimp accounted for 41.0% of frozen seafood exports (in terms of value) in 2023. These frozen shrimps are exported in various forms such as whole shrimp, peeled and deveined shrimps and cooked shrimps. Other major frozen seafood products include frozen fish and fish fillet and frozen molluscs (which includes frozen cephalopods (such as octopus, cuttlefish and squid) and frozen shellfish (such as scallops, mussels, abalone, oysters and clams)). In particular, frozen cephalopods accounted for 31.0% of frozen seafood exports in 2023.

Figure 6: Breakdown of Frozen Seafood Exports (Value), 2023



Source: DOSM

3.1 Historical Market Performance and Growth Forecast of the Frozen Seafood Market in Malaysia

Given that SBH Holdings Group is primarily involved in the export of frozen seafood, Protégé Associates has used the value of frozen seafood exports in Malaysia as the market size for the

8. IMR REPORT (cont'd)

industry that SBH Holdings Group participates in. Exports of frozen seafood was valued at RM2.22 billion in 2022, which was an increase of 12.0% from RM1.98 billion in the previous year, mainly attributed to increased consumption of frozen seafood as economic activities gradually return to pre-COVID levels, as well as the adoption of new lifestyle norms which see more consumers adopting online shopping thereby boosting sales and consumption of frozen seafood. In 2023, exports of frozen seafood registered a marginal drop of 1.0% to RM2.20 billion as demand for frozen seafood slowed in tandem with the global growth deceleration.

Figure 7: Historical Market Size (in terms of Export Value) and Growth Forecast for the Frozen Seafood Market in Malaysia, 2019-2027

Year	Market Size (in terms of export value) (RM billion)	Growth Rate (%)
2019	1.77	-
2020	1.78	0.6
2021	1.98	11.3
2022	2.22	12.0
2023	2.20	-1.0
2024 ^f	2.32	5.5
2025 ^f	2.48	7.0
2026 ^f	2.66	7.0
2027 ^f	2.86	7.5

Compounded annual growth rate ("CAGR") (2023-2027) (base year of 2022): 5.2%

Note: ^f denotes forecast

Source: Protégé Associates

In the short-term (2024), growth in the market is expected to be underpinned by increased consumption of frozen seafood driven by consumers who are more health conscious along with growing purchases of frozen seafood enabled by online shopping.

In the medium to long-term (2025-2027), the local frozen seafood market is expected to return to its pre-economic slowdown levels as the global economy gradually recovers. Growth in the global and Malaysian population indicates a potential for increased frozen seafood consumption. Additionally, the growing health awareness regarding consumption of better protein and essential nutrients is also expected to drive demand for fish and other seafood, while moving away from red meat and canned food. At the same time, frozen food including frozen seafood have also been gaining popularity among millennials over recent years given their more hectic lifestyles and preference for convenience. The value of exports is expected to expand at a CAGR of 5.2% from 2023 to 2027, reaching RM2.86 billion in 2027.

4.0 Competitive Landscape

The marine shrimp aquaculture market in Malaysia is fragmented with more than 700 shrimp farmers in 2022. These market players include small-scale farmers using simple production methods, and large-scale integrated commercial farms that adopt modern technology during production. These integrated farmers are often involved in the whole aquaculture value chain from shrimp spawning, hatchery, nursery to grow-out. Some of these market players may also venture upstream or downstream to include processing, feed-milling, as well as other supporting services to offer a wider range of value-added products to the market.

At present, the local market is dominated by a handful of large integrated market players. These market players operate larger farms which yield greater production volumes, and also participate in more segments across the value chain. These market players also tend to be more export-oriented, and are equipped with processing capabilities which meet global quality standards and requirements to allow their products to be accepted in the international markets. The remainder of the market generally consists of smaller market players with smaller capacities and generally focus on specific segments within the value chain.

Meanwhile, it is estimated that there are around 240 companies that is involved in the processing and preserving of seafood products in 2022. These market players are generally SMEs or larger corporations with certain economies of scale to remain competitive in the market.

8. IMR REPORT (cont'd)**4.1 Competitor Analysis**

The SBH Holdings Group is principally involved in the business of marine shrimp aquaculture and processing of frozen seafood. For the purpose of comparison, Protégé Associates has selected the following market players that are comparable to the SBH Holdings Group, based on the following criteria:

- Involved in the business of marine shrimp aquaculture;
- Involved in the processing of seafood in particularly frozen seafood; and
- Registered revenue of RM40 million and above

After taking into consideration the above criteria, Protégé Associates has identified the following 4 market players for comparison purpose. It needs to be highlighted that the list of market players is not exhaustive, and only serves as a reference for readers.

Asia Aquaculture (M) Sdn Bhd ("AASB")

AASB was established on 25 May 1992 as a private limited company. The company is a subsidiary of Charoen Pokphand Group based in Thailand. AASB is principally involved in hatchery operation, shrimp grow-out operation and processing of frozen shrimps. For the FYE 31 December 2022, the company registered revenue of RM363.6 million.

Blue Archipelago Berhad ("BAB")

BAB was established on 7 June 2004 as a private limited company. BAB is a subsidiary of Khazanah Nasional Berhad, the strategic investment arm of the Malaysian Government. BAB and its subsidiaries' operations include shrimp hatchery to shrimp grow-out to processing of seafood. For the FYE 31 December 2022, the company registered revenue of RM78.8 million.

Emperor Marine Seafood Sdn Bhd ("Emperor Marine")

Emperor Marine was established on 30 August 2010 as a private limited company. The company is principally involved in the farming, processing and exporting of tiger prawn and pacific white shrimp to local and global markets. For the FYE 31 December 2022, the company registered revenue of RM83.5 million.

MAG Holdings Berhad ("MAG")

MAG was established on 20 February 2004 as a private limited company (under the name Key West Global Telecommunications Sdn Bhd) and was later converted into a public company on 19 August 2005. The company assumed its present name on 7 August 2020, and it is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. The company is principally involved in the business of prawn aquaculture and processing of marine seafood. For the FYE 30 June 2023, the company registered revenue of RM201.6 million.

Figure 8: Comparison between SBH Holdings Group and Selected Market Players

Indicator	SBH Holdings Group	AASB	BAB	Emperor Marine	MAG
Information from FYE	31 December 2022	31 December 2022	31 December 2022	31 December 2022	30 June 2023
Revenue (RM million)	194.4	363.6	78.8	83.5	201.6
Gross profit/(loss) (RM million)	26.6	78.4	0.5	4.8	67.2
Profit/(loss) before Tax (RM million)	15.7	53.9	-3.7	1.7	45.3
Profit after Tax (RM million)	13.0	52.9	-3.7	1.0	34.2
Gross profit margin ⁴ (%)	13.7	21.6	0.6	5.7	33.3
Profit before Tax Margin ⁵ (%)	8.1	14.8	-4.7	2.0	22.5

8. IMR REPORT (cont'd)

Indicator	SBH Holdings Group	AASB	BAB	Emperor Marine	MAG
Profit after Tax Margin ⁶ (%)	6.7	14.5	-4.7	1.2	17.0

Notes:

1. The list of market players is alphabetically arranged and does not constitute as a ranking;
2. The above figures only provide an indication and is not considered directly comparable due to the following reasons:
 - a. Not all companies have the same financial year end; and
 - b. Not all companies carry out activities that are completely the same to each other or in the same geographical area.
 - c. May include other sources of income (aside from aquaculture and processing of frozen seafood activities) for e.g., AASB (shrimp hatchery) and MAG (interest income)
3. Financial information of comparable market players such as revenue, profit/ loss before tax and profit/ loss after tax were based on information from Companies Commission of Malaysia while the financial ratios in the table were computed by Protégé Associates.
4. Gross Profit Margin = Gross Profit / Revenue
5. Profit before Tax Margin = Profit before Tax / Revenue
6. Profit after Tax Margin = Profit after Tax / Revenue

Source: Companies Commission of Malaysia and Protégé Associates

4.2 SBH Holdings Group' Market Share Analysis

For the FYE 31 December 2022, SBH Holdings Group generated revenue of RM122.4 million from its export of frozen seafood export business (excluding merchant trading revenue of RM59.3 million), which is equivalent to approximately 5.5% share of the frozen seafood market (in terms of exports value) from Malaysia of RM2.22 billion in 2022. For the FYE 31 December 2022, SBH Holdings Group exported approximately 3,230 tonnes of frozen seafood, which is equivalent to approximately 1.7% of total frozen seafood exports (in terms of volume) from Malaysia of around 184,680 tonnes in 2022.

5.0 Demand and Supply Conditions

Figure 9: Demand and Supply Conditions Affecting the Marine Shrimp Aquaculture and Frozen Seafood Markets in Malaysia, 2023-2027

Impact	Conditions	Applicability (✓)		Impact on the Condition		
				Short-Term	Medium-Term	Long-Term
		Shrimp Aqua	Frozen Seafood	2023-2024	2025-2026	2027
Demand Conditions						
+	Declining Levels of Captured Fisheries	✓		High	High	High
+	Increasing Consumer Health Awareness	✓	✓	Medium	Medium	Medium
+	Growing Global Population	✓	✓	Medium	Medium	Medium
+	Growing Affluence of Consumers		✓	Low	Low	Low
-	Prospects of Slower Economic Growth May Affect Purchasing Power	✓	✓	High	Medium	Low
-	Negative Perception towards Frozen Food		✓	Medium	Medium	Low
Supply Conditions						
+	Continuous Support from the Malaysian Government	✓	✓	High	High	High

8. **IMR REPORT** (cont'd)



+	Advancement in Refrigeration Technique		✓	Medium	Medium	Medium
-	Susceptibility of Farmed Shrimp to Diseases	✓		High	Medium	Medium
-	Reliance on Imported Broodstock	✓		Medium	Medium	Low

Notes:

1. ✓ in the Shrimp Aqua column denotes the demand condition is applicable to the marine shrimp aquaculture market; and
2. ✓ in the Frozen Seafood column denotes the demand condition is applicable to the frozen seafood market.

Source: Protégé Associates

Demand Conditions

Declining Levels of Captured Fisheries

The demand for seafood has been increasing consistently over the years, underpinned by global population growth as well as growing middle income group in Asian countries such as China and India. This has led to major fisheries across the globe experiencing depleting wild fish levels as fishermen resort to overfishing to meet with rising consumer demand.

According to the Food and Agriculture Organization of the United Nations, levels of captured seafood have remained relatively stable over the years, hovering at an annual 90-93 million tonnes. However, it is estimated that an additional 40 million tonnes of seafood are required by 2030 to maintain current levels of seafood consumption. This has led to the aquaculture sector including marine shrimp aquaculture to emerge as the likely option to bridge the gap between demand and supply.

Increasing Consumer Health Awareness

With obesity and heart-related diseases increasingly becoming an issue among consumers today, there has been a dietary shift to healthier alternatives. As compared to red meat, seafood is low in saturated animal fats, and contains a high amount of mineral, nutrients and protein content that are crucial for the human body. In addition, maternal consumption of omega-3 fatty acids through seafood can contribute to vision and cognitive development in infants. Furthermore, seafood is an important source of iodine, the lack of which can interfere with cognitive development in younger children as well as cause thyroid problems in both adults and children. With this health awareness trend unlikely to abate in the short to medium-term, demand for seafood is expected to increase in tandem, which bodes well for the development of the marine shrimp aquaculture and frozen seafood markets.

Growing Global Population

The demand for food is positively correlated with the size of the population. As the size of the population increases, the amount of food that needs to be consumed increases too. As such, the increasing global population represents an increasing number of potential consumers of seafood, which is expected to support the growth of the marine shrimp aquaculture and the frozen seafood markets going forward.

The global population was estimated at 7.94 billion people in 2022 and is projected to reach 9.69 billion in 2050. Europe and Northern America is expected to increase from an estimated population of 1.12 billion in 2022 to 1.13 billion in 2050. Asia (includes Central and Southern Asia and Eastern and South-Eastern Asia) is expected to expand from an estimated population of 4.42 billion in 2022 to 4.89 billion in 2050 while Sub-Saharan Africa is expected to expand from an estimated population of 1.15 billion in 2022 to 2.09 billion in 2050. The Malaysian population was estimated at 33.0 million people in 2022 and is projected to reach 41.5 million people in 2040. Both population indicators suggest a potential increase in demand for food, which bodes well for the development of the marine shrimp aquaculture and frozen seafood markets.

