7. BUSINESS OVERVIEW

7.1 OVERVIEW

We are principally involved in the repackaging, marketing and distribution of RBD palm olein oil products. Our main products are RBD palm olein cooking oil, which are sold under our in-house brands – “Sawit Emas” and “Vitamas”, or sold unbranded. We also sell RBD palm olein lamp oil under our in-house brand, “Pingat Emas”.

Our Group’s products are consumed and used commercially and in households. Our customer base comprises:

- retailers, who will sell the products to consumers;
- wholesalers, who typically sell the products to hotel, restaurant and catering operators, and food manufacturers as well as retailers; and
- hotel, restaurant and catering operators, and food manufacturers, who will use the products in their daily operations.

In summary, our RBD palm olein oil products are sold under the following in-house brands:

Brands	Features
Vitamas	**Product type:** Cooking oil
Sawit Emas	**Product type:** Cooking oil
Pingat Emas	**Product type:** Lamp oil, which is used in oil lamps (commonly present in religious and cultural practices or during festive occasions in Malaysia)

Upon request from customers, we will source third-party branded products (mainly margarine) for our customers in the retail, wholesale, hospitality and food industries. As at the LPD, we sourced and distributed “Adela”, “Pelangi” and “Bunga Emas” margarine.

We typically deliver products to our customers’ manufacturing facilities, warehouses / distribution centres or retail locations.

All of our Group’s revenues are generated in Malaysia, with a majority of our products sold and delivered to customers based in Kuala Lumpur and Selangor. For the FYEs Under Review, sales generated from customers based in Kuala Lumpur and Selangor comprised between 95.09% and 97.66% of our Group’s revenues. Our Group’s other customers are based in Negeri Sembilan, Johor, Federal Territory of Putrajaya, Pahang, Perak, Sarawak, Melaka and Terengganu.

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7. BUSINESS OVERVIEW (CONT'D)

In summary, our business model is as illustrated below:

Principal activities	Repackaging, marketing and distribution of RBD palm olein oil products		Trading of third-party products
Products	Cooking oil: - subsidised - non-subsidised	Lamp oil	Complementary products such as margarine
Customer segment	- Retailers - Wholesalers - Hotel, restaurant and catering operators - Food manufacturers	Retailers	- Retailers - Wholesalers - Hotel, restaurant and catering operators - Food manufacturers
Market	Malaysia		

The breakdown of our revenue by product type is as follows:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Repackaging, marketing and distribution of RBD palm olein oil products	42,173	99.06	59,385	99.40	77,858	99.52	79,247	99.58
Trading of third-party products	401	0.94	357	0.60	378	0.48	336	0.42
Total revenue	**42,574**	**100.00**	**59,742**	**100.00**	**78,236**	**100.00**	**79,583**	**100.00**

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HISTORY

Our Group's history can be traced back to 1987, when our Executive Director, Wong Hin Loong, ventured into the RBD palm olein oil repackaging, marketing and distribution business through Sik Cheong (the partnership business), a family business. Prior to that, Sik Cheong (the partnership) was registered in 1967 and was involved in the retail and wholesale of sundry goods (including edible oils such as RBD palm olein oil). As our Executive Director, Wong Hin Loong was involved in supply chain management for Sik Cheong (the partnership), he saw the potential in supplying essential food products such as RBD palm olein oil products by venturing upstream into the RBD palm olein oil repackaging, marketing and distribution business. In 1990, our Managing Director, Wong Hing Ngiap joined Sik Cheong (the partnership) and was responsible for managing the repackaging, marketing and distribution of RBD palm olein oil product business, amongst others.

Our historical key milestones are summarised as follows:

Year	Key milestones
1987	• We commenced our operations in repackaging, marketing and distribution of RBD palm olein oil in 1kg polybags through Sik Cheong (the partnership). • Our RBD palm olein oil was marketed and distributed under our in-house brand, "Sawit Emas". • At the time, the packaging process was manual and was carried out at a premises in Kampung Tasek Tambahan, Ampang.
1992	• Wong Hin Loong and Wong Hing Ngiap co-founded Sik Cheong Trading Sdn Bhd (now known as SCEO). Both Wong Hing Ngiap and Wong Hin Loong are the directors of SCEO and each held 50% shareholdings in SCEO. SCEO was dormant at that time.
1997	• SCEO began to carry out the delivery of RBD palm olein oil products that had been repackaged by Sik Cheong (the partnership) to customers.
2001	• We began to market and distribute our RBD palm olein oil products under "Vitamas", an in-house brand.
2004	• SCEO assumed its present name in 2004.
2006	• Sik Cheong (the partnership business) began to gradually transfer its RBD palm olein oil product repackaging, marketing and distribution business to SCEO and ceased its sundry good retail and wholesale business. Sik Cheong (the partnership business) expired and ceased its business in May 2018. • SCEO began to undertake packaging activities from a main packaging facility in Ampang to expand its operations. • We began to automate our packaging operations by acquiring 2 packaging lines for 1kg polybags and one of these packaging lines was later disposed in 2020. • We expanded our packaging types to include jerry can and tin can products by acquiring 1 packaging line for jerry cans and tin cans.

7. BUSINESS OVERVIEW (CONT'D)

Year	Key milestones
2007	• Upon the introduction of the COSS by the Government to stabilise the retail price of all types of cooking oil in 1kg polybags in Malaysia, we applied and obtained the quota to supply subsidised RBD palm olein cooking oil under the COSS. Thereafter, all 1kg polybags were marketed and distributed under the COSS programme (COSS products). • We relocated our operations to Factory No. 11.
2008	• We acquired an additional packaging line for COSS products.
2009	• We received our first Halal certificate issued by the Halal Industry Development Corporation for "Minyak Sawit".
2013	• We acquired 2 additional packaging lines for COSS products.
2014	• We expanded the product packaging types to include bottled products by acquiring 2 packaging lines for bottles.
2015	• We acquired 2 additional packaging lines for COSS products. • We acquired an additional packaging line for bottles. • We obtained our MeSTI certification, an independent certification for quality and safety compliance, for our Group's operation at Factory No. 11.
2016	• We acquired an additional packaging line for bottles. • We obtained Halal certification issued by Jabatan Agama Islam Selangor for "Minyak Sawit" (re-issuance of certification due to change in Halal certification panel).
2019	• We acquired 1 packaging line for jerry cans and tin cans. • SCSM was incorporated to facilitate our venture into the repackaging, marketing and distribution of lamp oil. The directors of SCSM are Wong Hing Ngiap, Wong Hin Loong, Choo Wai Yeen and Wong Cheng Jian. The shareholders of SCSM are Choo Wai Yeen (40% shareholding), Wong Cheng Jian (40% shareholding), Wong Hing Ngiap (10% shareholding) and Wong Hin Loong (10% shareholding). With the setting up of SCSM, we relocated our lamp oil labelling line from Factory No. 11 to a shop lot (near to Factory No. 11) to carry out the labelling and storing of lamp oil products.

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Year	Key milestones
2021	• Following the launch of the MKHMM programme by the Government to control the maximum retail price of palm cooking oil, we obtained quota to repackage, distribute and market RBD palm olein cooking oil under the said programme. • We obtained renewal of the Halal certificate issued by Jabatan Agama Islam Selangor for "Minyak Masak Bertapis".
2022	• We acquired 1 packaging line for jerry cans and tin cans.
2023	• The Factory No. 11 has been successfully transferred to and registered in the name of SCEO. • Sik Cheong was incorporated on 23 June 2023 and was converted to a public limited company on 20 December 2023, to facilitate the Proposed Listing.
2024	• SCEO completed the sale and purchase agreement of Factory No. 11. • We obtained the HACCP (MS 1480: 2019) Food Safety certification, an independent certification for quality and safety compliance. • We obtained the ISO 22000: 2018 Food Safety Management System certification, an independent certification for food safety systems.

7.2 PRINCIPAL ACTIVITIES AND PRODUCTS

Our principal activities are as follows:

(i) Repackaging, marketing and distribution of RBD palm olein oil products

RBD palm olein oil is the liquid form of palm oil that is derived from the fractionisation of palm oil. RBD palm olein oil is oil that has been refined, bleached and deodorised, rendering it suitable to be used as cooking oil.

Cooking oil is a key ingredient used in the manufacturing and preparation of food, which is consumed on a daily basis. It is a source of fats and fatty acids and provides energy to the human body.

In addition, RBD palm olein oil remains stable under high heat as it has a smoke point of approximately 230°C. Smoke point refers to the temperature to which oil can be heated before it smokes and discolours, indicating changes in chemical or physical properties and rendering it less suitable for continued usage.

RBD palm olein oil can also be used as lamp oil, which is used in oil lamps that are commonly present in religious and cultural practices or during festive occasions in Malaysia.

Our customers procure RBD palm olein oil products from our Group as we can offer the following value-added activities:

Sourcing activities

Our Group sources RBD palm olein oil from a network of suppliers comprising local palm oil refineries, which provide our Group with a continuous supply of RBD palm olein oil. Our Group identifies suppliers by evaluating their product quality, production capacity, market reputation, timeliness of delivery and price competitiveness, amongst others.

Our Group sources and stores RBD palm olein oil based on customer orders and anticipated demand from observing customer purchasing patterns and past orders. If required, we will source RBD palm olein oil that meets our customers' specifications in terms of the oil's iodine value and slip melting point. Generally, we will place orders with suppliers before the volume of oil reserves in our storage tank falls below 120 MT from the total capacity of 382 MT, to ensure we have sufficient supply to complete existing orders and to anticipate for future demand. We usually buy RBD palm olein oil 5 to 8 times in a month and usually buy more when the prices are relatively lower.

Our Group subscribes to a platform containing commodity price indices in which the CPO market prices are constantly monitored for us to stay updated on market price fluctuations (which correlate with RBD palm olein oil prices). We also gather information from various sources such as information from suppliers, feedback from oil palm plantation owners as well as the Government's policies for our Group. This allows us to effectively negotiate pricing terms which include the price and volume that should be procured at the price offered by our suppliers. These pricing terms are typically set out in 1-month arrangements with suppliers.

For transport of RBD palm olein oil from supplier premises to Factory No. 11, our Group uses the following methods:

- tanker owned by our Group with a loading capacity of approximately 42 MT;
- renting tankers from third-party vendors that have been recommended by our suppliers (as and when required);
- tankers owned / arranged by our suppliers.

When a tanker arrives at Factory No. 11, we will measure the weight of the tanker to ensure the correct amount of RBD palm olein oil is delivered.

Repackaging activities

Our Group's RBD palm olein oil products are packaged at Factory No. 11. As at the LPD, Factory No. 11 is equipped with:

(a) 14 packaging lines to package and label products in various packaging sizes and types, comprising:

  - 6 packaging lines for polybags;
  - 3 packaging lines for jerry cans and tin cans;
  - 4 packaging lines for bottles, of which 3 packaging lines are for the repackaging of cooking oil and 1 packaging line is for the repackaging of lamp oil; and
  - 1 packaging line for IBC;

The different packaging sizes and types allow our Group to cater to different customer needs:

- 1kg, 2kg, 3kg and 5kg bottles: suitable for household use and are generally sold to wholesalers and retailers for their onward sale to consumers; and

- 5kg bottles and 17kg jerry cans / tin cans and IBC: suitable for commercial use and are generally sold to wholesalers, retailers, hotel, restaurant and catering operators, and food manufacturers;

(b) an industrial oil sampling analyser to test the RBD palm olein oil to ensure that it meets the PORAM standard certifications and/or customer specifications; and

(c) 5 storage tanks to keep a total capacity of 382 MT of RBD palm olein oil prior to the repackaging process.