Growing Affluence of Consumers

Malaysian consumers are generally attaining greater affluence as a result of broad economic growth seen for the country over the past half-century. The per capita income in Malaysia rose by

8. IMR REPORT (cont'd)

approximately 14.4% from RM46,163 in 2021 to RM52,819 in 2022. This figure is projected to reach RM55,186 in 2023.

Malaysia's standard of living has improved since its formation as an independent nation. This trend is likely to be sustained moving forward as the country continues on its growth path. The Malaysian Government is likely to continue pursuing economic expansion programmes while managing the cost of borrowings to encourage domestic consumption. The Malaysian Government has committed to continued vigilance in the economy, promising continued supportive and accommodative macroeconomic policies as the economy improves moving forward. From a global perspective, the adjusted net national income per capita of the world was USD9,748 in 2021, which was an increase from USD8,770 in the previous year based on World Bank statistics. This is likely to fuel demand for food products in Malaysia as increased disposable incomes among Malaysians is likely to lead to greater consumption of food products, particularly for protein-based food, including frozen seafood.

Prospects of Slower Economic Growth May Affect Purchasing Power

The high inflation rates in the US and in major European economies has also seen these countries hiking interest rates to combat the situation. The spike in borrowing cost has reduced household purchasing power and tighter monetary policy is expected to negatively impact economic growth in the short to medium-term. The rise of interest rates in the US and Europe has also affected Asia in terms of the weakening of Asian currencies. A weaker currency indicates that imports are now more expensive and may affect consumer purchasing power. While some Asian economies such as India, Indonesia, Malaysia, Thailand and the Philippines have raised their interest rates, some economies such as China have moved to lower interest rates to shore up a slowing economy. The International Monetary Fund ("IMF") had estimated global growth at 3.1% in 2023 and had forecasted global growth to remain at 3.1% in 2024. At the same time, the IMF also expects marginal or slower growth for the US and Euro area at 2.1% (2023: 2.5%) and 0.9% (2023: 0.5%) respectively for 2024. The economic slowdown is expected to adversely impact consumer sentiments and in turn, demand for shrimp aquaculture and frozen seafood.

Negative Perception towards Frozen Food

There is a general perception across the world that frozen seafood is inferior to fresh and chilled seafood. These perceptions come from the belief that there is a loss in nutritional value and flavour during the freezing process, and a less desirable texture when frozen seafood is defrosted. There is also the issue of lack of trust in frozen seafood sold in supermarkets, in which consumers perceives only inferior quality goods are frozen. As consumers continue to prefer fresh and chilled seafood over frozen seafood due to the perception of the latter being inferior goods, this development is expected to affect the demand for frozen seafood.

Supply Conditions

Continuous Support from the Malaysian Government

The fisheries sector which includes the marine shrimp aquaculture market and the seafood processing industry (including the frozen seafood market) in Malaysia has been receiving encouraging support from the Malaysian Government. Some of the past Malaysian Government-led initiatives include the marine shrimp aquaculture market being included as part of the ETP. Under the ETP, several entry point projects ("EPP") have been formulated for further development which includes the establishment of 10 Integrated Zones for Aquaculture ("IZAQs") to produce certified and traceable marine shrimps. The IZAQs are a network of industrial scale, land-based aquaculture zones, equipped with state-of-the-art infrastructure to produce fully-certified and traceable shrimp, and are championed by anchor companies. Other policies and incentives such as the development of Q'Fish Programme and Aquaculture Industrial Zone ("AIZ") are also expected to benefit the marine shrimp aquaculture market in Malaysia.

As part of the local food processing industry, the frozen seafood market stands to benefit from Malaysian Government initiatives. In particular, a 100% Income Tax Exemption for 15 years or 100% Investment Tax Allowance for 10 years for manufacture of food products in less developed areas can be applied from the Malaysian Investment Development Authority ("MIDA"). Other incentives by MIDA include the Pioneer Status and Investment Tax Allowance, as well as additional 5 years of reinvestment incentives for promoted food products.

8. IMR REPORT (cont'd)**Advancement in Refrigeration Techniques**

In line with growing consumer awareness on the nutritional value of frozen food, as well as increasingly stringent food safety and hygienic standards, there has been various developments within the food processing industry to improve upon existing refrigeration techniques. These include the individually quick freezing ("IQF") and semi-IQF methods which consist of freezing individual pieces of food separately from other pieces at extremely low temperatures, as well as the block freezing methods which is used to freeze large packs of food products. As these new techniques are adopted on a more widespread basis, the food processing industry including the frozen seafood market stands to benefit through cost savings and better operational efficiency.

Susceptibility of Farmed Shrimp to Diseases

Shrimp aquaculture continues to be susceptible to disease and this can greatly affect yield as diseases can be highly contagious and greatly increase mortality rates. Diseases are also difficult to be eliminated and immunised against, making it a substantial risk for shrimp farmers. Some of the major diseases affecting shrimp include Enterocytozoon Hepatopenaei ("EHP"), Early Mortality Syndrome ("EMS"), White Spot Syndrome Virus, Taura Syndrome and the Yellowhead Disease.

To mitigate this risk, Malaysian shrimp farmers have continued to be prudent during cultivating practices and mainly only use Specific Pathogen Free ("SPF") shrimp broodstock. In particular, to combat EMS, some shrimp farmers adopt a 3 cleanliness principle farming system, namely Clean Pond, Clean Water and Clean Shrimp Fry. Shrimp farmers also use fast growing and more genetically robust shrimp broodstock. However, despite efforts to safeguard shrimp production, the risk of shrimp disease still remains, and any outbreak may adversely impact the supply of live and frozen shrimps in the country.

Reliance on Imported Broodstock

In Malaysia, SPF shrimp broodstock for Pacific white shrimp aquaculture is generally imported from Thailand or Hawaii, while tiger shrimp broodstock is imported from the African continent. The development of SPF tiger shrimp broodstock thus far has not yielded good results. Due to this reliance, shortages and price volatilities related to imported broodstock can have a significant bearing on the performance and profitability of local marine shrimp production.

6.0 Prospects and Outlook of Marine Shrimp Aquaculture and Frozen Seafood Markets

The marine shrimp aquaculture market plays a crucial role not only for local food self-sufficiency, but also serves as a highly profitable source of trade income. The increasing demand and value realisation of shrimp as a choice food globally continues to create demand for imported shrimp and shrimp products. As a country with a resource-rich coastline and conducive geological and climate conditions, Malaysia is poised to emerge as a supplier to help fill the global demand-supply gap.

Factors influencing demand for local marine shrimp stem from the resilient demand from both global and local markets, declining levels of captured fisheries as well as the growing population which leads to increasing demand for food commodities, including for marine shrimp. At the same time, the growing affluence of customers worldwide is also expected to drive higher consumption of seafood. In addition, the trend of adopting e-commerce and home delivery of seafood products has also opened up new sales opportunities and is expected to continue in the long run. From the supply side, Government initiatives such as the IZAQs, the Q'Fish Programme and AIZ is expected to provide impetus for the development of the local marine shrimp aquaculture market.

The exports of Malaysian frozen seafood were valued at RM2.22 billion in 2022 and registered a marginal drop of 1.0% to RM2.20 billion in 2023. Nevertheless, the market is projected to expand at a CAGR of 5.2% for the period from 2023 to 2027, to reach RM2.86 billion in 2027. The growing health awareness in a growing population where consumers are increasing in affluence is one of the factors propelling growth of the frozen seafood market. The market is also expected to benefit from various government-led initiatives to boost the local food processing sector. The continuous development of refrigeration technologies and cold chain infrastructure is also expected to boost consumer confidence on the nutritional value and quality of frozen seafood, thus leading to increased demand going forward.

9. RISK FACTORS

YOU SHOULD EVALUATE AND CONSIDER CAREFULLY THE FOLLOWING RISKS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE ALONG WITH OTHER MATTERS IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.

9.1 RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

9.1.1 We are dependent on certain major suppliers

We are dependent on the following major suppliers which had contributed more than 10% of our total purchases during the Financial Periods Under Review:-

	Years of relationship as at the LPD	Audited							
		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
PT Yasuriang	9	48,844	39.24	62,117	41.30	74,243	45.61	43,747	36.51
SBH Perak Agro	11	17,301	13.90	18,220	12.12	20,700	12.72	11,763	9.82
Blue Archipelago Berhad and iSharp Sdn Bhd	6	16,542	13.29	21,438	14.26	23,092	14.19	12,737	10.63
Sub-total		82,687	66.43	101,775	67.68	118,035	72.52	68,247	56.96
Total purchases		124,468	100.00	150,390	100.00	162,761	100.00	119,831	100.00

Please refer to Section 7.18 of this Prospectus on the information relating to the abovementioned suppliers.

We are dependent on PT Yasuriang, SBH Perak Agro and Blue Archipelago Berhad (including its wholly-owned subsidiary, iSharp Sdn Bhd) for the supply of seafood for our business operations. While SBH Perak Agro was regarded as an external supplier of farmed shrimps to the Group and a major supplier during the Financial Periods Under Review, we are of the opinion that there is no longer a risk as the company has become our wholly-owned subsidiary following the completion of the Acquisition of SBH Perak Agro in January 2024.

On 1 June 2021, we have entered into the Supplies and Marketing Agreement with PT Yasuriang whereby PT Yasuriang has agreed to supply, on an exclusive basis, all their frozen seafood supplies especially cephalopods and fish, either to us for processing at our Kurau Plant or for direct export to our customers in the overseas markets. Notwithstanding the Supplies and Marketing Agreement and our business relationship with PT Yasuriang, there can be no assurance that PT Yasuriang will continue to supply us with the necessary amount of seafood to meet our demands. The Supplies and Marketing Agreement may also be terminated prior to its expiry or not be renewed after its expiry.

The cost of supply of frozen seafood products by PT Yasuriang to our Group varies subject to the prevailing market prices of the raw materials. Whilst we have been able to substantially pass any significant increase in cost of the frozen seafood products charged by PT Yasuriang to our overseas customers, there is no assurance that we can continue to substantially pass any future increase in the cost of frozen seafood products charged by PT Yasuriang to our customers.

Save for the Supplies and Marketing Agreement, we have not entered into any long-term agreements with Blue Archipelago Berhad or any other suppliers for the supply of seafood or materials/products to our Group. While we have developed a good relationship with Blue Archipelago Berhad over the years, there can be no assurance that they will continue supplying our Group with farmed shrimps or provide us with necessary amount to meet our demands.

9. RISK FACTORS (cont'd)

In the event that we are unable to source supplies from PT Yasuriang and Blue Archipelago Berhad and we are unable to find alternative suppliers in a timely manner, our Group's business operations and financial performance may be adversely affected.

9.1.2 We are dependent on certain major customers

We are dependent on the following major customers by virtue of their contributions which exceed 10% of our total revenue during the Financial Periods Under Review:-

	Years of relationship as at the LPD	Audited							
		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Customer A	15	18,458	13.13	19,622	10.22	13,422	6.90	14,080	9.76
Customer B	9	17,094	12.16	17,634	9.18	-	-	1,359	0.94
Customer C	11	15,483	11.01	12,735	6.63	15,023	7.73	11,264	7.81
Customer F	3	1,737	1.24	31,898	16.61	39,086	20.10	21,816	15.13
Customer G	3	-	-	10,180	5.31	15,242	7.84	17,203	11.93
Sub-total		52,772	37.54	92,069	47.95	82,773	42.57	65,722	45.57
Total revenue		140,581	100.00	192,006	100.00	194,426	100.00	144,212	100.00

Notes:-

- (1) Customer A is an importer, distributor and trader of frozen seafood products such as shrimps and cephalopods based in South Korea. It is a long term repeat customer of the Group, with approximately 15 years of business relationship as at the LPD. Whilst we were dependent on Customer A in FYE 2020 and FYE 2021, its contribution has reduced to less than 10% of the Group's revenue for FYE 2022 and FPE 2023.
- (2) Customer B is an importer and distributor of frozen fishes and seafood products based in France. It has been a long-term repeat customer of the Group with approximately 9 years of business relationship since 2015 (except for 2022 where it did not purchase any products from the Group). It has resumed its purchases from our Group since February 2023. Whilst we were dependent on Customer B in FYE 2020, its contribution has reduced to less than 10% of the Group's revenue for FYE 2021, FYE 2022 and FPE 2023.
- (3) Customer C is wholesaler and retailer of aquatic products as well wholesaler of vegetables, fruits, other agriculture and livestock products based in Taiwan. It is a long term repeat customer of the Group with over 11 years of business relationship as at the LPD. Whilst we were dependent on Customer C in FYE 2020, its contribution has reduced to less than 10% of the Group's revenue for FYE 2021, FYE 2022 and FPE 2023.
- (4) Customer F is an importer and distributor of seafood products such as shrimps and cephalopods based in Türkiye. It is a relatively new customer of the Group with over 3 years of business relationship as at the LPD.
- (5) Customer G is an importer, distributor and trader of frozen seafood such as shrimps and cephalopods based in South Korea. It became our customer since it took over the business of Customer D in 2021, which in turn had 12 years of business relationship with our Group from 2009 to 2021.

Other than the above, we are not dependent on any other customers.

Typically, we do not enter into any long-term supply agreement with our customers. Our sales are based on purchase orders that we receive from our customers from time to time. As such, there can be no assurance that we will be able to retain our major customers or maintain or increase our current level of business activities with them in the future. Should any of our major customers ceases or reduces their orders, we may not be able to immediately replace them in a timely manner to make up for the lost sales. Accordingly, the business operations, financial condition, results of operations and prospects of our Group may be materially and adversely affected if we are not able to retain our major customers in a timely manner.

9. RISK FACTORS *(cont'd)*

9.1.3 Our continued success is dependent on our Executive Directors

Our business performance and future prospects depend significantly on the experience, abilities, competency and continuous leadership and contribution of our Executive Directors. As at the LPD, our Executive Directors, namely Tan Boo Nam has over 50 years of experience in the seafood trading and processing as well shrimp aquaculture farming, whilst Tan Yuak Ming and Saw Leng Hean each has about 29 years of industry experience and Tan Yuak Kwang has about 19 years of industry experience. With extensive knowledge and insights of the industry, they together with our senior management have built a strong foundation for our business operations, whilst maintaining good business relationships with our suppliers and customers as well as uphold our Group's reputation over the years.

The loss of any of our Executive Directors without suitable or timely replacement could materially and adversely affect our Group's future business operations and financial performance.

9.1.4 Our operations are dependent on availability of supplies and raw materials

Our operations are dependent on consistent availability of supplies and raw materials which ranges from marine produce which we process at our Kurau Plant such as shrimps and cephalopods, aquaculture related products such as post-larvae, shrimp feed, chemicals and probiotics used in our aquaculture shrimp farming, to packing materials for our seafood processing operations. We may experience certain shortages, disruptions and/or delay in supplies and materials due to unforeseen circumstances in the market or competition.

As highlighted in Section 9.1.1 above, we are dependent on certain major suppliers, namely, PT Yasuriang and Blue Archipelago Berhad and its wholly-owned subsidiary, iSharp Sdn Bhd, for our seafood supplies. Our suppliers may also not be able to provide us with adequate or consistent supplies and materials that meet our strict quality and freshness requirements.

For the FYE 2023, 82.0% of our shrimp supplies are sourced from external suppliers, whereas our Kurau Farm and Selinsing Farm supplied about 18.0% of shrimps processed at our Kurau Plant. We expect to be able to gradually reduce our dependence on external suppliers of shrimps to 48.0% upon the full completion of the development of the remaining shrimp ponds at the Selinsing Farm as we are able to procure more farmed shrimps directly from both our farms. In addition, 100% of the cephalopods are sourced from external suppliers.

There can be no assurance that we will be able to consistently source for our seafood supplies and materials at the quality and quantity required and at competitive prices. Any prolonged delay or disruption in the availability of supplies and materials will have a negative impact on our business operations. During the Financial Periods Under Review, we have not experienced any of the aforementioned events which had severely disrupted our business operations and financial performance.

9.1.5 We are dependent on foreign workers for our business operations

Our business operations are labour intensive and therefore expose us to risk of various labour related issues. We are dependent on the availability of supply of foreign workers to work at both our shrimp farms and our Kurau Plant. As at the LPD, we have 201 foreign workers representing 68.60% of our total 293 employees.

Our business is therefore subject to labour and immigration laws that govern the employment of foreign workers in Malaysia. Any significant shortage in the supply of foreign workers or restrictions imposed on foreign workers may disrupt our business operations.

9. RISK FACTORS *(cont'd)*

Currently, we anticipate that we need a minimum of 150 production workers to sustain our seafood processing operations at our Kurau Plant, whilst for our shrimp farming operations, we would require a minimum of 40 farm workers and gradually increasing to 80 farm workers as we develop more new shrimp ponds at our Selinsing Farm.

During the Financial Periods Under Review, we had experienced a shortage of foreign workers in both our seafood processing and shrimp farm operations as a result of the freeze of the recruitment of new foreign workers imposed by the Government due to the impact of the COVID-19 and the implementation of the MCO. During the period from March 2020 until May 2022, we were not able to bring in new foreign workers to replace those who had returned to their home countries.

As a result, the number of foreign production workers at our Kurau Plant decreased from 115 as at 31 December 2019 to 75 as at 31 December 2021 and a low of 66 as at 31 May 2022, whereas our farm workers were reduced from 45 as at 31 December 2019 to 30 as at 31 December 2021 and a low of 19 as at 31 December 2022.

After the freeze in recruitment of foreign workers was uplifted by the Government, we started bringing in new foreign workers since June 2022 and have since managed to increase the number of our foreign workers to 149 for our seafood processing operations and 52 for farm operations as at the LPD.

All our foreign workers are required to have valid work permits and to renew their work permits which expire on an annual basis. As at the LPD, we have obtained valid work permits for all of our foreign workers.

Any changes to the policies on employment of foreign workers in Malaysia or changes in bilateral agreements between Malaysia and the countries from which our foreign workers are sourced may adversely affect our business operations. In addition, any future changes in the foreign workers' wages may also affect our future operating costs.

In order to support the operations of our new seafood processing plant, we plan to hire up to 132 additional staff (including up to 100 foreign production workers). Whilst certain processes in our seafood processing operations are partially automated, we still require a large pool of production workers, especially foreign workers, as the majority of our frozen seafood products, particularly shrimps, are sold in retail packs which require careful handling of the shrimps by our trained production workers that cannot be achieved using machines. After the shrimps are carefully arranged in retail boxes, they are moved into and out of the semi-contact freezers and subsequently handled throughout the packing and storage processes, manually.

We do not use any automated shrimp peeler machine to peel our shrimps as a major part of our frozen processed shrimps are in the form of "head-on shell-on", which requires careful manual handling. For shrimps which are sold in the form of "peeled", we also use human labour as the use of an automated shrimp peeler machine would likely cause texture damage to the shrimps.

There is no assurance that we are able to procure sufficient foreign workers to support our seafood processing operations as and when our new seafood processing plant come into operation by the second quarter of 2026. In the event that we are not able to procure sufficient production workers, it may have an adverse effect on our business operations and financial performance.

9. RISK FACTORS *(cont'd)*

9.1.6 Our aquaculture shrimp farming operations may be subject to major unscheduled maintenance works

After every full harvest and prior to the next cultivation cycle, our shrimp ponds would undergo regular maintenance to ensure that the ponds and other related farm equipment (such as pumps, feeders and aerators) and farm infrastructure (such as electrical systems, perimeter bunds and liners) are adequately maintained and reconditioned.

In addition, from time to time, we may need to carry out ad-hoc maintenance works due to unexpected farm equipment/infrastructure failures or when the physical state of the shrimp ponds is suboptimal for cultivation or producing unfavourable yield due to ageing and accumulation of excessive undesired residue after prolonged cultivation period. In order to undertake such unplanned maintenance works, we may need to partially or completely suspend our shrimp farming operations for a period of time. During such an unplanned maintenance period, our aquaculture shrimp farming operations may be temporarily disrupted, hence affecting the supply of farmed shrimps to our Kurau Plant for processing. While we can procure farmed shrimps from other external suppliers, the purchasing cost would likely be higher than the cost of shrimps farmed in-house by our Group.

There is no assurance that there will not be any major failure of farm equipment and/or infrastructure or a major and prolonged suspension of our shrimp cultivation due to conditions of the shrimp ponds becoming suboptimal for cultivation or producing unfavourable yield.

From March to October 2023, we had undertaken maintenance works for the entire 58 shrimp ponds and related infrastructures at our Kurau Farm on a progressive basis which involved the temporary suspension of shrimp cultivation for the shrimp ponds to be thoroughly reconditioned. The maintenance works on each shrimp pond required an average duration of 3 to 4 weeks' time. This is the first major pond reconditioning work undertaken at our Kurau Farm since the development of Kurau Farm (Phase I) began in October 2011. As a result of the said maintenance works which had caused lower production yield, SBH Perak Agro registered an after-tax loss of RM2.43 million for the FPE 2023. SBH Perak Agro incurred a total maintenance cost (including the aforesaid reconditioning work at Kurau Farm) of RM0.84 million for the FPE 2023 as compared to RM0.31 million in FYE 2022. Nonetheless, with the resumption of the shrimp cultivation activities in all the ponds, SBH Perak Agro has since returned to a profitable position in the fourth quarter of 2023.

9.1.7 We may face adverse consequences in the event of failure to ensure food safety and compliance with food safety standards

We sell frozen processed seafood for human consumption and as such, any occurrence of food safety issues, whether actual or perceived, may lead to a negative impact on our reputation, as well as demand for our products in the markets that we serve. Seafood processing activities are exposed to the risk of contamination, which may arise due to a number of reasons which include but are not limited to poor processing hygiene, improper handling or cross-contamination by suppliers, intermediaries or consumers. Inadvertent shipment of contaminated products may result in adverse publicity, product liability or legal claims, product recall and/or penalties, which may include suspension of our operations by the relevant authorities and cancellation of future orders from the customers. During the Financial Periods Under Review, we have not experienced any of the aforementioned events which had severely disrupted our business operations and financial performance.

Our Group's operations are subject to various laws and regulations relating to food safety amongst others, the Food Act 1983 and its subsidiary legislations including the Food Hygiene Regulations 2009, the Food Regulations 1985 and the Food Handlers (Kerian District Council) By-laws 1982. Our Group's operations have also been accredited with certification schemes related to food safety assurance under MOH, including the GMP, HACCP and MeSTI.

9. RISK FACTORS *(cont'd)*

Any future changes in such laws and regulations may lead to stricter requirements relating to food safety, such as enhanced traceability regulation, additional certification and documentation, all of which can lead to higher compliance and operational costs.

9.1.8 Our aquaculture shrimp farms are vulnerable to diseases and biological hazard infections

Our shrimp farming operations operate in an environmentally sensitive industry and are exposed to diseases or biological hazards infecting our biological stocks. During the first two months of the shrimp farming process, the post-larvae are most vulnerable to diseases and biological hazards. Some examples of these diseases include WSSV, IMNV and EMS, all of which are highly lethal and contagious which could lead to outbreaks that can lower or wipe out our pond yields.

During the Financial Periods Under Review, we have not experienced any severe disruptions to our shrimp farming operations due to diseases and biological hazard infections. We will continue to take regular preventive steps and biosecurity measures such as performing several types of virus test on post larvae before being introduced into the farms, daily testing of water quality to ensure they are within the required parameters, regular disinfection of equipment to avoid introduction of pathogens from external environment as well as sourcing for disease-resistant post-larvae. There can be no assurance that there would be no severe disease or biological hazards which may have a significant impact on our Group's aquaculture operations in the future.

9.1.9 We are subject to risk of disruptions to our operations

The performance of our Group is reliant on the smooth and efficient running of our aquaculture shrimp farms and seafood processing plant. Our aquaculture shrimp farming and seafood processing operations may be disrupted due to various factors including but not limited to natural disasters such as unscheduled maintenance works, fires and floods, power failures, unexpected breakdown or malfunction of machinery and equipment, occupational safety and health issues and industrial accidents.

Our operations rely on a range of machineries and equipment to operate. These machineries and equipment may on occasions, be out of service due to accidents, unanticipated failures or damages sustained during operations. Further, our operations are also exposed to risks of potential disruption or shutdown as a result of labour disputes as well as severe weather conditions.

Further, we currently only have 1 processing plant, being the Kurau Plant. As such, any significant operational disruption, prolonged suspension or any damage or destruction to our sole processing facility would prevent us from carrying out our operations and thus affecting our delivery to our customers. This in turn would have a material adverse impact on our business and financial performance.