As an assurance of our Group's product quality and safety, the following certifications have been issued to our Group's Factory No. 11:

(a) MeSTI Secure Food Certification Scheme, an independent certification for food quality and safety compliance;

(b) "HALAL" certification, which provides assurance that our Group's RBD palm olein cooking oil is processed in a "HALAL" manner;

(c) HACCP (MS 1480: 2019) Food Safety certification, an independent certification for food quality and safety compliance; and

(d) ISO 22000: 2018 Food Safety Management Systems certification, an independent certification for food safety system compliance.

Our Group also has a labelling line to label our lamp oil in Ampang, Selangor, which is situated in a shop lot near to Factory No. 11. Please refer to Section 7.4 of this Prospectus for the details of our lamp oil labelling line. Our Group repackages RBD palm olein oil into bottles designated for lamp oil in Factory No. 11 before sending these bottles to the lamp oil labelling line.

Marketing and distribution of products under its in-house brands

Our Group markets and distributes RBD palm olein cooking oil under our own in-house brands. "Sawit Emas" and "Pingat Emas" products have been marketed and distributed for over 30 years while "Vitamas" products have been marketed and distributed for over 20 years.

Our Group creates awareness of our in-house brands by wrapping our delivery trucks with advertisements, advertising on social media platforms and providing product brochures to customers. Further details are as elaborated in Section 7.12 of this Prospectus.

Logistics and distribution activities

To deliver our products to customers, our Group owns a fleet of 17 delivery trucks as at the LPD. By using these vehicles, we are not dependent on third-party delivery companies for prompt delivery to customers.

This is important as RBD palm olein cooking oil is essential in food preparation and a supply shortage at the customer's end (be it retailers, hotel, restaurant and catering operators, and food manufacturers) may disrupt their operations. However, the shipments of our products to our customer in Sarawak are handled by a third-party forwarding company.

We have 2 types of RBD palm olein cooking oil products as follows:

(a) Subsidised RBD palm olein cooking oil

Subsidised RBD palm olein cooking oil is cooking oil sold under the programmes established by KPDN, as detailed below:

<u>COSS</u>

Brand	**Sawit Emas** 
Packaging size and type	1kg polybag

Our Group began repackaging, marketing and distributing RBD palm olein oil in polybags since 1987 (under Sik Cheong (the partnership business)) before the COSS programme was introduced.

Under COSS, each polybag of RBD palm olein cooking oil has to be sold to consumers at a fixed retail price of RM2.50. COSS refers to the Government subsidy programme established by KPDN as cooking oil is one of the controlled goods under the Control of Supplies Act 1961 and Control of Supplies Regulations 1974. COSS is a cooking oil subsidy programme that aims to stabilise the retail price of all types of cooking oil in 1kg polybag in Malaysia.

Under COSS, the Government allocated a quota of 60,000 MT per month nationwide for the distribution and sales of cooking oil in 1kg polybag.

The eligibility criteria for the COSS are as follows:

(a) The applicant must own a repackaging facility;
(b) The applicant must have obtained a MPOB licence to buy and store the processed palm oil (PPO);
(c) The applicant must have obtained a business licence from local authority;
(d) The applicant must have obtained a retail licence and wholesale licence issued by KPDN under Control of Supplies Regulations 1974;
(e) The applicant must provide details and particulars of suppliers for the RBD palm olein oil; and
(f) The applicant must provide details of the retailers and wholesalers to be distributed by the applicant.

Applications for the COSS will be processed and if the application is approved by KPDN, MPOB will conduct an inspection on the repackaging facilities to verify the details submitted by the applicant as well as quota to be granted to the applicant.

Upon inspection, MPOB will inform suppliers of RBD palm olein oil to supply the RBD palm olein oil to applicant based on the quota approved.

Our Group's products under COSS are sold under the "Sawit Emas" brand in 1kg polybags since June 2007.

As at the LPD, our Group has a quota to supply up to 700 MT of subsidised RBD palm olein cooking oil per month and the subsidy applicable to this quota is RM600 per MT sold. To illustrate, if our Group sold the maximum of 700 MT of RBD palm olein cooking oil under the COSS in a month, we stand to receive a subsidy of RM420,000 for that month (being 700 MT multiplied by RM600 per MT).

Our Group is required to submit records of our sales transactions through the eCOSS system within 7 days from the date of the sales. These records include information on the sales volume of subsidised RBD palm olein cooking oil, date of sale as well as the relevant invoices (which have been acknowledged by the customer). These records will be processed and verified by KPDN before our Group is paid the claimable amount, which will subsidise the costs of purchasing the RBD palm olein cooking oil.

Our Group applied for quota to supply under COSS and participates in the COSS programme for the RBD palm olein cooking oil in polybags in view of the following:

- we support the Government's initiative to stabilise retail prices of RBD palm olein cooking oil in polybags; and

- we will not be able to effectively compete with other competitors that have obtained quota to supply RBD palm olein cooking oil in polybags under COSS as our Group will not be subsidised by the Government but our selling price of the products will still be limited by the fixed retail price set by the Government.

Our Group does not repackage, market and distribute non-subsidised RBD palm olein oil in polybags while we have the quota to supply this product under COSS in order to remain competitive. This is because our polybag products will still be subject to fixed retail price set by the Government but we will not enjoy the subsidies provided by the Government (if we do not have the quota to supply under COSS).

There is no expiry period stated for the quota approved under the COSS programme. Therefore, our Group is able to sell the RBD palm olein oil products under COSS for as long as the COSS programme is implemented by the Government. However, the quota granted to our Group may be cancelled, revoked or reduced by the Government at any time without any reason.

At this juncture, our Group is not aware if COSS is a lifetime subsidy programme despite the implementation by the Government since 2007. Should the Government cease the COSS programme, our Group will continue to repackage, market and distribute non-subsidised RBD palm olein cooking oil in polybags as long as there is demand for such products by the customers.

MKHMM

The MKHMM refers to the Government subsidy programme launched on 1 August 2021 with the aim of controlling the maximum retail price of palm cooking oil, such that it does not exceed the ceiling price set by the Government. As at the LPD, the stipulated maximum retail prices that was set since 8 September 2023 (Price Control and Anti-Profiteering Act 2011) (Determination of Maximum Price) (No.13) Order 2023) are:

- RM6.90 for 1kg bottle;
- RM13.30 for 2kg bottle;
- RM19.60 for 3kg bottle; and
- RM30.90 for 5kg bottle.

Our Group began repackaging, marketing and distributing RBD palm olein oil in 1kg, 2kg, 3kg and 5kg bottles since 2006 (under Sik Cheong (the partnership business)) before the MKHMM was introduced. Our Group's "Sawit Emas" and "Vitamas" products have been marketed and distributed since 1987 and 2001, respectively.

Under MKHMM, the Government allocated a quota of 25,000 MT per month nationwide for the distribution and sales of bottled cooking oil.

Under this programme, our Group first obtained the approved quota for 403 MT of RBD palm olein cooking oil per month for September 2021. This approved quota was then renewed for the period commencing October 2021 until June 2022. There was no quota for RBD palm olein cooking oil obtained between July 2022 and March 2023 as the programme was not implemented due to the lower RBD palm olein oil prices during this period.

Subsequently, our Group obtained an approved quota for 331 MT of RBD palm olein cooking oil per month for the period commencing April 2023 until June 2023. As at the LPD, the Government has ceased issuing approved quota under the MKHMM. Thus, our Group presently does not have any quota under this subsidy programme.

The subsidy applicable under this programme is calculated based on the difference between the threshold price provided for the approved quota and the market price of RBD palm olein oil. The threshold price is a fixed price provided by the Government for the entire approved quota period. To illustrate, if the threshold price provided for the approved quota of 403 MT is RM4,150 and the average monthly market price of RBD palm olein oil is RM6,556, our Group stands to receive a subsidy of RM969,618 if we sold the maximum 403 MT of palm olein cooking oil under MKHMM in a month.

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RBD palm olein cooking oil under MKHMM was sold under the "Sawit Emas" and "Vitamas" brands. Details of our Group's products were as follows:

Brand	Sawit Emas	Vitamas
		
Packaging size and type	- 1kg bottle - 2kg bottle - 5kg bottle	- 3kg bottle - 5kg bottle

Our Group applied for quota to supply under MKHMM and participated in the MKHMM programme for the abovementioned products in view of the following:

- we support the Government's initiative to stabilise retail prices for the abovementioned packaging sizes and type; and

- we will not be able to effectively compete with other competitors that have obtained quota to supply RBD palm olein cooking oil in 1kg, 2kg, 3kg and 5kg bottles under MKHMM as we will not be subsidised by the Government but our selling price of the products will still be limited by the maximum retail price set by the Government.

Our Group did not repackage, market and distribute non-subsidised RBD palm olein oil in 1kg, 2kg, 3kg and 5kg bottles while we had quota to supply these products under MKHMM in order to remain competitive. This is because our products in the abovementioned packaging sizes and type will still be subject to maximum retail price set by the Government but we will not enjoy the subsidies provided by the Government (if we do not have the quota to supply under MKHMM).

Since the expiry of the MKHMM programme in June 2023, our Group continues to sell the abovementioned packaging sizes and type as non-subsidised RBD palm olein cooking oil products.

(b) Non-subsidised RBD palm olein oil products

Our Group also distributes non-subsidised RBD palm olein oil products (cooking oil and lamp oil).

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Our Group repackages, markets and distributes the following types of non-subsidised RBD palm olein oil products:

RBD palm olein cooking oil

Brand	**Sawit Emas**	**Vitamas**	**Unbranded**
			
Packaging size and type	- 1kg bottle - 2kg bottle - 5kg bottle - 17kg tin can - 17kg jerry can	- 3kg bottle - 5kg bottle - 17kg jerry can	- 900kg IBC

Non-subsidised RBD palm olein cooking oil is sold under our in-house brands, i.e."Sawit Emas" and "Vitamas", or sold unbranded.

"Sawit Emas" and "Vitamas" products in 1kg, 2kg, 3kg and 5kg bottles are typically consumed by end consumers. Meanwhile, "Sawit Emas" and "Vitamas" products in 17kg tin can and jerry can are typically sold to and/or used by hotel, restaurant and catering operators, and food manufacturers.

Products in IBCs are typically sold unbranded to food manufacturers that have obtained the MPOB licence to buy, move and store the processed cooking oil. SCEO has obtained the MPOB licence to sell, buy, transport, store and export the processed palm oil at Factory No. 11 as set out in Section 7.18 of this Prospectus.

RBD palm olein lamp oil

Brand	**Pingat Emas**
	
Format	- 1.8litre bottle - 5litre bottle

Non-subsidised RBD palm olein lamp oil products are sold under our "Pingat Emas" brand.

The revenue generated from the subsidised RBD palm olein oil products and non-subsidised RBD palm olein oil products were 26.90% and 72.68% of the total revenue generated in the FYE 2024, respectively. Further, the percentage of revenue contribution from the sales of subsidised RBD palm olein cooking oil in polybags under COSS were on decreasing trend (i.e. 44.29%, 33.82%, 25.84% and 25.52%) of the total revenue generated from FYE 2021 to FYE 2024. Please refer to Section 12.3 of this Prospectus for further information.