Despite having precautionary measures in place, any prolonged interruptions and/or delays to our operations from any of the above events may have an adverse effect on our business operations and financial performance. During the Financial Periods Under Review, save for the major maintenance works at Kurau Farm as disclosed in Section 9.1.6 of this Prospectus, we have not experienced any of the aforementioned events which had severely disrupted our business operations and financial performance. However, there can be no assurance that our operations will not be affected by any unexpected disruptions to our operations in the future. In the event that our operations are disrupted, we may experience a negative effect on our reputation, business operations and financial performance.

9. RISK FACTORS (*cont'd*)

9.1.10 We are subject to the risk of termination and/or non-renewal of the lease/tenancy of our Kurau Farm and Selinsing Farm upon expiry

Our aquaculture shrimp farm operations at our Kurau Farm and Selinsing Farm are subject to risks of termination and/or non-renewal of the lease and tenancy of the land from PPPNP pursuant to the Lease Agreement for Kurau Farm (Phase I), Tenancy Agreement for Kurau Farm (Phase II) and Tenancy Agreement for Selinsing Farm.

Under the aforementioned agreements, we have been granted the rights by PPPNP to occupy the farms to operate and manage our aquaculture shrimp farming operations at both the Kurau Farm and Selinsing Farm, for periods which are renewable at the option of SBH Perak Agro for periods up to 31 December 2046 and 30 June 2080 respectively.

The salient terms of the Lease Agreement for Kurau Farm (Phase I), Tenancy Agreement for Kurau Farm (Phase II) and Tenancy Agreement for Selinsing Farm are set out in Section 7.11.5 of this Prospectus.

Pursuant to the Lease Agreement for Kurau Farm (Phase I), PPPNP has agreed to lease Kurau Farm (Phase I) to us for a lease period of 30 years from 1 January 2017 to 31 December 2046, subject to obtaining the state consent to lease the farm, of which is still pending as at the LPD. Pending the said state consent to lease, we are currently occupying the land as a tenant for 10 consecutive terms of 3-year tenancy periods from 1 January 2017, whereupon obtaining the state consent, such tenancy shall be automatically converted into a lease. In the event that the state consent is subsequently declined for whatever reasons, the parties will take steps to convert the lease arrangement into a tenancy arrangement, similar to the conversion arrangement relating to the Selinsing Farm as disclosed in Section 7.11.5 of this Prospectus. Notwithstanding the conversion, both tenancy and lease arrangements would have the same effects as the terms and conditions to be contained in the tenancy agreement are essentially and in substance the same and mirror the terms and conditions of the Lease Agreement for Kurau Farm (Phase I). The legal difference between the lease and tenancy arrangements is that under the lease arrangement, it allows the lease to be registered as provided for under the National Land Code, the existence of which is endorsed on the land title and becomes a notice to the public. In such a case, if PPPNP decides to sell the land, the buyer is (if the endorsement is not disclosed to him and he does not conduct a land search) bound by the lease as it is registered and endorsed. The buyer will therefore buy the land subject to the lease. The tenancy arrangement, however, is exempted from such registration under the National Land Code. If the buyer is a *bona fide* purchaser without notice of the tenancy, then our right will be based on the Tenancy Agreement for Selinsing Farm and the relief we would be entitled to would be in the form of damages against PPPNP, but not in the continued right to occupy the farm.

We are subject to the risk of termination and/or non renewal of the aforementioned tenancy and lease agreements in the event that both parties are not able to agree on mutually acceptable terms and conditions, including the new lease/rental payment for the extended terms. We may also face the risk that PPPNP as the landowner may decide to dispose of the Kurau Farm and/or Selinsing Farm to third parties, which may result in termination of the tenancy and/or lease agreements and which may disrupt our shrimp farming operations.

Further, our Group is subject to the risk of renewal of the lease/tenancy for the Kurau Farm and Selinsing Farm by PPPNP upon their expiry of the initial terms, at new terms and conditions which may be less favourable than the existing terms and conditions and which may have a material adverse impact on our financial performance.

In the event of such termination and/or non renewal, we may not be able to continue to operate our aquaculture shrimp farming operations at the Kurau Farm and/or Selinsing Farm. In such event, we would need to resort to procuring all our shrimps produce from external suppliers for our seafood processing operations at a cost which may be higher than the cost of shrimp produced from our own aquaculture shrimp farms. There is also no assurance that we will be able to source for the desired quantity and quality of shrimps from external suppliers as and when we need them for our seafood processing operations, hence resulting in adverse impact on and disruption to our processing operations and financial performance.

9. RISK FACTORS (cont'd)

9.1.11 Our business and operations are subject to governmental and regulatory requirements and risks of revocation or non-renewal of certifications, licences and permits

We are subject to various regulatory and licensing requirements in relation to our business operations and for the exports of our frozen processed seafood products as well as general compliance requirements for companies and businesses operating in Malaysia as disclosed in Section 7.4 of this Prospectus. Our certifications, licences and permits which include, amongst others, FQC and myGAP certifications for our shrimp farms, food premise registration, GMP, HACCP and MeSTI certifications for our Kurau Plant, and licence for dealing, importation, exportation and processing of fish are governed by various regulatory authorities such as the MAFS, MOH and LKIM. Our GMP, HACCP and MeSTI certifications are subject to biannual audits by the MOH to ensure continued compliance with the requisite manufacturing and food safety standards.

We also face the risk of revocation or non-renewal of certifications, licences and permits if we are unable to comply with any conditions imposed by the regulatory authorities. In such event, it may have an adverse impact on our business operations and financial performance. Any changes in the guidelines, laws, policies, regulations or other applicable requirements may also adversely affect our business operations and financial performance.

While we have not experienced any severe restrictions on our conduct of business during the Financial Periods Under Review, we will continue to take steps to comply with all conditions imposed by the regulatory authorities as well as any new laws and regulations which are applicable to our Group. However, there can be no assurance that any adverse development or changes in the regulatory environment will not have a significant effect on our Group's business operations.

9.1.12 We are exposed to foreign exchange rate fluctuations

Our export sales, which accounted for approximately 92.80%, 93.36%, 93.44% and 93.83% respectively of our revenue for the Financial Periods Under Review respectively, are predominantly denominated in the RM, RMB, USD, and SGD. Our Group's purchases are primarily denominated in RM, RMB and USD. We are therefore exposed to currency exchange rate risks that can be affected by a myriad of factors beyond our control, including but not limited to political and economic conditions in Malaysia and the world.

The following information sets out the breakdown of our Group's revenue and purchases transacted in various currencies for the FPE 2023:-

	Revenue		Purchases	
	RM'000	%	RM'000	%
RM	9,729	6.75	69,947	58.37
USD	130,264	90.33	45,993	38.38
RMB	4,219	2.92	3,891	3.25
Total	144,212	100.00	119,831	100.00

A depreciation of RM against the currencies which we transact in will lead to higher cost of purchases as well as higher revenue in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact in will lead to lower cost of purchases but lower revenue in RM after conversion.

While we practice hedging using foreign exchange contracts and maintaining foreign currency bank accounts, there can be no assurance that we will be able to completely eliminate our exposure to adverse foreign currency fluctuations in the future. Any material adverse movement in foreign currency exchange rates may have a material adverse impact on our Group's revenue and financial performance.

9. RISK FACTORS (cont'd)

9.1.13 We face the risk of infringement of our intellectual property rights

Some of our frozen seafood products are sold under our brand name “Titanium” which is registered with myIPO, the details of which are set out in Section 7.9 of this Prospectus. Sales of these products, which represent 33.74%, 42.83%, 50.59% and 41.01% of our total revenue during the Financial Periods Under Review respectively, have contributed to the growth and success of our business. We believe that brand recognition is important to our continued ability to retain our existing customers as well as to secure new customers. Although we are not aware of any infringement of our intellectual property rights in the past, there is no assurance that there will not be any infringement of our trademark by third parties via, amongst others, unauthorised use of our Titanium brand in the future, whether in Malaysia or other countries to which we export our products, which could have an adverse impact to our reputation and business. In the event of any such infringement, we may have to protect our intellectual property rights through litigations, which could result in substantial costs and diversion to our Group’s resources, which in turn may have a material adverse impact on our business operations and financial performance.

9.1.14 We are subject to the risk of inadequate insurance coverage

We maintain insurance coverage for our material assets and business operations. Currently, we have insurance policies in place to, amongst others, cover fire insurance for our Kurau Plant (including the coldroom and key equipment), Kurau Farm and Selinsing Farm as well as group personal accident. All these insurance coverages are subject to exclusions and limitations of liability both in amount and with respect to the insured events. As at the LPD, the total sum insured for our material assets and business operations amounted to approximately RM54.98 million, of which RM49.48 million relates to our Group’s PPE, right-of-use assets and inventories amounting to RM60.97 million in net book value as at 30 September 2023, representing approximately 81.16% insurance coverage.

However, our current insurance coverage may be inadequate to cover potential losses, damages or liabilities. For instance, fires, floods, storms or other events may cause damage to our production facilities in excess of the insurance coverage and may lead to significant costs incurred in connection with remedial and repair work that must be borne by us. If we suffer any losses or incur liabilities arising from insufficiently insured risk or any uninsured risk, our business and operating results may be adversely affected. In addition, our insurance premiums may also increase due to the insurance claims made. In such circumstances, our financial results may be materially and adversely affected.

During the Financial Periods Under Review, we have not encountered any major incident where the losses, damages or liabilities suffered by us were inadequately covered by our insurance coverage.

9.1.15 We may be affected by any adverse development or changes including economic slowdown in markets we supply our products

Our processed seafood products are mostly supplied and exported to customers in Asia, Europe and the Middle East. Therefore, we are vulnerable to any adverse changes in demand to our products, seafood consumption patterns, failure of delivery/logistics service model, government regulations and other social, economic, political and environmental developments in these regions which may adversely affect our business, financial conditions and results of our operations.

In addition, if there are unforeseen events such as outbreak of war, terrorist attack or other political, economical or social unrest events, which lead to economic slowdown, the demand for our products may decrease, which could have a material and adverse impact on our financial performance.

9. RISK FACTORS *(cont'd)*

9.1.16 COVID-19 implications towards our Group's business operations

Following the announcement in January 2020 to declare COVID-19 as a public health emergency, the World Health Organisation had on 11 March 2020 declared COVID-19 outbreak as a global pandemic. Following this, most countries including Malaysia have taken measures to curb the spread of the virus by shutting down non-essential activities and closing their borders. This has resulted in a disruption in global supply chains and uncertainties in the market, thus, dampening the global economic outlook.

Since the initial lockdown measures were imposed by the Malaysian Government in March 2020, we were allowed to continue our business operations as our business operations are considered an essential service. Since the imposition of the various lockdown measures, we have experienced temporary closure of our processing plant for a total of 8 days in August 2021 after some of our workers at our Kurau Plant tested positive for COVID-19 infections. However, the temporary closure had not materially affected the business operations and financial performance of our Group.

The COVID-19 pandemic had affected some of our customers, which in turn affected the demand for our products. The shortages of shipping containers caused by the global supply chain disruptions had also resulted in higher freight costs for the exportation of our frozen seafood products to our overseas customers.

Since March 2022, our country had began transitioning into the endemic phase of COVID-19 where most of the restrictions and standard operating procedures have been removed and our international borders have also been re-opened. On 9 May 2023, the World Health Organisation announced that COVID-19 is no longer a public health emergency of international concern.

Whilst COVID-19 may no longer considered a public health emergency, there is no assurance that the COVID-19 or a new pandemic will not recur in the future which would have a material impact on our future business operations and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 Competition from other frozen seafood producers**

We operate in a competitive environment where we face competition from other frozen seafood players in the markets which we serve. Market players compete on a variety of factors, which include amongst others, prices, quality and variety of our products compliance records with respect to local and international food quality and safety standards. There is no assurance that we are able to compete successfully on any or all of these competitive factors in the future, failing which it may have a material adverse impact on our business and financial performance.

Historically, the logistics and perishability nature of seafood have led to regionalised competition. However, improved delivery logistics and improved food preservation method have resulted in the market for frozen processed seafood such as shrimps and cephalopods and other seafood products to be increasingly globalised. Increased competition, overcapacity and industry consolidation may lead to more competitive product pricing that could result in our frozen seafood products less attractive. In such circumstances, it may have a material adverse effect on our business and financial performance.

We stay competitive in the market by providing our customers with high quality products which are in compliance with acceptable food quality and safety standards. However, there can be no assurance that our aforementioned efforts will maintain our competitiveness or attract and retain new or future customers.

9. RISK FACTORS *(cont'd)*

9.2.2 We are subject to changes in political, social, economic and regulatory conditions in Malaysia as well as overseas

Major changes and development in the political, social, economic and regulatory conditions in Malaysia may have adverse impact on our business operations and financial performance. Such risk also extends to countries where our overseas customers are based. The risks include changes to fiscal and monetary policies, changes to industry regulations, civil unrest, acts of terrorism, riots, changes in political leadership and changes to laws and policies. In addition, any prolonged economic slowdown in Malaysia, including our export destinations may lead to decreased orders from our customers, which could have an adverse effect on our financial performance and future outlook.

9.3 RISKS RELATING TO OUR INVESTMENT IN OUR SHARES
9.3.1 No prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Hence, there is a risk that upon Listing, an active market for our Shares may not develop, or if developed, that such a market cannot be sustained. There is also no assurance that there will be liquid market for our Shares. Upon the Listing, our Share price may fluctuate based on a variety of factors such as demand and supply for our Shares, the expectations of our future financial performance as well as the general stock market conditions.

Investors of our IPO Shares should be aware of such risks before deciding to invest in our Shares as there is no certainty that our Shares will trade above the IPO Price upon our Listing.

9.3.2 The trading price and volume of our shares following our IPO may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as 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. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Company have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 8 Market Days after the closing date of our IPO before the commencement of trading of our Shares on Bursa Securities. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market, our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- material deterioration in our financial performance and operations;
- failure of our management team in implementing business strategies;
- adverse changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- adverse changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- departures of our key senior management;
- decline in stock market prices and volumes; and
- involvement in any material litigation.

9. RISK FACTORS *(cont'd)*

9.3.3 Delay in or abortion of our Listing

Our IPO is exposed to the risk of potential failure or delay should the following events, amongst others, occur:-

- (a) our Company or our Sole Underwriter fails to honour its obligations under the Underwriting Agreement;
- (b) identified investors fail to subscribe for the portions of the IPO Shares allotted to them which have not been underwritten by the Sole Underwriter; and/or
- (c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our issued Shares for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of Listing.

In the event that any of the above event occurs, we will return in full, without interest, monies paid in respect of all applications for the IPO Shares, in compliance with Section 243(2) of the CMSA.

Nevertheless, we will endeavour to ensure compliance of the various listing requirements for our successful listing on the ACE Market.

9.3.4 There is no assurance of payment of dividends to our shareholders

In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, capital expenditure plans, loan covenants and compliance with regulatory requirements. Whilst we endeavour to make dividend payments annually, there is a risk of us not being able to pay any dividends in the future as a result of the factors stated above. See Section 12.8 of this Prospectus for statement by our Board on its dividend policy.

9.4 OTHER RISKS

9.4.1 Continued control by our Promoters

Upon completion of our IPO, our Promoters together with their family members will collectively hold approximately 60.95% of our enlarged issued Shares. As a result, these shareholders, acting together, will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Company has appointed Mohd Salim Bin Dulatti, Dato' Ts Dr Thian Boon Chung, Dr Cheah Soo Jin and Teoh Li Hoon as our Independent Directors and they will play an effective role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Our Board has confirmed that save as disclosed below, there are no other material related party transactions that we have entered into with any related parties during the Financial Periods Under Review and up to the LPD:-

No.	Transacting Parties	Nature of Relationships	Nature of Transactions	Value of transactions (RM'000)				
				FYE 2020	FYE 2021	FYE 2022	FPE 2023	1.10.2023 up to the LPD
1.	SBH Marine and Tan Boo Nam	Tan Boo Nam is our Group MD and a major shareholder of the Company. He is also a director of SBH Marine and was a major shareholder of SBH Marine.	Disposal of a vacant land located at Lot 1480, Permatang Kling, Nibong Tebal, Mukim 9, Seberang Perai Selatan, Pulau Pinang by SBH Marine to Tan Boo Nam pursuant to a sale and purchase agreement dated 22 December 2021, which was completed on 30 December 2021	-	5,562.05 (7.57% of our Group's NA for FYE 2021)	-	-	-
2.	SBH Marine and Teoh Kim Kooi	Teoh Kim Kooi is a director of SBH Marine.	Rental of workers' accommodation located at 1 st and 2 nd floors, No. 19 and 21, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak by SBH Marine from Teoh Kim Kooi and this rental arrangement shall subsist after the Listing	4.80 (0.06% of our Group's combined PAT for FYE 2020)	4.80 (0.04% of our Group's combined PAT for FYE 2021)	26.80 (0.21% of our Group's combined PAT for FYE 2022)	23.40 (0.28% of our Group's combined PAT for FPE 2023)	13.00 *
3.	SBH Marine and MP Aquaculture Enterprise	Tan Yuak Ming is our Deputy MD. He is also a director of SBH Marine. He was also a partner in MP Aquaculture Enterprise (with 50% share). He has withdrawn from the partnership on 26 July 2022.	Purchase of farmed shrimps by SBH Marine from MP Aquaculture Enterprise. SBH Marine ceased to purchase farmed shrimps from MP Aquaculture Enterprise since September 2020.	596.84 (0.48% of our Group's purchases for FYE 2020)	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Notes:-

- (1) The disposal price of RM5.562 million was arrived at based on the landed area of 185,402 sq ft valued at RM30 per sq ft, which is supported by an independent market valuation of RM5.563 million (or about RM30 per sq ft) as at 25 January 2022 as appraised by an independent valuer appointed by SBH Marine. The disposal price represents a discount of approximately RM0.009 million or 0.02% of the market value of the land. Save for the slight discount which was due to rounding difference, the above related party transaction is considered to be on arm's length basis and based on terms not unfavourable to the Group.
 - (2) For the period from 1 January 2020 to 28 February 2022, our Group was renting the 2nd floor of a shophouse located at No. 19, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak from Teoh Kim Kooi for a monthly rental of RM400. From 1 March 2022 up to LPD, our Group has also rented both the 1st and 2nd floors of the said property and the 1st and 2nd floors of an adjacent shophouse located at No. 21, Jalan Lintang Aman 1, Taman Kurau Aman, 34350 Kuala Kurau, Perak from Teoh Kim Kooi for an aggregate monthly rental of RM2,600. The tenancy agreements are based on terms which are commonly adopted by tenancy arrangements of similar nature entered into by parties dealing on arm's length basis. The above rental rates are also in line with those of other premises within the vicinity. Our Board are of the opinion that the rental of shophouses from its related party are being carried out on arm's length basis and based on terms and conditions which are not unfavourable to the Group.
 - (3) The purchase of farmed shrimps by SBH Marine from MP Aquaculture Enterprise was carried out in its ordinary course of business. The prices for the farmed shrimps supplied by MP Aquaculture Enterprise were based on market prices comparable to the other farmed shrimps procured from other external suppliers of SBH Marine. Therefore, our Directors are of the opinion that the purchase of shrimps from its related party had been carried out on arm's length basis and based on terms and conditions which are not unfavourable to the Group. In addition, our Group had since September 2020 ceased to purchase shrimps from MP Aquaculture Enterprise.
- * Not applicable as we did not prepare any financial statements from 1 October 2023 up to the LPD.

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are recurrent of a revenue or trading in nature and which are necessary for our day-to-day operations, we may seek a general mandate from our shareholders to enter into such recurrent related party transactions without having to seek separate shareholders' approval each time we wish to enter into such recurrent related party transactions during the validity period of the mandate.

If there are any proposed related party transaction that require the prior approval of our shareholders, the Directors, major shareholders and/or persons connected with them, which have any interest, direct or indirect, in the proposed related party transactions will be required to abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Directors and/or major shareholders are also required to undertake to ensure that persons connected with them abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

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, review any related party transaction and the terms thereof and recommend 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. RELATED PARTY TRANSACTIONS (cont'd)**10.2 OTHER TRANSACTIONS****10.2.1 Transactions That Are Unusual in Nature or Conditions**

There are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the Financial Periods Under Review and the subsequent period up to the LPD.

10.2.2 Outstanding Loans and Guarantees

Our Board has confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Group to or for the benefit of any related party during the Financial Periods Under Review and the subsequent period up to the LPD.

Certain Directors of our Group have jointly and severally provided personal guarantees for the banking and leasing facilities extended by several financial and non-financial institutions, the details of which are set out below:-

Financiers	Type of Facilities	Guarantors	Facility Limit (RM'000)	Outstanding Amount as at the LPD (RM'000)
Malayan Banking Berhad	Tradeline facilities, foreign exchange contract, overdraft and term loan (SBH Marine)	Tan Boo Nam, Tan Yuak Ming and Tan Yuak Kwang	7,930	-
	Foreign exchange contract (Fantastic Seafood)	Tan Boo Nam, Tan Yuak Ming, Tan Yuak Kwang and Teoh Kim Kooi ⁽¹⁾	1,000	-
	Hire purchase facilities (Fantastic Seafood)	Tan Yuak Kwang	855	102
	Foreign exchange contract (Jaguh Dinamik)	Tan Boo Nam, Tan Yok Jin and Ong Kok Leong ⁽²⁾	1,000	-
Maybank Islamic Berhad	Commodity Murabahah Term Financing-i (Jaguh Dinamik)	Tan Boo Nam, Tan Yok Jin and Ong Kok Leong ⁽²⁾	1,000	431
Public Bank Berhad	Hire purchase facilities (SBH Marine and SBH Perak Agro)	Tan Boo Nam	470	257
Mercedes-Benz Services Malaysia Sdn Bhd	Hire purchase facilities (SBH Marine)	Tan Boo Nam	300	17

Notes:-

- (1) Teoh Kim Kooi is a director of Fantastic Seafood.
- (2) Ong Kok Leong was a former director of Jaguh Dinamik.

In conjunction with the Listing, the respective financiers had agreed to discharge the abovementioned personal guarantees upon the completion of the Listing.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

10.2.3 Financial Assistance Provided for the Benefit of a Related Party

There were no financial assistance provided by us for the benefit of any related party for the Financial Periods Under Review and the subsequent period up to the LPD.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESSES

As at the LPD, none of our substantial shareholders and/or Directors has any interest, directly or indirectly, in any businesses or corporations which is carrying on a similar trade as our Group or which is a customer or supplier of our Group.

In order to safeguard the interest of our Group and minority shareholders, the Audit Committee will monitor and review any potential conflict of interest situation and report to the Board for further deliberation and action.

11.2 DECLARATION BY THE ADVISERS

- (a) KAF IB has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent in respect of our IPO.
- (b) WYNCORP has confirmed that there is no existing or potential conflict of interest in its capacity as the Corporate Finance Adviser in respect of our IPO.
- (c) BDO has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants in respect of our IPO.
- (d) ZICO has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO.
- (e) Protégé Associates has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher in respect of our IPO.

11.3 SALIENT TERMS OF ENGAGEMENT AND SCOPE OF WORK OF OUR CORPORATE FINANCE ADVISER

The salient terms of engagement and scope of work of our Corporate Finance Adviser are, amongst others, as follows:-

- (a) in consultation with the Promoters and Principal Adviser, advising the Company on the Internal Restructuring and Listing Scheme in preparation for our Listing;
- (b) in consultation with the Promoters and Principal Adviser, assisting the Company on conceptualising, advising, planning and implementing the Listing, including the offer structure, size and method of achieving the optimal public shareholding spread, pricing of the Shares, the enlarged issued share capital and other related capital/financial matters. For the avoidance of doubt, the role of the Corporate Finance Adviser does not involve underwriting and placement of Shares in relation to our IPO;
- (c) in consultation with the Promoters and Principal Adviser, assisting the Company in reviewing the submission documents and the Prospectus and, where applicable, advising on relevant matters that may arise in the process of implementation of our Listing;
- (d) together with the Principal Adviser, advising the Company on the regulatory requirements and compliance matters, including the appropriate corporate governance structure, in relation to our Listing; and

11. CONFLICT OF INTEREST *(cont'd)*

- (e) participating in the due diligence working group to verify the information, data, documents and representations by the Directors contained in the Prospectus and submissions to the relevant authorities, as agreed in the due diligence planning memorandum.