Moving forward, our Group intends to grow our sales contribution from non-subsidised RBD palm olein oil products by expanding into new markets outside of Kuala Lumpur and Selangor. We also intend to expand our product range to include high oleic soybean oil as further set out in Section 7.22 of this Prospectus.

Should the Government cease the COSS programme, our Group will continue to repackage, market and distribute non-subsidised RBD palm olein oil in polybags as long as there is demand for such products in view that RBD palm olein cooking oil is an essential food ingredient used in various food manufacturing and preparation processes as further set out in Section 7.5 of this Prospectus. As there will not be any fixed retail price for the said product, our Group and our competitors will compete as is done with non-subsidised products presently.

Therefore, our Group is of the view that the absence of the Government's subsidy programme will not materially affect the financial position and condition of our Group.

(ii) Trading of third-party products

Upon request from customers, we also source third-party branded products (mainly margarine) for them. As at the LPD, we sourced and distributed "Adela", "Pelangi" and "Bunga Emas" margarine to our customers in the retail, wholesale, hospitality and food industries.

7.3 PRINCIPAL MARKETS

Our Group's principal market is in Malaysia. Most of our products are sold and delivered to our customers based in Kuala Lumpur and Selangor. Our Group's other customers are based in Negeri Sembilan, Johor, Federal Territory of Putrajaya, Pahang, Perak, Sarawak, Melaka and Terengganu. Our products are sold to retailers, wholesalers, hotel, restaurant and catering operators, and food manufacturers in the aforementioned states in Malaysia.

The breakdown of our customers by geographical location within Malaysia are as follows:

	FYE 2021		**FYE 2022**		**FYE 2023**		**FYE 2024**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Selangor	24,997	58.71	31,940	53.46	41,839	53.48	46,455	58.37
Kuala Lumpur	15,487	36.38	25,120	42.05	34,064	43.54	31,268	39.29
Others (1)	2,090	4.91	2,682	4.49	2,333	2.98	1,860	2.34
Total revenue	**42,574**	**100.00**	**59,742**	**100.00**	**78,236**	**100.00**	**79,583**	**100.00**

Note:

(1) Others include Negeri Sembilan, Johor, Federal Territory of Putrajaya, Pahang, Perak, Sarawak, Melaka and Terengganu.

7. BUSINESS OVERVIEW (CONT'D)

7.4 OPERATIONAL FACILITIES

Operational facilities	Function	Built-up area size of facility	Address	Date of commencement of business activities in this premises
Factory No. 11	Management office, packaging, distribution and storage of the RBD palm olein cooking oil supplies and products	20,483.89 sq. ft.	No. 11, Jalan 6/14, Kampung Tasik Tambahan, 68000 Ampang, Selangor	1 July 2007
Lamp oil labelling line (in a shop lot near to Factory No. 11)	Labelling and storing of the lamp oil	1,463.90 sq. ft.	No. 33G, Jalan 6/10 Kampung Tasek Tambahan 68000 Ampang, Selangor	1 December 2019

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7. BUSINESS OVERVIEW (CONT'D)

The pictures below illustrate our Group's Factory No. 11 and lamp oil labelling line:

Factory No. 11

Packaging line for jerry cans and tin cans

Packaging line for bottles

Packaging line for polybags

Packaging line for IBCs

7. BUSINESS OVERVIEW (CONT'D)

Storage tanks

Storage area

Loading area

Lamp oil labelling line

7.5 COMPETITIVE STRENGTHS

(i) We have a large customer base and some of our customers have a wide network of end-customers

Our Group has more than 500 customers in each of the FYEs Under Review, mainly retailers, wholesalers, hotel, restaurant and catering operators, and food manufacturers. In the FYE 2024, approximately 90.00% of these customers were recurring customers, while the remaining 10.00% were new customers.

Our Group has longstanding business relationships with our major customers (most of which span over 10 years during the FYEs Under Review) and we have been receiving recurring orders from them. This is an indication of our ability to successfully secure and retain customers. Our Group attributes this success to our ability to reliably and promptly meet customer needs and requirements, and maintaining the quality of our products.

Our Group's large customer base enables us to continue securing new orders as well as cross-selling high oleic soybean oil products (part of our Group's future plans).

In addition, our Group's customer base includes wholesalers who may resell our products to their network of retailers, hotel, restaurant and catering operators, and food manufacturers. Meanwhile, retailers such as wholesale centres, hypermarkets and supermarkets have their own chain of retail locations and can resell our Group's products to a wide network of end consumers. For the FYEs Under Review, sales generated from retailers and wholesalers contributed 72.04% to 73.72% of our Group's revenue.

Following the above, our Group is able to tap on our wide network of customers without having to set up retail locations and/or invest heavily in marketing activities.

(ii) We have the ability to cater to different needs and customer segments

Our Group's products can be used by a diverse range of customers and industries for the following reasons:

Different packaging sizes	Subsidised and non-subsidised
Smaller packaging sizes are suitable for household use	Subsidised products may be catered to customers who are licensed under Control of Supplies Act 1961 and registered under eCOSS system
Bigger packaging sizes are suitable for commercial use	Non-subsidised products may be catered to all customers

Further, our Group may also repackage, market and distribute RBD palm olein oil products under any other government subsidy programme that may be implemented from time to time.

As our Group's products may be catered to different customer types and for various uses, this reduces our dependence on any one customer segment or industry and our Group can better withstand fluctuations in demand conditions and customer preferences.

As our facilities are readily available to cater to various packaging sizes, we stand to benefit when compared to competitors that are involved in less types of packaging sizes, as they may need to invest in new machinery and time for such machinery to eventually operate smoothly to be able to offer new packaging sizes.

(iii) We have the ability to reliably and promptly deliver products

In general, we deliver orders within 3 working days from the order confirmation date for customers located within the Klang Valley and within 5 working days from the order confirmation date for customers located outside the Klang Valley.

Our RBD palm olein cooking oil is essential in food preparation and a supply shortage at the customer's end (be it retailers, hotel, restaurant and catering operators, and food manufacturers) may disrupt their operations. As such, our Group recognises the importance of consistently delivering products on time or promptly, giving customers the confidence that we are a reliable supplier of RBD palm olein cooking oil. This is crucial in maintaining good business relationships with them.

Our Group's ability to achieve the above stems from the following reasons:

- we have 5 storage tanks to keep a total capacity of 382 MT of RBD palm olein oil and we maintain 120 MT of oil reserves at any point in time to ensure we have sufficient supply for ongoing operations;

- we source RBD palm olein oil from 4 suppliers, 3 of which have been supplying to our Group for the past 10 years as at the LPD;

- we have a tanker with a loading capacity of approximately 42 MT to transport RBD palm olein oil from suppliers' premises to Factory No. 11 and we may rent tankers from third-party vendors that have been recommended by our Group's suppliers as and when required;

- we have 17 delivery trucks to deliver products to customers' premises. By using these vehicles, we are not dependent on third-party delivery companies to provide prompt delivery to customers, save for the shipments of our products to our customer in Sarawak which are handled by a third-party forwarding company; and

- we have 7 packaging lines (for jerry cans, tin cans and bottles) that are semi-automated and 6 packaging lines (for polybags) that are fully automated, which enables us to speed up the packaging process. Our remaining 1 production line (for IBC) is a manual production line.

Because of our ability to reliably and promptly deliver products to customers, our Group has been able to maintain long-term business relationships with our customers. On average, the length of business relationships with most of our top 5 customers spans over 10 years as at the LPD.

(iv) We are committed to selling quality RBD palm olein oil products

Our Group recognises the importance of providing quality products consistently to ensure customer satisfaction and secure repeat orders. This is particularly essential in any food-based industry (including the business of supplying RBD palm olein cooking oil), as the quality of products is important in maintaining a good reputation in the industry.

To ensure the quality of our supplies, we have an industrial oil sampling analyser at Factory No. 11 to test RBD palm olein oil, although there is no requirement imposed by PORAM for RBD palm olein oil repackaging companies to have an industrial oil sampling analyser. This industrial oil sampling analyser is important to our Group to ensure that the RBD palm olein oil meets the PORAM standard specifications and/or customer specifications for cooking oil.

Our Group has also established a Safety Committee comprising 7 personnel, who are responsible for handling machinery safety, food safety and hygiene at Factory No. 11.

The Safety Committee is tasked to ensure that all staff are aware of personal hygiene (by wearing food handling gear such as gloves, masks and hair nets) and have current typhoid vaccinations as required under the MeSTI and HALAL certifications.

Our Group's operation, QC/QA and HSE personnel who handle the packaging of RBD palm olein oil products are required to have a food handling certificate, which they receive after attending a food handling course at a training centre that is certified by the MOH. As at LPD, our Group has 30 operation, QC/QA and HSE personnel that have obtained the relevant certification.

Our Group's Factory No. 11, tanker and delivery trucks are also cleaned on a monthly basis to minimise the risk of contamination. Our Group also examines and cleans oil filters on a monthly basis to ensure sediments in the RBD palm olein oil are kept at low levels.

Further, we have obtained the MeSTI certification since 2015 for our packaging facilities. This is an assurance that our products and processes adhere to strict guidelines in terms of cleanliness and preparation, and have been certified by the MOH. To maintain the MeSTI certification, we are subject to inspection every 3 years (with the most recent inspection being completed in 2022). As part of our Group's initiatives to certify our Group's food safety systems, we have also obtained the HACCP (MS 1480: 2019) Food Safety certification and ISO 22000: 2018 Food Safety Management System certification for food safety systems at Factory No. 11 in 2024, both of which are valid till 2026. These certifications will provide a good accreditation to our Group's food safety systems at Factory No. 11. All the aforementioned certifications have not been revoked up until the LPD.

Our Group believes that our commitment to quality contributes to our good reputation over the years and this gives our customers the confidence to continue consuming or re-selling our products.

(v) We have an experienced and committed key management team

We are led by an experienced and committed key management team with many years of experience in their respective fields. Wong Hing Ngiap (Managing Director) and Wong Hin Loong (Executive Director) are founders of our Group and have been instrumental in building our business since inception. They each have more than 30 years of experience in the repackaging, marketing and distribution of RBD palm olein oil.

Currently, Wong Hing Ngiap oversees our Group's strategic direction, business development and overall operations while Wong Hin Loong is responsible for supply chain management. Both of them are supported by Choo Wai Yeen (Chief Operating Officer) and Dee Bee Lian (Chief Financial Officer), who each have more than 25 years of relevant experience in their respective fields.

Our key management team's combined skills, extensive experience, management capabilities and continued focus in realising our Group's business strategies have been vital for our Group's growth and will continue to be a key factor in our future development.

(vi) We have a sustainable business due to palm oil being an essential food ingredient

Cooking oil, including RBD palm olein cooking oil, is an essential food ingredient used in various food manufacturing and preparation processes such as frying, baking, flavoring, sauteing, roasting and grilling. It is thus consumed on a daily basis.

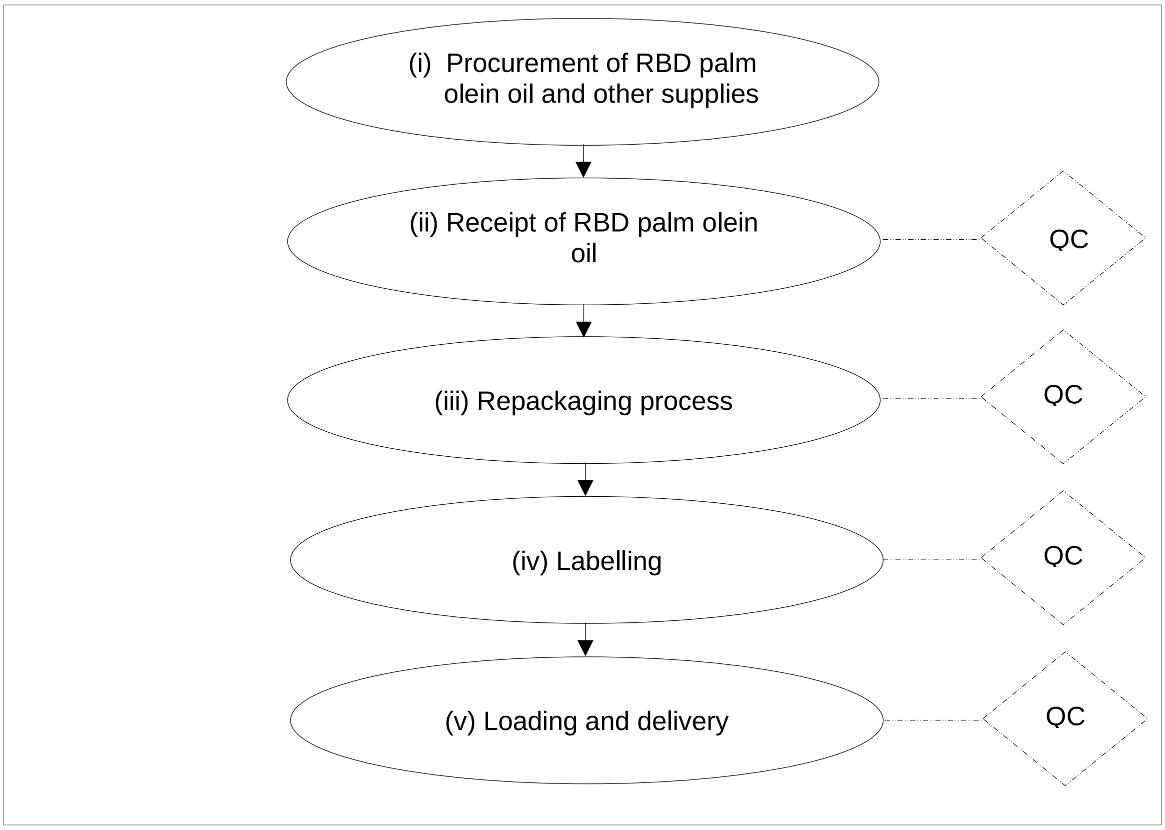
As compared to other types of cooking oils, particularly sunflower oil, rapeseed oil, olive oil and soybean oil, RBD palm olein cooking oil is the lowest priced cooking oil (Source: IMR Report).

It is thus the most cost-effective cooking oil option for households, hotel, restaurant and catering operators, and food manufacturers. This resulted in RBD palm olein cooking oil being one of the most commonly consumed cooking oil.

In light of the above, our Group is expected to benefit from continuous demand for our products. Thus, our business demonstrates sustainability.

7.6 PROCESS FLOW

Our operational processes are as depicted below:



(i) Procurement of RBD palm olein oil and other supplies

We are able to project the quantity of products based on our customer orders and anticipated demand. As such, our operation, QC/QA and HSE department will discuss and confirm the production planning schedule on a monthly basis.

Based on the production planning schedule, our operation, QC/QA and HSE department will first check our inventory to ascertain whether there are sufficient RBD palm olein oil and packaging materials to meet customer orders.

At any point in time, our storage tanks will have 120 MT of oil reserves. Before our oil reserves fall below 120 MT, our procurement personnel will arrange for the purchase of the RBD palm olein oil from suppliers (generally via sales contracts).

We monitor CPO market prices (which correlates with RBD palm olein oil prices) to effectively negotiate pricing terms with our suppliers. These pricing terms are typically set out in 1-month arrangements with suppliers.

For the products under COSS, we have selected 2 suppliers (i.e. Intercontinental Specialty Fats Sdn Bhd and Ngo Chew Hong Oils & Fats (M) Sdn Bhd).

We source non-subsidised RBD palm olein oil from 4 suppliers (i.e. Ngo Chew Hong Oils & Fats (M) Sdn Bhd, Wilmar group of companies which include PGEO Edible Oils Sdn Bhd and Wilmar Palm Products Sdn Bhd, Intercontinental Specialty Fats Sdn Bhd and Lee Oilmills Sdn Bhd) during the FYEs Under Review.

If required, we will source RBD palm olein oil that meets our customers' specifications in terms of the oil's iodine value and slip melting point.

Some suppliers require us to make payment prior to taking delivery of RBD palm olein oil while others require us to make payment within a week from the date we receive the RBD palm olein oil. For taking of delivery, we will schedule with our suppliers ahead of collecting the RBD palm olein oil. It takes up to 8 working days for our suppliers to deliver RBD palm olein oil to Factory No. 11.

We will also procure other supplies such as packaging materials including bottles, jerry cans, tin cans, polybags, labels and stickers as well as carton boxes from our packaging material suppliers.

(ii) Receipt of RBD palm olein oil

The following methods are used for transport of RBD palm olein oil from our suppliers' premises to Factory No. 11:

- our own tanker with a loading capacity of approximately 42 MT;
- renting tankers from third-party vendors that have been recommended by our Group's suppliers as and when required; and
- some suppliers use their own tankers.

Upon arrival at our Factory No. 11, the tanker is first weighed on a weighbridge to ascertain that the volume of RBD palm olein oil received is in line with the supplier's delivery order.

Our operation, QC/QA and HSE personnel will then perform a test on a sample of the RBD palm olein oil using an industrial oil sampling analyser. This is to ensure that the specifications such as level of free fatty acids, moisture and impurities, iodine value, slip melting point and colour are consistent with those stated in the Certificate of Analysis issued by the supplier and to ensure that it meets the PORAM standard specifications and/or customer specifications.

Once the RBD palm olein oil has been tested and accepted, it will be transferred into our Group's storage tanks from the tanker through a piping system. We use different storage tanks for subsidised and non-subsidised RBD palm olein oil.

Our piping system is affixed with a basic filter to prevent sediments from the tanker entering the storage tank.

(iii) Repackaging process

Polybags

Polybags are loaded into the packaging machine and will be automatically filled with RBD palm olein oil dispensed from storage tanks and sealed.

The polybags will be weighed on a random basis using a weighing scale after they are filled and sealed.

Bottles

The bottles will be loaded onto the conveyor belt of the packaging line and automatically filled with RBD palm olein oil dispensed directly from our storage tanks. Thereafter, the filled bottles will be sealed.

The bottles will be weighed on a random basis using a weighing scale after they are filled and sealed.

Jerry cans, tin cans and IBCs

Jerry cans, tin cans or IBCs will be filled up using a pipe that is directly connected to one of our dispensing stations with the appropriate volume of oil.

Some packaging lines are automated and have an in-built weighing scale to ensure that the weight of a filled container is correct before the container is sealed.

For packaging lines that are semi-automated or manual, our operation, QC/QA and HSE personnel will weigh the containers on a random basis after they are filled, to ensure that the weight of the filled container is correct.

(iv) Labelling

Jerry cans and bottles

We use a labelling machine to apply labels onto bottles and jerry cans.

Polybags and tin cans

Polybags and tin cans come with labels already printed on them and do not require additional labelling after they are filled up.

IBCs

We do not label IBCs as they are unbranded.

Lamp oil products

As set out in Section 7.4 of this Prospectus, we also have a labelling line to label our lamp oil in Ampang, Selangor, which is situated in a shop lot near to Factory No. 11.

Once the lamp oil containers have been filled in Factory No. 11 and pass the QC test, the lamp oil containers will be transported to this shop lot for labelling.

Once the labelling process is complete, the products will undergo another round of quality inspection by our operation, QC/QA and HSE personnel to ensure that the labelling is appropriate. Subsequently, the products will be packaged into carton boxes according to the type and size of the product.

(v) Loading and delivery

Prior to delivery, our operation, QC/QA and HSE personnel will conduct a quality inspection on a random basis to ensure our products are properly packaged and that there are no leakages. The quantity and type of products are also inspected to ensure that they meet the delivery order prior to loading into delivery trucks. Once the above is done, we will proceed with delivery to the customer premises using our delivery trucks. The deliveries of our products to our customer in Sarawak are handled by a third-party forwarding company.

Should there be any discrepancies in terms of packaging type and volume of products after delivery, we will first investigate and provide the customer with the shortfall if needed.

Our RBD palm olein cooking oil has an expiry date of 12 months from the date of the packaging.

Our lamp oil does not need to specify any expiry date as it is not meant for human consumption.

On a monthly basis, our Group will submit to MPOB the volume of RBD palm olein cooking oil that we have purchased and sold.

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7.7 QUALITY ASSURANCE AND CONTROL PROCEDURES

We have established and implemented the following QC measures for our business activities:

Process flow stage	QC process
Receipt of RBD palm olein oil	Upon receipt of RBD palm olein oil at our Group's Factory No. 11, our operation, QC/QA and HSE personnel will carry out the following measures: - weigh the tanker using a weighbridge to ascertain that the volume of RBD palm olein oil received is in line with supplier's delivery order; and - perform test on a sample of the RBD palm olein oil using our industrial oil sampling analyser (please see Section 7.8 of this Prospectus for further details).
Repackaging	During the repackaging process, our Group's operation, QC/QA and HSE personnel will conduct the following steps: - monitor the weight of the bottles, jerry cans, tin cans and IBCs before and after being filled to ensure the weight of the filled container is correct; - in respect of polybags, random inspection on the weight of the filled polybags will be conducted every half an hour; and - conduct random inspection on the weight of jerry cans, tin cans and bottles which have been packed into carton boxes to ensure that the weight is correct.
Labelling	Our Group's operation, QC/QA and HSE personnel will conduct a visual inspection to ensure the following standards are met: - the packaging is sealed tight to avoid contamination and oxidisation; - the label adheres securely to the packaging; and - the packaging is correctly labelled and expiry dates are accurate.
Loading and delivery	Prior to loading of the carton boxes into delivery trucks, the carton boxes are kept overnight in the storage area for observation to ensure that there are no leakages as the visual signs of a leakage may only be apparent after the passage of a certain period of time. The quantity and type of products are also inspected to ensure that they meet the delivery order prior to loading of the carton boxes into delivery trucks.

In addition, our Group established and implemented the following quality assurance measures:

(i) the nozzle of the sealing machine is cleaned before use and the working temperature of this machine is maintained at an appropriate level to avoid spillage;

(ii) oil filters are examined and cleaned on a monthly basis to ensure sediments in the RBD palm olein oil are kept at low levels;

(iii) calibration is conducted on our packaging lines and storage tanks on an annual basis to ensure they are in good condition and operate efficiently;

(iv) maintenance activities are carried out on our packaging lines prior to operational usage, and equipment is cleaned during non-operational hours on a daily basis;

(v) Factory No. 11 is cleaned and pest control is carried out on a monthly basis to minimise the risk of contamination;

(vi) our Group's tanker and delivery trucks are cleaned on a weekly basis to ensure cleanliness and to reduce the risk of contamination; and

(vii) all workers are required to maintain good personal hygiene and wear appropriate protective clothing and equipment while working in the Factory No. 11 and labelling line.