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12. FINANCIAL INFORMATION

12.1 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PROFORMA CONSOLIDATED FINANCIAL STATEMENTS



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10050 Penang
Malaysia
SST No: P11-1809-32000112

The Board of Directors
SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
39, Irving Road
10400 Georgetown
Penang, Malaysia

Date: 19 FEB 2024

Our ref: BDO/KTH/WXJ/ROYX

Dear Sirs

SBH MARINE HOLDINGS BERHAD (FORMERLY KNOWN AS FANTASTIC HOLDINGS BERHAD) ("SBH Holdings" or "the Company") AND ITS COMBINING ENTITIES ("SBH Group" or "the Group")

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 SEPTEMBER 2023 ("This Report")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial statements of the Group for the financial period from 1 January 2023 to 30 September 2023 ("Pro Forma Consolidated Financial Statements") prepared by the Board of Directors of the Company ("Board of Directors"). The Pro Forma Consolidated Financial Statements consists of the pro forma consolidated statements of financial position as at 30 September 2023, the pro forma consolidated statements of profit or loss and other comprehensive income and the pro forma consolidated statements of cash flows for the financial period from 1 January 2023 to 30 September 2023, together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The Pro Forma Consolidated Financial Statements have been prepared for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Financial Statements are described in the notes thereon to the Pro Forma Consolidated Financial Statements and are in accordance with Chapter 9, Part II Division 1: *Equity* of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Financial Statements have been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the notes to the Pro Forma Consolidated Financial Statements had the events or transactions been effected as at 30 September 2023. As part of this process, information about the financial statements of the Group has been extracted by the Board of Directors from the audited combined financial statements of the Group for the financial period from 1 January 2023 to 30 September 2023, on which an auditors' report has been addressed to the Board of Directors.

Directors' Responsibility for the Pro Forma Consolidated Financial Statements

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Financial Statements on the basis as described in the notes thereon to the Pro Forma Consolidated Financial Statements and in accordance to the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (cont'd)

**Reporting Accountants' Independence and Quality Management**

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies International Standards on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* as adopted by the Malaysian Institute of Accountants and accordingly, the Firm is required to design, implement and operate a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Financial Statements have been compiled, in all material respects, by the Board of Directors on the basis described in the notes thereon to the Pro Forma Consolidated Financial Statements.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Financial Statements on the basis set out in the notes thereon to the Pro Forma Consolidated Financial Statements and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Financial Statements, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Statements. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Consolidated Financial Statements in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Statements have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Financial Statements and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Financial Statements provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) The related pro forma adjustments give appropriate effect to those criteria; and
- (b) The Pro Forma Consolidated Financial Statements reflect the proper application of those adjustments to the unadjusted financial information.

12. FINANCIAL INFORMATION (cont'd)



Reporting Accountants' Responsibility (continued)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Financial Statements have been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Financial Statements have been compiled, in all material respects, on the basis described in the notes thereon to the Pro Forma Consolidated Financial Statements and in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' *Guidance Note for Issuers of Pro Forma Financial Information*.

Other Matters

This Report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink that reads 'BDO PLT'.

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

A handwritten signature in black ink that reads 'Koay Theam Hock'.

Koay Theam Hock
02141/04/2025 J
Chartered Accountant

12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

1. INTRODUCTION AND BASIS OF PREPARATION**1.1 Introduction**

The pro forma consolidated financial statements of SBH Marine Holdings Berhad (formerly known as Fantastic Holdings Berhad) (“SBH Holdings” or “the Company”) and its subsidiaries (collectively referred to as “the Group”) for the financial period from 1 January 2023 to 30 September 2023 (“Pro Forma Consolidated Financial Statements”) together with the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The Pro Forma Consolidated Financial Statements consist of the pro forma consolidated statements of financial position as at 30 September 2023 (“Pro Forma Consolidated SOFP”), the pro forma consolidated statements of profit or loss and other comprehensive income (“Pro Forma Consolidated SOPL”) and the pro forma consolidated statements of cash flows (“Pro Forma Consolidated SOCF”) for the financial period from 1 January 2023 to 30 September 2023 (“FPE 30 September 2023”), together with the accompanying notes thereon.

1.2 Basis of Preparation

The Pro Forma Consolidated Financial Statements have been prepared based on the audited combined financial statements for the FPE 30 September 2023, which were prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”), and in a manner consistent with the format of the financial statements and the accounting policies of the Group.

The Pro Forma Consolidated Financial Statements have been prepared for illustrative purposes only to show the effects of the events or transactions as set out in Note 2 on the audited combined financial statements of the Group for the FPE 30 September 2023 had the transactions been effected on 30 September 2023 or a specified date listed in the notes thereon, and should be read in conjunction with the notes thereon. Due to its nature, the Pro Forma Consolidated Financial Statements is not necessarily indicative of the financial position and financial performance of the Group that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. Further, such information does not predict the future financial position and financial performance of the Group.

The audited combined financial statements of the Group for the FPE 30 September 2023 were not subject to any audit qualification, modification or disclaimer.

2. LISTING SCHEME

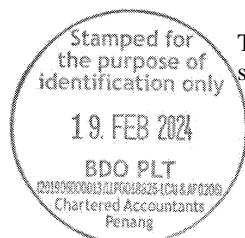
In conjunction with, and as an integral part of the Listing, the Company undertook the following:

2.1 Restructuring and Subsequent Events**2.1.1 Acquisition of SBH Perak Agro Aquaculture Sdn. Bhd. (“SBH Perak Agro”)**

On 7 July 2022, SBH Aquaculture Farm Sdn. Bhd. (“SBH Aquaculture”) had entered into a share sale agreement with the Company and Perak Agro Aquaculture Sdn. Bhd. (“PASB”) to acquire the remaining 51% equity interest in SBH Perak Agro from PASB for a purchase consideration of approximately RM5,898,256. The purchase consideration was satisfied via the issuance of 26,810,257 new ordinary shares of the Company (“Shares”) at RM0.22 each to PASB.

The purchase consideration of approximately RM5,898,256 was arrived at based on a “willing-buyer willing-seller” basis after taking into consideration the audited net assets of SBH Perak Agro as at 31 December 2020 of RM19,264,321 and the profit sharing ratio of the joint venture.

The acquisition was completed on 15 January 2024 where SBH Perak Agro became a wholly-owned subsidiary of SBH Aquaculture.



12. FINANCIAL INFORMATION (cont'd)

SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements

2. LISTING SCHEME (continued)

In conjunction with, and as an integral part of the Listing, the Company undertook the following (continued):

2.1 Restructuring and Subsequent Events (continued)**2.1.1 Acquisition of SBH Perak Agro (continued)**

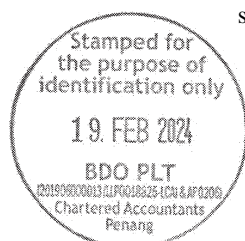
The following illustrates the assumed assets and liabilities acquired arising from the consolidation of SBH Perak Agro as described below:

	30.9.2023 RM'000
Assets	
Property, plant and equipment	24,166
Right-of-use assets	1,943
Inventories	284
Biological assets	1,614
Trade and other receivables	3,862
Current tax assets	340
Cash and bank balances^	52
Total assets	32,261
Liabilities	
Trade and other payables^	11,492
Lease liabilities	76
Total liabilities	11,568
Total identifiable net assets	20,693
(-) Fair value of previously held equity interest	(14,501)
(-) Bargain purchase on acquisition*	(294)
Purchase consideration	5,898

^ On 5 December 2023, SBH Perak Agro declared dividends of RM1,906,000 to its existing shareholders, namely SBH Aquaculture and PASB, which is payable on 30 January 2024. The distribution and payment of the abovementioned dividends has been illustrated in the Pro Forma Consolidated SOFP to show the effects of the distribution and payment had these transactions been effected on 30 September 2023.

Included in trade and other payables of SBH Perak Agro was an upfront rental payable to PASB amounted to RM1,583,722, whereby the amounts of RM1,317,743 and RM265,979 were paid on 16 January 2024 and 17 January 2024 respectively. The amount of RM1,317,743 will be utilised as subscription price to subscribe for the 5,989,743 new Shares pursuant to the subscription by PASB as mentioned in Note 2.1.3. These payments have been illustrated in the Pro Forma Consolidated SOFP to show the effects of these payments had these transactions been effected on 30 September 2023.

* It should be noted that the goodwill or bargain purchase on acquisition is solely for the purpose of preparation of these Pro Forma Consolidated Financial Statements and for illustrative purposes only. The final goodwill or bargain purchase on acquisition will depend on the purchase price allocation to be conducted in accordance with MFRS 3 *Business Combinations*, whereby the fair value of the assets and liabilities of SBH Perak Agro acquired will ultimately be determined. Accordingly, the final determination of the purchase price, fair values and resulting goodwill or bargain purchase on the acquisition of SBH Perak Agro may differ significantly from what is reflected in these Pro Forma Consolidated Financial Statements.



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

2. LISTING SCHEME (continued)

In conjunction with, and as an integral part of the Listing, the Company undertook the following (continued):

2.1 Restructuring and Subsequent Events (continued)**2.1.2 Acquisition of Top Grade Hatchery Sdn. Bhd. (“Top Grade”)**

On 7 July 2022, SBH Aquaculture had entered into a share sale agreement with the Company and the non-controlling shareholders of Top Grade to acquire the remaining 30% equity interest in Top Grade from the non-controlling shareholders of Top Grade for a purchase consideration of RM600,000. The purchase consideration was satisfied via the issuance of 2,727,274 new Shares at RM0.22 each to the non-controlling shareholders of Top Grade.

The purchase consideration of RM600,000 was arrived at based on a “willing-buyer willing-seller” basis after taking into consideration the cost of investment by the non-controlling shareholders of Top Grade of the said 30% equity interest in Top Grade of RM600,000.

The Acquisition of Top Grade was completed on 3 January 2024.

2.1.3 Subscription by PASB

On 7 July 2022, the Company entered into a subscription agreement with PASB whereby PASB had agreed to subscribe for 5,989,743 new Shares at RM0.22 each for a total subscription price of RM1,317,743. The subscription price of RM0.22 per Share was arrived at based on a “willing-buyer willing-seller” between the Company and PASB based on the future prospects of the Group.

The subscription by PASB was completed on 17 January 2024.

2.1.4 Distribution and Payment of Dividends**FPE 30 September 2023**

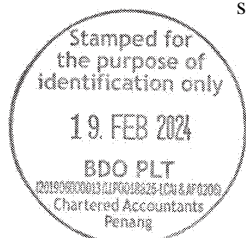
On 19 September 2023 and 29 September 2023, the Company had declared dividends of RM2,000,000 each to its existing shareholders, which were paid on 8 December 2023 and 18 December 2023 respectively. The total payment of the abovementioned dividends amounted to RM4,000,000 are illustrated in the Pro Forma Consolidated SOFP as at 30 September 2023 and Pro Forma Consolidated SOCF for the financial period ended 30 September 2023 to show the effects of these payments had these payments been effected on 30 September 2023.

Financial Year Ended 31 December 2022

On 3 January 2023 and 27 February 2023, the Company had declared dividends of RM2,000,000 each to its existing shareholders, which were paid on 12 January 2023 and 21 March 2023 respectively. The total distribution and payment of the abovementioned dividends amounted to RM4,000,000 are illustrated in the Pro Forma Consolidated SOCF for the financial year ended 31 December 2022 to show the effects of these transactions had these transactions been effected on 31 December 2022.

2.2 Initial Public Offering (“IPO”)**2.2.1 Public Issue and Offer for Sale**

Public issue of 180,000,000 new ordinary shares in the Company (“Shares”) and an offer for sale of 50,000,000 existing Shares, representing 5.07% and 5.63% respectively of the enlarged number of issued shares of the Company, at an issue/offer price of RM0.22 per Share.



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

2. LISTING SCHEME (continued)

In conjunction with, and as an integral part of the Listing, the Company undertook the following (continued):

2.2 Initial Public Offering (“IPO”) (continued)**2.2.2 Listing**

Admission to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company of RM103,621,863 (after netting off estimated listing expenses of RM1,492,298 assumed to be directly attributable to the IPO) comprising 888,000,000 Shares on the ACE Market of Bursa Malaysia Securities Berhad.