Further, our Group also presently comply with the following standards and certifications:

Standard / certificate	**Certification body**	**Year first awarded**	**Latest year renewed**	**Expiry date**
HALAL Certificate	JAKIM	1 March 2016[(1)]	1 December 2023	30 November 2025
MeSTI Certificate	MOH	28 October 2015	18 February 2022	17 February 2025
HACCP (MS 1480: 2019) Food Safety Certificate	Control Union (Malaysia) Sdn Bhd	1 April 2024	-	31 March 2026
ISO 22000: 2018 Food Safety Management System Certificate	Control Union (Malaysia) Sdn Bhd	1 April 2024	-	31 March 2026

Note:
(1) Kindly refer to note (4) under Section 7.18 of this Prospectus for details of previous certification by different panel bodies.

7.8 TECHNOLOGY USED

Our Group relies on the technology embedded in our semi-automated and fully-automated packaging lines for the packaging and labelling of our products. We also use an industrial oil sampling analyser to ensure oil samples meet the PORAM standard specifications.

7.9 RESEARCH AND DEVELOPMENT ACTIVITIES

We do not undertake, and have not undertaken, any research and development activities in connection with our business operations in the repackaging, marketing and distribution of RBD palm olein oil products.

7.10 OPERATING CAPACITIES AND UTILISATION RATES

The maximum operating capacity and utilisation rates of our Group's packaging lines for the FYE 2021 to FYE 2024 are set out below:

	Maximum operating capacity (MT)	**Actual output (MT)**	**Utilisation rate (%)**
FYE 2021 (1)			
COSS products (2)	14,109	7,894	55.95
Bottled products	15,043	2,202	14.64
Jerry can and tin can products (3)	10,781	3,042	28.22
IBCs	1,903	160	8.41
Lamp oil	5,052	483	9.56
FYE 2022 (4)			
COSS products	12,895	8,395	65.10
Bottled products	14,993	3,040	20.28
Jerry can and tin can products (3)	10,746	3,114	28.98
IBCs	1,896	120	6.33
Lamp oil	5,036	613	12.17
FYE 2023 (5)			
COSS products	12,497	8,400	67.22
Bottled products	14,531	5,411	37.24
Jerry can and tin can products (6)	15,639	3,436	21.97
IBCs	1,838	239	13.00
Lamp oil	4,880	508	10.41
FYE 2024 (7)			
COSS products	12,191	8,400	68.90
Bottled products	14,289	6,079	42.54
Jerry can and tin can products (6)	16,255	4,386	26.98
IBCs	1,807	392	21.69
Lamp oil	4,761	546	11.47

7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) Maximum operational capacity was computed based on the volume of products that can be repackaged daily, based on an 8-hour shift daily and 302 working days in a year (excluding Sundays and public holidays).

(2) Based on 7 COSS packaging lines, where 1 COSS packaging line was disposed in October 2020.

(3) Based on 2 packaging lines for tin can and jerry cans.

(4) Maximum operational capacity was computed based on volume of products that can be repackaged daily, based on an 8-hour shift daily and 301 working days in a year (excluding Sundays and public holidays).

(5) Maximum operational capacity was computed based on volume of products that can be repackaged daily, based on an 8-hour shift daily and 271 working days in a year. Due to changes in Government regulations relating to number of maximum working days in a week on 1 September 2022, the number of working days in a year excluded weekends and public holidays beginning 1 September 2022.

(6) Based on 3 packaging lines for tin can and jerry cans as 1 packaging line was acquired in May 2022.

(7) Maximum operational capacity was computed based on volume of products that can be repackaged daily, based on a 9-hour shift daily and 249 working days in a year. The number of daily working hours have been changed from 8 hours to 9 hours in light of less number of working days in a week as weekends were excluded as working days pursuant to changes in Government regulations.

The utilisation rates for our packaging lines for the COSS, bottled and IBC products have been increasing between FYE 2022 and FYE 2024. Although there were lower number of bottled products sold under MKHMM in FYE 2023 as compared to FYE 2022 (as we did not have any approved quota under MKHMM from July 2022 to March 2023), the volume of bottled products repackaged increased in FYE 2023 as there were higher sales for non-subsidised bottled products sold.

In addition, although the volume of jerry can and tin can products repackaged increased in FYE 2023, the utilisation rate for the packaging lines for jerry can and tin can products was lower in FYE 2023 as compared to FYE 2022 due to the addition of 1 new packaging line in May 2022. Despite the low utilisation rate, the additional packaging line was acquired to increase our operational efficiency so that we can have separate packaging lines for each brand and packaging type (i.e. 1 production line each for Sawit Emas 17kg tin can and 17kg jerry can, and 1 production line for Vitamas 17kg jerry can).

The operational capacity of Factory No. 11 is limited by the volume of products that can be stored at Factory No. 11 during the repackaging process and in the warehouse at Factory No. 11. The utilisation rates of Factory No. 11 for the FYE 2021 to FYE 2024 are set out below:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Total floor area space for repackaging activities (sq ft)	6,500	6,500	6,500	6,500
Average floor area space utilised (sq ft)	4,593	5,094	5,998	6,110
Average utilisation rate	70.66%	78.37%	92.28%	94.00%
Total storage floor area space (sq ft)	9,600	9,600	9,600	9,600
Average floor area space utilised (sq ft)	8,000	7,641	8,997	9,120
Average utilisation rate	83.33%	79.59%	93.72%	95.00%

Taking into consideration the limited space to store our RBD palm olein oil products in Factory No. 11, we usually deliver our products within a short span of time (i.e. less than 2 days from the time the products are repackaged) in order to have sufficient space to cater for increasing orders. However, this will affect our business expansion to other states until we have expanded our fleet of delivery trucks and/or relocated some of our packaging lines to Factory No. 9.

Meanwhile, the maximum operating capacity and utilisation rates of our Group's delivery trucks for the FYEs Under Review are set out below:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Total capacity of delivery trucks (MT) (1)	18,638	18,880	21,456	20,300
Volume of products delivered (MT)	13,781	15,282	17,994	19,803
Utilisation rate	73.94%	80.94%	83.86%	97.55%

Note:

(1) Total capacity was computed based on the volume of products that can be transported daily, based on the following assumptions:

(a) a single truck can perform 3 delivery trips to customers based in Kuala Lumpur and Selangor, and 1 delivery trip to customers based in other states in Peninsular Malaysia, within a day; and

(b) the number of days we performed deliveries in FYE 2021, FYE 2022, FYE 2023 and FYE 2024 were 302, 301, 271 and 249 days, respectively.

7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

The main supplies that we purchase for our business operations are RBD palm olein oil. Our purchases of RBD palm olein oil amounted to RM38.15 million, RM56.37 million, RM68.30 million and RM66.51 million for the FYE 2021, FYE 2022, FYE 2023 and FYE 2024 respectively, and they accounted for 92.49%, 93.81%, 93.34% and 93.10% of our total cost of sales for the respective financial years.

Our supplies of RBD palm olein oil are sourced from local palm oil refineries. We are susceptible to the volatility of RBD palm olein oil product prices, which are dependent on prices of the raw material, i.e. CPO. Prices of RBD palm olein oil, which correlate with price movement of CPO, generally fluctuate in accordance to demand and supply conditions and prices of other edible oils and fats and crude oil.

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7. BUSINESS OVERVIEW (CONT'D)

Although the average cost per kg for subsidised RBD palm olein oil generally does not fluctuate significantly, the average cost per kg for non-subsidised RBD palm olein oil has been fluctuating during the FYEs Under Review, as seen below:

	Average cost per kg (RM) [(1)]			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Subsidised RBD palm olein oil				
Sawit Emas				
- COSS	2.00	2.03	2.08	2.01
- MKHMM	-	4.06	4.24	3.99
Vitamas	-	3.99	4.22	4.05
Non-subsidised RBD palm olein oil				
Sawit Emas	3.47	5.24	5.13	4.36
Vitamas	3.52	5.30	5.13	4.39
Pingat Emas	3.64	5.39	5.11	4.59
Unbranded (IBC)	3.22	4.97	4.83	4.05

Note:
(1) Average cost per kg was computed based on total costs over total volume (kg) sold for each product during the respective FYE Under Review.

Our Group enters into short term contracts with our suppliers which state the pricing terms for the specified period.

Nevertheless, the volatility of the prices of RBD palm olein oil did not lead to any substantial increase in our cost of sales which had a material adverse impact on our Group's financial performance during the FYEs Under Review.

Meanwhile, we also procure packaging materials which amounted to RM2.72 million, RM3.40 million, RM4.49 million and RM4.65 million for the FYE 2021, FYE 2022, FYE 2023 and FYE 2024 respectively, and they accounted for 6.60%, 5.66%, 6.13% and 6.52% of our total cost of sales for the respective financial years. These packaging materials are also sourced from local packaging material suppliers.

We have not experienced any shortage in any of our supplies or difficulties in obtaining any of our supplies.

Our breakdown of purchases for the FYEs Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBD palm olein oil	38,151	92.49	56,368	93.81	68,295	93.34	66,510	93.10
Packaging materials	2,721	6.60	3,403	5.66	4,485	6.13	4,654	6.52
Others [(1)]	375	0.91	315	0.52	386	0.53	273	0.38
Total purchases	**41,247**	**100.00**	**60,086**	**100.00**	**73,166**	**100.00**	**71,437**	**100.00**

Note:
(1) Others include third-party products such as margarine.

7.12 SALES CHANNELS AND MARKETING STRATEGIES

Business development

Our Group's sales efforts are carried out by our business development and marketing department. Due to the nature of our Group's business, our Group's business development activities are focused on maintaining existing customers and securing new customers and a large proportion of our sales are based on repeat orders from our existing customers. Meanwhile, our marketing activities are focused on ensuring our product brochure is up-to-date and managing social media platforms and other advertisements.

Once a customer is secured, our business development and marketing personnel are not required to carry out extensive customer service or after-sales support services. As such, they are able to manage our Group's customer base. Our Group also intends to hire 2 new personnel (i.e. 1 Assistant Manager and 1 Senior Sales Executive) for our business development and marketing department to cater for our expansion into other states as set out in Section 7.22 of this Prospectus.

Sales are secured through the following means:

(i) Repeat orders from existing customers

Our Group places emphasis on maintaining relationships with our existing customers. We strive to provide existing customers with competitive pricing and efficient service as well as follow-up on completed orders to get their feedback as well as to keep them satisfied. This in return, gives our Group recurring orders.

Where deliveries are made in carton boxes, our Group offers to purchase these carton boxes back from customers. This has the following benefits:

- an opportunity to keep in contact with customers to encourage repeated orders from them;
- cost savings, as the carton boxes are purchased from customers at a per unit cost which is lower than the per unit cost of new carton boxes procured from carton box suppliers. Our Group typically reuses carton boxes which are in good condition or sells them to scrap collectors if they are not in good condition; and
- an opportunity to incorporate sustainability practices into our Group's business operations which promote recycling and re-use initiatives.

(ii) Referrals from existing customers

Our Group has established a wide network of past and present customers, owing to the founders' experience in repackaging, marketing and distribution of RBD palm olein oil products for more than 30 years. Typically, these customers will refer new businesses to our Group due to our track record of consistently supplying RBD palm olein oil products promptly and reliably.

(iii) Direct approach

Our Group also identifies new customers and approaches them directly via phone calls to introduce them to our Group's products and brands. We will also provide brochures and product samples, if requested by potential customers.

(iv) Tender bidding

Our Group occasionally participates in open tenders by submitting tender applications to hotels to secure a supply contract. Once we have determined that our products and resources are able to meet the requirements for a particular tender, we will formulate a proposal and submit a tender application together with a quotation to the relevant parties. As at the LPD, our Group does not have any ongoing tender bidding applications that are in the processing stage or pending approval.

(v) Sales agent

As at the LPD, our Group has appointed 2 sales agents via an authorised dealer agreement. The sales agent will assist our Group in securing new customers such as hotels, restaurants and catering operators.

The authorised dealer agreement specifies the minimum order quantity for a customer, and that the sales agent is not permitted to approach any of our Group's existing customers. Once the sales agent secures an order, they will inform our Group and our Group will be responsible for delivering the order to the new customer. The sales agent will be paid a commission based on the transaction value.

Marketing Strategies

Our Group creates awareness of our in-house brands and business through the following marketing activities:

(i) Advertisements

Our Group's delivery trucks have been wrapped with advertisements of our products and brands.

(ii) Social media

Our Group uses social media platforms such as Facebook, Instagram and TikTok to create awareness of our products by posting content on these platforms.

(iii) Corporate website

Our Group has our own corporate website (https://www.sikcheong.com.my), which provides information on our Group and our products. Through the website, prospective customers can contact our Group to make inquiries.

(iv) Brochures

Our Group provides brochures on our products to prospective customers.

Further, our Group is a member of the Malayan Edible Oil Manufacturers' Association. As a member, our Group is kept informed of the latest industry developments and trends as well as government policies and subsidies on edible oil products, including RBD palm olein oil products.

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7.13 MAJOR CUSTOMERS

FYE 2021

No.	Customers	Customer type	Type of products / services sold	Total sales (RM'000)	%	Length of business relationship as at the LPD (years)
1.	NSK group of companies (1)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle	2,534	5.95	12
2.	Low Seat Hoong group of companies (2)	Wholesaler and food manufacturer	17kg tin can, 5kg bottle	2,067	4.86	12
3.	TCRS Restaurants Sdn Bhd	Restaurant	17kg jerry can	1,147	2.69	12
4.	Sri Ternak group of companies (3)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle, 17kg jerry can	1,126	2.64	12
5.	De First Food Manufacturing (M) Sdn Bhd	Food manufacturer	17kg tin can	825	1.94	6
Total				**7,699**	**18.08**	

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7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

No.	Customers	Customer type	Type of products / services sold	Total sales (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Low Seat Hoong group of companies (2)	Wholesaler and food manufacturer	17kg tin can, 5kg bottle	3,581	5.99	12
2.	NSK group of companies (1)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle	3,341	5.59	12
3.	Sri Ternak group of companies (3)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle, 17kg jerry can	3,006	5.03	12
4.	TCRS Restaurants Sdn Bhd	Restaurant	17kg jerry can	2,060	3.45	12
5.	Yu-Ai Food Industries Sdn Bhd	Food manufacturer	17kg tin can	1,405	2.35	7
Total				**13,393**	**22.41**	

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FYE 2023

No.	Customers	Customer type	Type of products / services sold	Total sales (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Sri Ternak group of companies (3)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle, 17kg jerry can	4,853	6.20	12
2.	Low Seat Hoong group of companies (2)	Wholesaler and food manufacturer	17kg tin can, 5kg bottle	4,769	6.10	12
3.	NSK group of companies (1)	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle	3,464	4.43	12
4.	TCRS Restaurants Sdn Bhd	Restaurant	17kg jerry can	2,948	3.77	12
5.	Ben Mart Trading Sdn Bhd	Wholesaler and retailer	5kg bottle, 17kg tin can	1,940	2.48	8
Total				**17,974**	**22.98**	

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7. BUSINESS OVERVIEW (CONT'D)

FYE 2024

No.	Customers	Customer type	Type of products / services sold	Total sales (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Sri Ternak group of companies [(3)]	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle, 17kg jerry can	4,662	5.86[(4)]	12
2.	Low Seat Hoong group of companies [(2)]	Wholesaler and food manufacturer	17kg tin can, 5kg bottle	4,488	5.64[(4)]	12
3.	TCRS Restaurants Sdn Bhd	Restaurant	17kg jerry can	2,674	3.36	12
4.	NSK group of companies [(1)]	Wholesaler and retailer	1kg polybag, 5kg bottle, 2kg bottle, 1kg bottle	2,136	2.68	12
5.	Kitarasa Sdn Bhd	Wholesaler and retailer	5kg bottle	1,799	2.26	1
Total				**15,759**	**19.80**	

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7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) Customers that are part of the NSK group of companies comprised the following:

NSK group of companies	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
NSK Trade City Sdn Bhd	690	1.62	1,448	2.43[(4)]	1,225	1.57	611	0.77
NSK Trading Sdn Bhd	479	1.13	504	0.85[(4)]	577	0.74	281	0.35
NSK Trading (KL) Sdn Bhd	395	0.93	432	0.72	575	0.74[(4)]	529	0.66
NSK Trade City (NS2) Sdn Bhd	355	0.83	383	0.64	532	0.68	292	0.37
NSK Trade City (KL) Sdn Bhd	300	0.70	307	0.51	309	0.39	147	0.18
NSK Trade City (Rawang Jaya) Sdn Bhd	174	0.41	114	0.19	151	0.19	78	0.10
NSK Trade City (Selayang) Sdn Bhd	78	0.18	-	-	-	-	-	-
NSK Trade City (BMC) Sdn Bhd	35	0.08	104	0.17	33	0.04	-	-
NSK Trading (Meru) Sdn Bhd	28	0.07	49	0.08	50	0.06	198	0.25
NSK Trading City (Cheras) Sdn Bhd	-	-	-	-	12	0.02	-	-
Total	**2,534**	**5.95**	**3,341**	**5.59**	**3,464**	**4.43**	**2,136**	**2.68**

(2) Customers that are part of the Low Seat Hoong group of companies comprised the following:

Low Seat Hoong group of companies	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Low Seat Hoong Sdn Bhd	1,621	3.81	2,744	4.59	4,105	5.25	4,142	5.20
Low Seat Hoon Sesame Oil Food Industry Sdn Bhd	446	1.05	837	1.40	664	0.85	346	0.43
Total	**2,067**	**4.86**	**3,581**	**5.99**	**4,769**	**6.10**	**4,488**	**5.63**

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7. BUSINESS OVERVIEW (CONT'D)

(3) Customers that are part of the Sri Ternak group of companies comprised the following:

Sri Ternak group of companies	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
Sri Ternak Food Mart Sdn Bhd	440	1.03	1,606	2.69	1,727	2.21	2,230	2.80
Sri Ternak Mart (SK) Sdn Bhd	370	0.87	1,016	1.70	1,573	2.00[(4)]	2,001	2.51
ST Rosyam Mart (Shah Alam) Sdn Bhd	9	0.02	172	0.29	1,383	1.77	187	0.23
ST Rosyam Mart Sdn Bhd	307	0.72	212	0.35	170	0.22	244	0.31
Total	**1,126**	**2.64**	**3,006**	**5.03**	**4,853**	**6.20**	**4,662**	**5.85**

(4) Numbers differ due to rounding off adjustments.

Our Group has more than 500 customers in each of the FYEs Under Review.

Although NSK group of companies, Low Seat Hoong group of companies, TCRS Restaurants Sdn Bhd and Sri Ternak group of companies have consistently been our Group's top 5 customers for the FYEs Under Review, none of these customers contributed more than 10.00% of our Group's revenue during the FYEs Under Review.

Thus, our Group is not dependent on any of our major customers.

For our Group's major customers that are retailers and wholesalers, they generally purchase from multiple companies selling RBD palm olein oil products to offer their customers a wider range of products. For our Group's major customers that are food manufacturers, they may also purchase from more than 1 supplier.

Therefore, our Group's major customers are not dependent on our Group for the supply of RBD palm olein oil products.

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7.14 MAJOR SUPPLIERS

FYE 2021

No.	Suppliers	Supplier type	Type of supplies	Total purchases (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Mewah group of companies (1)(2)	Palm oil refinery	RBD palm olein oil	18,341	44.47	11
2.	Intercontinental Specialty Fats Sdn Bhd	Palm oil refinery	RBD palm olein oil	14,155	34.32	11
3.	Lee Oilmills Sdn Bhd (2)	Palm oil refinery	RBD palm olein oil	4,129	10.00(3)	11
4.	Wilmar group of companies (2)(4)	Palm oil refinery	RBD palm olein oil	1,694	4.11	3
5.	MSP Pet Industries Sdn Bhd	Packaging material supplier	Packaging material	719	1.74	12
Total				**39,038**	**94.64**	

FYE 2022

No.	Suppliers	Supplier type	Type of supplies	Total purchases (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Mewah group of companies (1)(2)	Palm oil refinery	RBD palm olein oil	23,522	39.15	11
2.	Wilmar group of companies (2)(4)	Palm oil refinery	RBD palm olein oil	15,687	26.11	3
3.	Intercontinental Specialty Fats Sdn Bhd	Palm oil refinery	RBD palm olein oil	13,226	22.01	11
4.	Lee Oilmills Sdn Bhd (2)	Palm oil refinery	RBD palm olein oil	4,086	6.80	11
5.	MSP Pet Industries Sdn Bhd	Packaging material supplier	Packaging material	897	1.49	12
Total				**57,418**	**95.56**	

FYE 2023

No.	Suppliers	Supplier type	Type of supplies	Total purchases (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Mewah group of companies [(1)(2)]	Palm oil refinery	RBD palm olein oil	34,562	47.24	11
2.	Wilmar group of companies [(2)(4)]	Palm oil refinery	RBD palm olein oil	19,182	26.21[(3)]	3
3.	Intercontinental Specialty Fats Sdn Bhd	Palm oil refinery	RBD palm olein oil	13,228	18.08	11
4.	Lee Oilmills Sdn Bhd [(2)]	Palm oil refinery	RBD palm olein oil	1,543	2.11	11
5.	MSP Pet Industries Sdn Bhd	Packaging material supplier	Packaging material	1,492	2.04	12
Total				**70,007**	**95.68**	

FYE 2024

No.	Suppliers	Supplier type	Type of supplies	Total purchases (RM'000)	%	Length of business relationship as at the LPD (years)
1.	Mewah group of companies [(1)(2)]	Palm oil refinery	RBD palm olein oil	31,945	44.72	11
2.	Wilmar group of companies [(2)(4)]	Palm oil refinery	RBD palm olein oil	20,404	28.56[(3)]	3
3.	Intercontinental Specialty Fats Sdn Bhd	Palm oil refinery	RBD palm olein oil	13,225	18.51	11
4.	MSP Pet Industries Sdn Bhd	Packaging material supplier	Packaging material	1,559	2.18	12
5.	Lee Oilmills Sdn Bhd [(2)]	Palm oil refinery	RBD palm olein oil	1,055	1.48	11
Total				**68,188**	**95.45**	

7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) Suppliers that are part of Mewah group of companies comprised the following:

Mewah group of companies	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
Ngo Chew Hong Oils & Fats (M) Sdn Bhd	18,173	44.06	23,369	38.89	33,943	46.39	31,802	44.52
MOI Foods Malaysia Sdn Bhd	168	0.41	153	0.26	219	0.30	143	0.20
Mewah-Oils Sdn Bhd	-	-	-	-	400	0.55	-	
Total	**18,341**	**44.47**	**23,522**	**39.15**	**34,562**	**47.24**	**31,945**	**44.72**

(2) Has or is related companies to companies that have their own brands of RBD palm olein oil products.