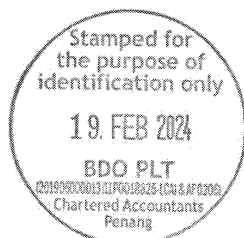
2.3 Utilisation of Proceeds from the IPO

The gross proceeds from the IPO of RM39,600,000 are expected to be utilised in the following manner:

	RM'000
Development of Selinsing farm ¹	16,000
Construction of a new seafood processing plant ¹	6,500
Purchase of machineries/equipment and motor vehicles ¹	6,100
Working capital requirements ¹	7,000
Estimated listing expenses ²	4,000
	39,600

Notes:

- (1) As the Group has yet to enter into any definitive agreements with any parties, the proceeds earmarked for development of Selinsing Farm, construction of a new seafood processing plant, purchase of machineries/equipment and motor vehicles, together with proceeds earmarked for working capital purposes, have been included in cash and bank balances for purposes of illustration in the Pro Forma Consolidated SOFP.
- (2) The estimated listing expenses totaling RM4,000,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM262,036 (31.12.2022: NIL) had been included under prepayments as at 30 September 2023. A total of RM1,492,298 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM2,507,702 are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss and other comprehensive income. During the FPE 30 September 2023, listing expenses amounted to RM270,384 (31.12.2022: RM859,500) have been expensed off to the statements of profit or loss and other comprehensive income.



12. FINANCIAL INFORMATION (cont'd)

SBH Marine Holdings Berhad
(Formerly known as **Fantastic Holdings Berhad**)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements

3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023

The Pro Forma Consolidated SOFP as at 30 September 2023 has been prepared for illustrative purposes only to show the effects on the audited combined statement of financial position of the Group as at 30 September 2023 based on the assumptions that the transactions as set out in Note 2 had been effected on 30 September 2023, and should be read in conjunction with the notes accompanying the Pro Forma Consolidated SOFP.

ASSETS	Note	As at 30 September 2023 RM'000	Adjustments for Restructuring and Subsequent Events RM'000		Pro Forma I After Restructuring and Subsequent Events RM'000		Pro Forma II After Pro Forma I and After IPO RM'000		Pro Forma III After Pro Forma II and Utilisation of Proceeds from the IPO RM'000	
			Restructuring Subsequent Events RM'000	After Restructuring and Subsequent Events RM'000	Adjustments for IPO RM'000	After Pro Forma I and After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	After Pro Forma II and Utilisation of Proceeds from the IPO RM'000		
Non-current assets										
Property, plant and equipment		8,525	24,166	32,691	-	32,691	-	32,691	-	32,691
Right-of-use assets		2,020	1,943	3,963	-	3,963	-	3,963	-	3,963
Investment in a joint venture		15,735	(15,735)	-	-	-	-	-	-	-
Deferred tax assets		7	-	7	-	7	-	7	-	7
		26,287	10,374	36,661	-	36,661	-	36,661	-	36,661
Current assets										
Inventories		24,031	284	24,315	-	24,315	-	24,315	-	24,315
Biological assets		-	1,614	1,614	-	1,614	-	1,614	-	1,614
Trade and other receivables	3.2.1	49,667	(7,459)	42,208	-	42,208	(262)	41,946	-	41,946
Current tax assets		289	340	629	-	629	-	629	-	629
Cash and bank balances	3.2.2	15,715	(3,948)	11,767	39,600	51,367	(2,608)	48,759	-	48,759
		89,702	(9,169)	80,533	39,600	120,133	(2,870)	117,263	-	117,263
TOTAL ASSETS		115,989	1,205	117,194	39,600	156,794	(2,870)	153,924		
EQUITY AND LIABILITIES										
Equity attributable to owners of the Company										
Share capital	3.2.3	57,698	7,816	65,514	39,600	105,114	(1,492)	103,622	-	103,622
Reserves	3.2.4	23,666	283	23,949	-	23,949	(1,378)	22,571	-	22,571
		81,364	8,099	89,463	39,600	129,063	(2,870)	126,193	-	126,193
Non-controlling interests		355	(355)	-	-	-	-	-	-	-
TOTAL EQUITY		81,719	7,744	89,463	39,600	129,063	(2,870)	126,193		



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

	3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)						
	As at 30 September 2023 RM'000	Adjustments for Restructuring and Subsequent Events RM'000	Pro Forma I After Restructuring and Subsequent Events RM'000	Adjustments for IPO RM'000	Pro Forma II After Pro Forma I and After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds from the IPO RM'000
LIABILITIES							
Non-current liabilities							
Borrowings	311	-	311	-	311	-	311
Lease liabilities	593	33	626	-	626	-	626
Deferred tax liabilities	427	-	427	-	427	-	427
	1,331	33	1,364	-	1,364	-	1,364
Current liabilities							
Borrowings	779	-	779	-	779	-	779
Lease liabilities	571	43	614	-	614	-	614
Trade and other payables	30,075	(6,615)	23,460	-	23,460	-	23,460
Current tax liabilities	1,514	-	1,514	-	1,514	-	1,514
	32,939	(6,572)	26,367	-	26,367	-	26,367
TOTAL LIABILITIES	34,270	(6,539)	27,731	-	27,731	-	27,731
TOTAL EQUITY AND LIABILITIES	115,989	1,205	117,194	39,600	156,794	(2,870)	153,924
Net assets (RM'000)	81,719		89,463		129,063		126,193
Number of ordinary shares assumed in issue ('000)	672,473		708,000		888,000		888,000
Net assets attributable to equity holders per ordinary share (RM)	0.12		0.13		0.15		0.14



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)

3.1 Pro Forma Adjustments to the Pro Forma Consolidated SOFP as at 30 September 2023

3.1.1 Pro Forma I

Pro Forma I is stated after incorporating the effects of the restructuring and subsequent events as set out in Note 2.1.

3.1.2 Pro Forma II

Pro Forma II is stated after incorporating the effects of Pro Forma I and effect after the completion of the IPO as set out in Note 2.2.

3.1.3 Pro Forma III

Pro Forma III is stated after incorporating the effects of Pro Forma I, Pro Forma II and effect after the utilisation of proceeds from the IPO as set out in Note 2.3.

3.2 Notes to the Pro Forma Consolidated SOFP as at 30 September 2023

3.2.1 Trade and Other Receivables

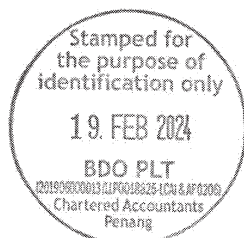
The movements of trade and other receivables are as follows:

	RM'000
As at 30 September 2023	49,667
Restructuring and subsequent events	<u>(7,459)</u>
Pro Forma I/Pro Forma II	42,208
Utilisation of proceeds from the IPO	
- Estimated listing expenses	<u>(262)</u>
Pro Forma III	<u>41,946</u>

3.2.2 Cash and Bank Balances

The movements of cash and bank balances are as follows:

	RM'000
As at 30 September 2023	15,715
Restructuring and subsequent events	<u>(3,948)</u>
Pro Forma I	11,767
IPO	<u>39,600</u>
Pro Forma II	51,367
Utilisation of proceeds from the IPO	
- Estimated listing expenses	<u>(2,608)</u>
Pro Forma III	<u>48,759</u>



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

3. PRO FORMA CONSOLIDATED SOFP AS AT 30 SEPTEMBER 2023 (continued)

3.2 Notes to the Pro Forma Consolidated SOFP as at 30 September 2023 (continued)

3.2.3 Share Capital

The movements of share capital are as follows:

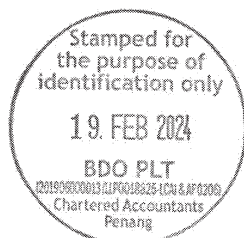
	RM'000
As at 30 September 2023	57,698
Restructuring and subsequent events	7,816
Pro Forma I	65,514
IPO	39,600
Pro Forma II	105,114
Utilisation of proceeds from the IPO	
- Estimated listing expenses	(1,492)
Pro Forma III	103,622

3.2.4 Reserves

The movements of reserves are as follows:

	Retained earnings	Merger reserve	Total
	RM'000	RM'000	RM'000
As at 30 September 2023	60,578	(36,912)	23,666
Restructuring and subsequent events	283	-	283
Pro Forma I/Pro Forma II	60,861	(36,912)	23,949
Utilisation of proceeds from the IPO			
- Estimated listing expenses	(1,378)	-	(1,378)
Pro Forma III	59,483	(36,912)	22,571

The merger reserve arose as a result of the difference between consideration paid over the share capital of the combining entities pursuant to business combinations under common control.



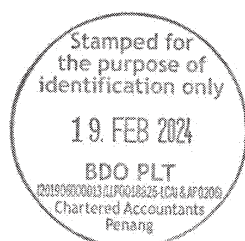
12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
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Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

4. PRO FORMA CONSOLIDATED SOPL FOR THE FPE 30 SEPTEMBER 2023

The Pro Forma Consolidated SOPL for the FPE 30 September 2023 has been prepared for illustrative purposes only to show the effects of the transactions set out in Note 2.1 and Note 2.3 on the audited combined statements of profit or loss and other comprehensive income of the Group for the FPE 30 September 2023 based on the assumptions that the transactions as set out in Note 2.1 was completed on 1 January 2023, and should be read in conjunction with the accompanying notes.

	Combined Statements of Profit or Loss and Other Comprehensive Income RM'000	Restructuring RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Revenue	144,212	(5,160)	-	139,052
Cost of sales	(120,891)	4,914	-	(115,977)
Gross profit	23,321	(246)	-	23,075
Other income	1,146	41	-	1,187
Selling and distribution expenses	(3,936)	(177)	-	(4,113)
Administrative expenses	(6,514)	(2,085)	(1,378)	(9,977)
Net additional of impairment losses on trade and other receivables	(280)	-	-	(280)
Share of losses of a joint venture	(1,647)	1,647	-	-
Finance costs	(78)	(4)	-	(82)
Profit before tax	12,012	(824)	(1,378)	9,810
Tax expense	(3,636)	(47)	-	(3,683)
Profit for the financial period, representing total comprehensive income for the financial period	<u>8,376</u>	<u>(871)</u>	<u>(1,378)</u>	<u>6,127</u>
Profit for the financial period attributable to:				
Owners of the Company	8,403	(898)	(1,378)	6,127
Non-controlling interests	(27)	27	-	-
	<u>8,376</u>	<u>(871)</u>	<u>(1,378)</u>	<u>6,127</u>
Total comprehensive income for the financial period attributable to:				
Owners of the Company	8,403	(898)	(1,378)	6,127
Non-controlling interests	(27)	27	-	-
	<u>8,376</u>	<u>(871)</u>	<u>(1,378)</u>	<u>6,127</u>



12. FINANCIAL INFORMATION (cont'd)

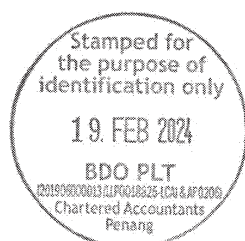
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Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

4. PRO FORMA CONSOLIDATED SOPL FOR THE FPE 30 SEPTEMBER 2023 (continued)

	Combined Statements of Profit or Loss and Other Comprehensive Income RM'000	Restructuring RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Earnings per ordinary share attributable to owners of the Company:				
Basic and diluted (sen)				
Before completion of the listing	1.19	(0.13)	(0.19)	0.87
After completion of the listing	<u>0.95</u>	<u>(0.10)</u>	<u>(0.16)</u>	<u>0.69</u>

Adjustments in arriving at the Pro Forma Consolidated SOPL:

- (i) Combined Statements of Profit or Loss and Other Comprehensive Income is extracted from the audited combined financial statements of SBH Holdings for the FPE 30 September 2023;
- (ii) Historical financial results of SBH Perak Agro prior to the actual acquisition by SBH Aquaculture for the period from 1 January 2023 to 30 September 2023 are adjusted for elimination of inter-company transactions; and
- (iii) Charge of the estimated listing expenses to be set-off against profit or loss amounting to RM1,377,818.



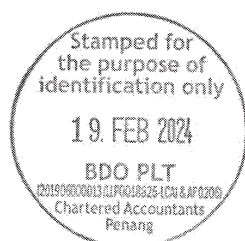
12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

5. PRO FORMA CONSOLIDATED SOPL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Pro Forma Consolidated SOPL for the financial year ended 31 December 2022 has been prepared for illustrative purposes only to show the effects of the transactions set out in Note 2.1 and Note 2.3 on the audited combined statements of profit or loss and other comprehensive income of the Group for the financial year ended 31 December 2022 based on the assumptions that the transactions as set out in Note 2.1 was completed on 1 January 2022, and should be read in conjunction with the accompanying notes.