(3) Numbers differ due to rounding off adjustments.

(4) Suppliers that are part of Wilmar group of companies comprised the following:

Wilmar group of companies	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
PGEO Edible Oils Sdn Bhd	1,694	4.11	15,687	26.11	19,182	26.21	13,149	18.41
Wilmar Palm Products Sdn Bhd	-	-	-	-	-	-	7,255	10.16
Total	**1,694**	**4.11**	**15,687**	**26.11**	**19,182**	**26.21**	**20,404**	**28.56**

Our Group sources the main material (i.e. RBD palm olein oil) from 4 local palm oil refineries during the FYEs Under Review. Out of these 4 suppliers, our Group has maintained business relationship with 3 of them for 10 years or more as at the LPD.

Notwithstanding that the purchases from Mewah group of companies, Wilmar group of companies, Intercontinental Specialty Fats Sdn Bhd and Lee Oilmills Sdn Bhd accounted for more than 10.00% of our Group's total purchases during the FYEs Under Review, the substantial purchases of RBD palm olein oil from them were mainly due to their ready supply of RBD palm olein oil in huge quantities and the pricing terms negotiated with them. Our Group is able to procure non-subsidised RBD palm olein oil from any other suppliers and thus, is not materially dependent on these suppliers for the supply of RBD palm olein oil.

However, for the sourcing of a new supplier of subsidised RBD palm olein oil under COSS, our Group is required to inform KPDN 1 month before we procure from such supplier (on the condition that this supplier has been pre-approved by KPDN).

As at the LPD, our Group procures our subsidised RBD palm olein oil from 2 suppliers (i.e. Ngo Chew Hong Oils & Fats (M) Sdn Bhd and Intercontinental Specialty Fats Sdn Bhd). If our Group is not able to procure from these suppliers, we may procure from other suppliers, subject to the aforementioned process being followed through. Thus, our Group is not materially dependent on Ngo Chew Hong Oils & Fats (M) Sdn Bhd and Intercontinental Specialty Fats Sdn Bhd.

Our Group will enter into various short term sales contracts (for a period of 1 month each) with the following major suppliers for the purchase of RBD palm olein oil:

- Intercontinental Specialty Fats Sdn Bhd;
- Lee Oilmills Sdn Bhd;
- NGO Chew Hong Oils & Fats (M) Sdn Bhd; and
- Wilmar group of companies which include PGEO Edible Oils Sdn Bhd and Wilmar Palm Products Sdn Bhd.

The salient terms of the sales contracts are as follows:

- Details of the buyer and seller;
- Product to be supplied;
- Quantity to be supplied;
- Pricing per MT;
- Delivery period;
- Specification of the product to be supplied;
- Payment term; and
- Other terms as provided under Domestic Contract for Malaysian Processed Palm Oil in Bulk issued by PORAM, where applicable (which a copy of the same is made available in PORAM website, https://poram.org.my/contracts/list-of-contracts/).

Premised on the above, our Group is not dependent on any single major supplier, be it Mewah group of companies, Wilmar group of companies, Intercontinental Specialty Fats Sdn Bhd or Lee Oilmills Sdn Bhd, for materials and supplies required for our business operations.

7.15 SEASONALITY

We do not experience any seasonality in our business as the demand for RBD palm olein oil products is not subject to major seasonal fluctuations.

7.16 INTERRUPTIONS TO BUSINESS

Our Group has not experienced any interruption to our business which had a significant effect on our operations during the past 12 months preceding the LPD, save as disclosed below.

Impact of the COVID-19 pandemic on our business operations and financial performance

Due to the COVID-19 pandemic, the Government had on 16 March 2020 implemented a MCO under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 which took effect from 18 March 2020. During the MCO period, all government and private premises, except those involved in essential services, were required to be closed and to cease operations.

As we are involved in the repackaging, marketing and distribution of RBD palm olein cooking oil, which is an essential product, our operational activities were allowed to continue to operate during the MCO as our business was recognised as an essential service. We thus did not face any major disruptions in FYE 2021 and FYE 2022.

Due to the resurgence in number of new daily COVID-19 cases in certain states during the conditional MCO, a national lockdown policy was implemented from 1 June 2021 to 14 June 2021 throughout Malaysia and Phase 1 of the National Recovery Plan ("**NRP**") was implemented on 15 June 2021.

Throughout this period, most economic sectors were not allowed to operate with the exception of essential economic and service sectors. However, our Group was able to operate as usual subject to SOPs imposed by the Government as we are operating in one of the essential service sectors.

Impact on our financial performance

RBD palm olein cooking oil are essential products and thus, there was continuous demand for our products despite the implementation of the MCOs and any resulting impact on the economy.

Our Group has not suffered any material interruptions to our business operations throughout the MCOs that have been implemented thus far. As such, the COVID-19 pandemic did not have a significant adverse impact on our financial performance for the FYE 2021 and FYE 2022 and up to the LPD. Our revenue continued to grow from RM42.57 million in the FYE 2021 to RM59.74 million in the FYE 2022, to RM78.24 million in the FYE 2023, and further grew to RM79.58 million in the FYE 2024.

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7.17 INTELLECTUAL PROPERTY

As at the LPD, save for the trademark registration as disclosed below, we do not have any other intellectual property right registered and/or in the process of registration:

No.	Trademark	Approving authority	Registered owner / Applicant	Registration No.	Validity Period	Class of Trademark	Status
1.	SAWIT EMAS	Intellectual Property Corporation of Malaysia	SCEO	99003708	<u>Registration date</u> 30 April 1999 <u>Expiry date</u> 30 April 2029 <u>Date of certificate issued</u> 29 April 2010	<u>Class 29:</u> Cooking oil	Registered
2.		Intellectual Property Corporation of Malaysia	SCEO	99003707	<u>Registration date</u> 30 April 1999 <u>Expiry date</u> 30 April 2029 <u>Date of certificate issued</u> 29 October 2002	<u>Class 29:</u> Cooking oil	Registered

No.	Trademark	Approving authority	Registered owner / Applicant	Registration No.	Validity Period	Class of Trademark	Status
3.	VITAMAS	Intellectual Property Corporation of Malaysia	SCEO	01008390	<u>Registration date</u> 5 July 2001 <u>Expiry date</u> 5 July 2031 <u>Date of certificate issued</u> 1 October 2005	<u>Class 29:</u> Cooking oil	Registered
4.		Intellectual Property Corporation of Malaysia	SCEO	TM2023005241[(1)]	<u>Date of application</u> 1 March 2023 <u>Date of appeal</u> 29 August 2023 <u>Date of Legal Status</u>[(2)] 9 May 2024	<u>Class 29</u> Cooking oil	As at LPD, the trademark is being published in Intellectual Property Official Journal (Batch 17/2024) on 9 May 2024 for a period of 2 months, prior to registering the same.

No.	Trademark	Approving authority	Registered owner / Applicant	Registration No.	Validity Period	Class of Trademark	Status
5.		Intellectual Property Corporation of Malaysia	SCEO	TM2023035915	Date of application 27 November 2023 Date of Legal Status(2) 16 May 2024	Class 29 Cooking oil	As at LPD, the trademark is being published in Intellectual Property Official Journal (Batch 18/2024) on 16 May 2024 for a period of 2 months, prior to registering the same.
6		Intellectual Property Corporation of Malaysia	SCEO	TM2023035917	Date of application 27 November 2023 Date of Legal Status(2) 16 May 2024	Class 29 Cooking oil	As at LPD, the trademark is being published in Intellectual Property Official Journal (Batch 18/2024) on 16 May 2024 for a period of 2 months, prior to registering the same.

7. BUSINESS OVERVIEW (CONT'D)

Notes:

(1) SCEO submitted an application for the trademark to MyIPO on 1 March 2023. On 15 August 2023, MyIPO rejected the application on the basis that the mark submitted i.e. "SC" has no meaning and it is a generic term. On 29 August 2023, SCEO submitted an appeal application by revising the mark to insert the word "Sik Cheong" below the mark. As at the LPD, the revised logo has passed the search and examination stage, and the appeal is pending approval from MyIPO. Our Board is of the opinion if such revised trademark "Sik Cheong" name is rejected or not be able to be registered, it will not materially affect our Group's ability to conduct its business or operation as our Group is not dependent on the successful registration of the abovementioned trademark.

(2) "Legal status" refers to such mark has passed the search and examination test (being trademark fulfils the requirements for registration under the Trademark Act 2019) and before proceeding to substantive examination.

As at LPD, save for the trademarks which have already been registered as disclosed above, our Group's business or profitability is not dependent on the trademarks that are still under the pending registration or appeal status.

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7.18 MAJOR APPROVALS, LICENSES AND PERMITS OBTAINED

Details of the major approvals, licenses and permits obtained by our Group as at the LPD are set out below:

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
1.	SCEO	KPDN	Scheduled Controlled Goods Licence (Wholesale) No. Licence: AB10001068 *(Regulation 4(1) of Control of Supplies Regulations 1974)* <u>Purpose</u> To licence SCEO in wholesale activity of cooking oil and to store up to 450 MT cooking oil at the premises <u>Location of premises</u> Factory No. 11	<u>Issue date</u> 29 November 2023 <u>Commencement date</u> 27 January 2024(1) <u>Expiry date</u> 26 January 2026	• The licencee shall not have in his possession or under his custody or control and shall not allow anyone to have in his possession or under his custody or control on behalf of the licencee, more than the quantity stated in the licence for the scheduled goods to which this licence applies. • The licensee is prohibited from engaging in packaging activities for retail, supply or offer to sale other than under packaging size of 500 gram, 1 litre, 1 kilogram, 2 kilogram, 3 kilogram, 5 kilogram and 17 kilogram. • The licensee shall refer and obtain prior approval from KPDN for any price increase in cooking oil.	Complied Complied Noted(2)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
2.	SCEO	KPDN	Scheduled Controlled Goods Licence (Retail) No. Licence: AR94476 *(Regulation 4(1) of Control of Supplies Regulations 1974)* Purpose To licence SCEO in retail activity of cooking oil and to store up to 500 MT cooking oil at the premises Location of premises Factory No. 11	Issue date 15 March 2021 Commencement date 10 March 2021 Expiry date 9 March 2026	• The licencee shall not have in his possession or under his custody or control and shall not allow anyone to have in his possession or under his custody or control on behalf of the licencee, more than the quantity stated in the licence for the scheduled goods to which this licence applies. • The licensee shall refer and obtain prior approval from KPDN for any price increase in cooking oil.	Complied Noted[(2)]

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No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
3.	SCEO	Malaysian Palm Oil Board	Malaysian Palm Oil Board Licence Licence No: 509180517000 *(Malaysian Palm Oil Board (Licensing) Regulations 2005)* Purpose To licence SCEO to sell, buy, transport, store and export the processed palm oil at its premises Location of premise Factory No. 11	Issue date 17 July 2023 Commencement date 1 October 2023 Expiry date 30 September 2024(3)	None	-

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
4.	SCEO	MOH	Certificate of Registration of Food Premises Registration No: FSSM061402013-01 *(Food Hygiene Regulations 2009)* Purpose To certify the registration of SCEO in the following: (i) Nature of Business As a food premises involved in manufacturing of food. (ii) Place of Business: Factory No. 11	Issue date 12 April 2023 Commencement date 25 June 2023 Expiry date 25 June 2026	None	-

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
5.	SCEO	MOH	MeSTI Certificate *(Makanan Selamat Tanggungjawab Industri Certificate)* License No: ME1118047-2/1 <u>Purpose</u> To certify SCEO that it has fulfilled terms and condition for certification of MeSTI for Factory No. 11	<u>Issue date</u> 18 February 2022 <u>Commencement date</u> 18 February 2022 <u>Expiry date</u> 17 February 2025	• Any changes to the name or address of the factory or premises, certification scope or anything related thereto shall be informed in writing to the Senior Director for Food Safety and Quality, MOH for further action. Certification will be automatically void should the factory or premises ceased operation. • The certificate remains the property of the MOH and it may be withdrawn or terminated at any time if there is violation of any guidelines, laws or regulations that are currently in force.	Complied. Noted. As at LPD, there is no violation of any guidelines, laws or regulations that is currently in force.