	Combined Statements of Profit or Loss and Other Comprehensive Income RM'000	Restructuring RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Revenue	194,426	(9,469)	-	184,957
Cost of sales	(167,801)	15,928	-	(151,873)
Gross profit	26,625	6,459	-	33,084
Other income	1,990	662	-	2,652
Selling and distribution expenses	(7,894)	(224)	-	(8,118)
Administrative expenses	(8,317)	(2,071)	(1,648)	(12,036)
Share of profit of a joint venture	3,501	(3,501)	-	-
Finance costs	(200)	(4)	-	(204)
Profit before tax	15,705	1,321	(1,648)	15,378
Tax expense	(2,696)	222	-	(2,474)
Profit for the financial year, representing total comprehensive income for the financial year	<u>13,009</u>	<u>1,543</u>	<u>(1,648)</u>	<u>12,904</u>
Profit for the financial year attributable to:				
Owners of the Company	13,054	1,498	(1,648)	12,904
Non-controlling interests	(45)	45	-	-
	<u>13,009</u>	<u>1,543</u>	<u>(1,648)</u>	<u>12,904</u>
Total comprehensive income for the financial year attributable to:				
Owners of the Company	13,054	1,498	(1,648)	12,904
Non-controlling interests	(45)	45	-	-
	<u>13,009</u>	<u>1,543</u>	<u>(1,648)</u>	<u>12,904</u>



12. FINANCIAL INFORMATION (cont'd)

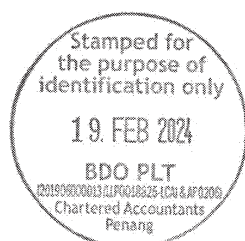
*SBH Marine Holdings Berhad
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Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

5. PRO FORMA CONSOLIDATED SOPL FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

	Combined Statements of Profit or Loss and Other Comprehensive Income RM'000	Restructuring RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Earnings per ordinary share attributable to owners of the Company:				
Basic and diluted (sen)				
Before completion of the listing	1.84	0.21	(0.23)	1.82
After completion of the listing	<u>1.47</u>	<u>0.17</u>	<u>(0.19)</u>	<u>1.45</u>

Adjustments in arriving at the Pro Forma Consolidated SOPL:

- (i) Combined Statements of Profit or Loss and Other Comprehensive Income is extracted from the audited combined financial statements of SBH Holdings for the financial year ended 31 December 2022;
- (ii) Historical financial results of SBH Perak Agro prior to the actual acquisition by SBH Aquaculture for the period from 1 January 2022 to 31 December 2022 are adjusted for elimination of inter-company transactions; and
- (iii) Charge of the estimated listing expenses to be set-off against profit or loss amounting to RM1,648,202.



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
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Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

6. PRO FORMA CONSOLIDATED SOCF FOR THE FPE 30 SEPTEMBER 2023

The Pro Forma Consolidated SOCF for the FPE 30 September 2023 as set out below are provided for illustrative purpose only to show the effects of the transactions set out in Note 2.1, Note 2.2 and Note 2.3 on the audited combined statements of cash flows of the Group for the FPE 30 September 2023 based on the assumptions that the transactions as set out in Note 2.1 were completed on 1 January 2023, and should be read in conjunction with the accompanying notes.

CASH FLOWS FROM OPERATING ACTIVITIES

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Profit before tax	12,012	(824)	-	(1,378)	9,810
Adjustments for:	280	-	-	-	280
Allowance of impairment loss on trade receivables					
Depreciation of:					
- property, plant and equipment	438	1,215	-	-	1,653
- right-of-use assets	564	45	-	-	609
Loss/(Gain) on disposal of:					
- property, plant and equipment	-	11	-	-	11
- right-of-use assets	-	(25)	-	-	(25)
Property, plant and equipment written off	1	5	-	-	6
Fair value loss on biological assets	-	708	-	-	708
Interest expense	78	4	-	-	82
Interest income	(68)	-	-	-	(68)
Share of loss of a joint venture	1,647	(1,647)	-	-	-
Unrealised gain on foreign exchange	(756)	-	-	-	(756)
Operating profit before changes in working capital	14,196	(508)	-	(1,378)	12,310
Changes in working capital:					
Inventories	(6,268)	205	-	-	(6,063)
Biological assets	-	2,099	-	-	2,099
Trade and other receivables	(8,024)	(2,884)	-	-	(10,908)
Trade and other payables	7,494	287	-	-	7,781
Cash generated from operations	7,398	(801)	-	(1,378)	5,219
	204				



12. FINANCIAL INFORMATION (cont'd)

SBH Marine Holdings Berhad
(Formerly known as *Fantastic Holdings Berhad*)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements

6. PRO FORMA CONSOLIDATED SOCF FOR THE FPE 30 SEPTEMBER 2023 (continued)

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)					
Cash generated from operations	7,398	(801)	-	(1,378)	5,219
Tax paid	(2,194)	(89)	-	-	(2,283)
Net cash from operating activities	5,204	(890)	-	(1,378)	2,936

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	68	-	-	-	68
Purchase of property, plant and equipment	(164)	(1,588)	-	-	(1,752)
Proceeds from disposal of:					
- property, plant and equipment	-	77	-	-	77
- right-of-use assets	-	72	-	-	72
Net cash used in investing activities	(96)	(1,439)	-	-	(1,535)

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	(4,000)	(4,000)	-	-	(8,000)
Interest paid	(23)	-	-	-	(23)
Payment of listing expenses	-	-	-	(1,230)	(1,230)
Proceeds from issuance of shares	-	1,318	39,600	-	40,918
Placement of deposit pledged to a licensed bank	-	(20)	-	-	(20)
Drawdown of onshore foreign currency loans	1,355	-	-	-	1,355
Repayment of onshore foreign currency loans	(783)	-	-	-	(783)
Payment of lease liabilities	(593)	(54)	-	-	(647)
Repayment of term loans	(151)	-	-	-	(151)
Net cash (used in)/from financing activities	(4,195)	(2,756)	39,600	(1,230)	31,419



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

6. PRO FORMA CONSOLIDATED SOCF FOR THE FPE 30 SEPTEMBER 2023 (continued)

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Net increase in cash and cash equivalents	913	(5,085)	39,600	(2,608)	32,820
Effect of exchange rate changes	29	-	-	-	29
Cash and cash equivalents at beginning of financial period	14,773	689	-	-	15,462
Cash and cash equivalents at end of financial period	15,715	(4,396)	39,600	(2,608)	48,311

Disclosures and adjustments in arriving at the Pro Forma Consolidated SOCF:

- (i) Combined Statements of Cash Flows is extracted from the audited combined financial statements of SBH Holdings for the FPE 30 September 2023;
- (ii) Historical cash flows of SBH Perak Agro prior to the actual acquisition by SBH Aquaculture for the period from 1 January 2023 to 30 September 2023 are adjusted for elimination of inter-company transactions;
- (iii) Distribution and payment of dividends amounted to RM4,000,000 as mentioned in Note 2.1.4;
- (iv) Recognition of gross proceeds arising from IPO and utilisation of proceeds from the IPO; and
- (v) The Pro Forma Cash and Cash Equivalents are represented by:

	RM'000
Cash and bank balances	46,918
Deposits with licensed banks	1,841
	48,759
Less: Deposits pledged to a licensed bank	(448)
As per Pro Forma Consolidated SOCF	48,311



12. FINANCIAL INFORMATION (cont'd)

SBH Marine Holdings Berhad
(Formerly known as *Fantastic Holdings Berhad*)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements

7. PRO FORMA CONSOLIDATED SOCF FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Pro Forma Consolidated SOCF for the financial year ended 31 December 2022 as set out below are provided for illustrative purpose only to show the effects of the transactions set out in Note 2.1, Note 2.2 and Note 2.3 on the audited combined statements of cash flows of the Group for the financial year ended 31 December 2022 based on the assumptions that the transactions as set out in Note 2.1 were completed on 1 January 2022, and should be read in conjunction with the accompanying notes.

CASH FLOWS FROM OPERATING ACTIVITIES

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Profit before tax	15,705	1,321	-	(1,648)	15,378
Adjustments for:					
Depreciation of:					
- property, plant and equipment	611	1,605	-	-	2,216
- right-of-use assets	721	245	-	-	966
Gain on disposal of:					
- property, plant and equipment	(150)	(110)	-	-	(260)
- right-of-use assets	(21)	-	-	-	(21)
- other investment	(400)	-	-	-	(400)
Gain on lease modification	-	(421)	-	-	(421)
Property, plant and equipment written off	9	16	-	-	25
Fair value gain on biological assets	-	(93)	-	-	(93)
Interest expense	200	4	-	-	204
Interest income	(71)	(15)	-	-	(86)
Share of profit of a joint venture	(3,501)	3,501	-	-	-
Operating profit before changes in working capital	13,103	6,053	-	(1,648)	17,508
Changes in working capital:					
Inventories	(3,679)	101	-	-	(3,578)
Biological assets	-	(1,482)	-	-	(1,482)
Trade and other receivables	(2,828)	3,219	-	-	391
Trade and other payables	(207)	(6,514)	-	-	(6,721)
Cash generated from operations	6,389	1,377	-	(1,648)	6,118
	207				



12. FINANCIAL INFORMATION (cont'd)

SBH Marine Holdings Berhad
(Formerly known as *Fantastic Holdings Berhad*)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements

7. PRO FORMA CONSOLIDATED SOCF FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(continued)					
Cash generated from operations	6,389	1,377	-	(1,648)	6,118
Tax paid	(3,670)	(224)	-	-	(3,894)
Tax refunded	-	10	-	-	10
Net cash from operating activities	2,719	1,163	-	(1,648)	2,234
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	71	15	-	-	86
Dividend received from a joint venture	700	(700)	-	-	-
Purchase of:					
- property, plant and equipment	(260)	(3,023)	-	-	(3,283)
- right-of-use assets	(871)	(48)	-	-	(919)
Proceeds from disposal of:					
- property, plant and equipment	150	214	-	-	364
- other investment	2,100	-	-	-	2,100
- right-of-use assets	95	-	-	-	95
Net cash from/(used in) investing activities	1,985	(3,542)	-	-	(1,557)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	(5,600)	(4,000)	-	-	(9,600)
Interest paid	(140)	-	-	-	(140)
Payment of listing expenses	-	-	-	(1,492)	(1,492)
Proceeds from issuance of shares	-	1,318	39,600	-	40,918
Placement of deposit pledged to a licensed bank	-	(428)	-	-	(428)
Repayment of onshore foreign currency loans	(1,448)	-	-	-	(1,448)
Payment of lease liabilities	(637)	(52)	-	-	(689)
Repayment of term loans	(3,513)	-	-	-	(3,513)
Net cash (used in)/from financing activities	(11,338)	(3,162)	39,600	(1,492)	23,608
	208				



12. FINANCIAL INFORMATION (cont'd)

*SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

7. PRO FORMA CONSOLIDATED SOCF FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (continued)

	Combined Statements of Cash Flows RM'000	Restructuring and Subsequent Events RM'000	IPO RM'000	Utilisation of Proceeds from the IPO RM'000	Pro Forma RM'000
Net (decrease)/increase in cash and cash equivalents	(6,634)	(5,541)	39,600	(3,140)	24,285
Cash and cash equivalents at beginning of financial year	21,407	1,964	-	-	23,371
Cash and cash equivalents at end of financial year	<u>14,773</u>	<u>(3,577)</u>	<u>39,600</u>	<u>(3,140)</u>	<u>47,656</u>

Disclosures and adjustments in arriving at the Pro Forma Consolidated SOCF:

- (i) Combined Statements of Cash Flows is extracted from the audited combined financial statements of SBH Holdings for the financial year ended 31 December 2022;
- (ii) Historical cash flows of SBH Perak Agro prior to the actual acquisition by SBH Aquaculture for the period from 1 January 2022 to 31 December 2022 are adjusted for elimination of inter-company transactions;
- (iii) Distribution and payment of dividends amounted to RM4,000,000 as mentioned in Note 2.1.4;
- (iv) Recognition of gross proceeds arising from IPO and utilisation of proceeds from the IPO; and
- (v) The Pro Forma Cash and Cash Equivalents are represented by:

	RM'000
Cash and bank balances	45,226
Deposits with licensed banks	<u>2,858</u>
Less: Deposits pledged to a licensed bank	<u>48,084</u>
As per Pro Forma Consolidated SOCF	<u>(428)</u>
	<u>47,656</u>



12. FINANCIAL INFORMATION (cont'd)

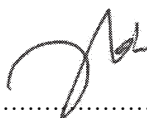
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Registration No. 202101034350 (1434650-U)
Pro Forma Consolidated Financial Statements*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated **19 FEB 2024**



.....
TAN BOO NAM
DIRECTOR



.....
TAN YUAK KWANG
DIRECTOR

Penang
Date: **19 FEB 2024**