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<table>
<tr><th>No.</th><th>Name of licensee</th><th>Approving authority / issuer</th><th>Description of licence / permit / approval</th><th>Validity period</th><th>Major conditions imposed</th><th>Status of compliance</th></tr>
<tr><td>6.</td><td>SCEO</td><td>Department of Islamic Development Malaysia</td><td>Certification of Authentication – HALAL
Serial No: A205568

<u>Purpose</u>
To certify that the processed palm oil manufactured, distributed and managed by SCEO at the premises located at Factory No. 11 has complied with Islamic law and Malaysia Halal Standard and approved by the Halal Certification Panel of Jabatan Agama Islam Selangor</td><td><u>Issue date</u>
1 December 2023

<u>Commencement date</u>
1 December 2023

<u>Expiry date</u>
30 November 2025

<u>1st issue date</u>
1 March 2016(4)</td><td>Any subsequent changes to the name or address of the company, factory or premises, brands, ingredients, suppliers or anything related shall be informed in writing to the Department of Islamic Development of Malaysia (JAKIM) and/or the State Islamic Religious Affairs Council/ State Department of Islamic Religious Affair for further action.</td><td>Complied</td></tr>
<tr><td>7.</td><td>SCEO</td><td>Ampang Jaya Municipal Council (Majlis Perbandaran Ampang Jaya)</td><td>Business and Signage License
No License: L00183117

<u>Location of premise</u>
Factory No. 11

<table><tr><td colspan="2">Licence Detail</td></tr><tr><td>21001</td><td>Oil Factory</td></tr><tr><td>21015</td><td>Signage board</td></tr><tr><td>21001</td><td>Management Office</td></tr><tr><td>21020</td><td>Store</td></tr><tr><td>21015</td><td>Advertisement board</td></tr></table></td><td><u>Issue date</u>
13 October 2023

<u>Commencement date</u>
None stated

<u>Expiry date</u>
31 December 2024</td><td>None</td><td>-</td></tr>
</table>

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
8.	SCEO	Ampang Jaya Municipal Council (Majlis Perbandaran Ampang Jaya	Business License No. License: L00753390 Location of premise Factory No. 9 Licence Detail 21001 – Processing Oil 21001 – Oil Storage 21001 – Wholesaler & supplier for cooking oil 21001 – Management office	Issue date 25 October 2023 Commencement date None stated Expiry date 31 December 2024	None	-

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
9.	SCEO	Department of Labour, Ministry of Human Resources Malaysia	Certificate of Accommodation No. License: AC/11004/2022/5048 *(Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990*) Purpose To certify that the below mentioned premises is in compliance with Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 and to place not more than 6 workers in the said premises. Location of premises No. 35-2C, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor	Issue date 24 November 2022 Commencement date 24 November 2022 Expiry Date 24 November 2025	Not to accommodate more than 6 workers in the said premises	Complied. As at the LPD, there are 6 workers accommodating the said premises.

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
10.	SCEO	Department of Labour, Ministry of Human Resources Malaysia	Certificate of Accommodation License No.: AC/11004/2023/3773 *(Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990*) Purpose To certify that the below mentioned premises is in compliance with Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 and to place not more than 6 workers in the said premises. Location of premises No. A2-60-3D, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor	Issue date 20 December 2023 Commencement date 20 December 2023 Expiry Date 20 December 2026	Not to accommodate more than 6 workers in the said premises	Complied. As at the LPD, there are 5 workers accommodating the said premises.

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
11.	SCEO	Department of Labour, Ministry of Human Resources Malaysia	Certificate of Accommodation License No.: AC/11004/2023/3808 *(Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990*) <u>Purpose</u> To certify that the below mentioned premises is in compliance with Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 and to place not more than 12 workers in the said premises. <u>Location of premises</u> No. 2B, Jalan 3/2, Kg. Tasek Tambahan, 68000, Ampang Jaya, Selangor	<u>Issue date</u> 28 December 2023 <u>Commencement date</u> 28 December 2023 <u>Expiry Date</u> 28 December 2026	Not to accommodate more than 12 workers in the said premises	Complied. As at the LPD, there are 5 workers accommodating the said premises.

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No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
12.	SCEO	Department of Labour, Ministry of Human Resources Malaysia	Certificate of Accommodation License No.: AC/11004/2024/1218 *(Section 24D(2) of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990*) Purpose To certify that the below mentioned premises is in compliance with Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 and to place not more than 5 workers in the said premises. Location of premises No. 52-2D (Block A2) Jalan 6/9, Kampung Tasek Tambahan, 68000 Ampang Jaya, Selangor	Issue date 24 June 2024 Commencement date 24 June 2024 Expiry Date 24 June 2027	Not to accommodate more than 5 workers in the said premises	Complied. As at the LPD, SCEO has yet to house any worker in this premises.

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
13.	SCEO	Department of Occupational Safety and Health	Certificate of Fitness Licence No: PMA-SL/23/366329 *(Regulations 10(2) of The Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations, 1970)* [(6)] To certify that the goods hoist with registration number SL PMA 6455 has been inspected and satisfied the requirement under the Factories and Machinery Act 1967[(6)]	<u>Issue date</u> None sighted. <u>Commencement date</u> 23 August 2023 <u>Expiry date</u> 20 November 2024	None	-
14.	SCEO	Department of Occupational Safety and Health	Certificate of Fitness Licence No: PMT-SL/23/367278 *(Regulations 10(2) of The Factories and Machinery (Notification, Certificate of Fitness and Inspections) Regulations, 1970)* [(6)] To certify that the air/vacuum/ tank with registration number SL PMT 91900 has been inspected and satisfied the requirement under the Factories and Machinery Act 1967[(6)]	<u>Issue date</u> None sighted. <u>Commencement Date</u> 28 August 2023 <u>Expiry Date</u> 27 November 2024	None	-

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7. BUSINESS OVERVIEW (CONT'D)

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
15.	SCSM	KPDN	Scheduled Controlled Goods Licence (Wholesale) Licence No: AB10001260 (Regulation 4(1) of Control of Supplies Regulations 1974) Purpose To licence SCSM in wholesale activity of cooking oil and to store up to 5,000 kg cooking oil at the premises Location of premises No. 33G, Jalan 6/10 Kampung Tasek Tambahan 68000 Ampang, Selangor	Issue date 29 August 2023 Commencement date 21 October 2023 Expiry date 20 October 2025	• The licencee shall not have in his possession or under his custody or control and shall not allow anyone to have in his possession or under his custody or control on behalf of the licencee, more than the quantity stated in the licence for the scheduled goods to which this licence applies.	Complied
					• The licensee is prohibited from engaging in packaging activities for retail, supply or offer to sale other than under packaging size of 500 gram, 1 litre, 1 kilogram, 2 kilogram, 3 kilogram, 5 kilogram and 17 kilogram.	Complied
					• The licensee shall refer and obtain prior approval from KPDN for any price increase in cooking oil.	Noted[(2)]

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No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
16.	SCSM	KPDN	Scheduled Controlled Goods Licence (Retail) Licence No: AR10008203 *(Regulation 4(1) of Control of Supplies Regulations 1974)* <u>Purpose</u> To licence SCSM in retail activity of cooking oil and to store up to 1,000 kg cooking oil at the premises <u>Location of premises</u> No. 33G, Jalan 6/10 Kampung Tasek Tambahan 68000 Ampang, Selangor	<u>Issue date</u> 13 April 2020 <u>Commencement date</u> 27 March 2020 <u>Expiry date</u> 26 March 2025	• The licensee shall not have in his possession or under his custody or control and shall not allow anyone to have in his possession or under his custody or control on behalf of the licensee, more than the quantity stated in the licence for the scheduled goods to which this licence applies. • The licensee shall refer and obtain prior approval from KPDN for any price increase in cooking oil.	Complied Complied
17.	SCSM	Ampang Jaya Municipal Council (Majlis Perbandaran Ampang Jaya	<u>Business License</u> No. License: L00683861 <u>Location of premise</u> No. 33G, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor Licence Detail 21020 – Store 21001 – Labelling and applying sticker on the oil bottle known as "Pelita"	<u>Issue date</u> 13 October 2023 <u>Commencement date</u> None stated <u>Expiry date</u> 31 December 2024	None	-

No.	Name of licensee	Approving authority / issuer	Description of licence / permit / approval	Validity period	Major conditions imposed	Status of compliance
18.	SCEO	Department of Occupational Safety and Health	Approval letters to install machinery under following approval numbers: - Approval No.: SL/23/PTI/100418 - Approval No.: SL/23/PTI/100420 - Approval No.: SL/23/PTI/100442 - Approval No.: SL/23/PTI/100443 <u>Location of premise</u> Factory No. 11	<u>Issue date</u> 14 November 2023 <u>Commencement date</u> Not applicable <u>Expiry date</u> Not applicable	None	-[(5)]

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Notes:

(1) SCEO has obtained renewed certificate from KPDN dated 29 November 2023 which is effective from 27 January 2024 and expiring on 26 January 2026.

(2) For the FYEs Under Review and up to the LPD, there is no application to KPDN for the increase in the price of the cooking oil because the sales of cooking oil by our Group are in accordance with the price list of controlled goods imposed by KPDN for 1kg polybag cooking oil and Price Control and Anti-Profiteering (Determination of Maximum Price) (No.13) Order 2023 for bottled cooking oil.

(3) The licence is to be renewed not less than 1 month but not earlier than 3 months from the expiry date i.e. commencing 1 July 2024.

(4) SCEO obtained its first Halal certificate on 1 February 2009 which was certified and issued by Halal Industry Development Corporation and later by Jabatan Kemajuan Islam Malaysia. In view of the change in certification body, namely Jabatan Agama Islam Selangor, the date of first issue in the Halal certificate was revised accordingly.

(5) Kindly refer to Section 7.20.1(iv) of this Prospectus for details of non-compliance in relation to our Group's failure to obtain prior approval for installation of machinery at Factory No. 11.

(6) On 2 April 2024, the Factories and Machinery (Repeal) Act 2022 ("**FM Repeal Act**") was gazetted to repeal the Factories and Machinery Act 1967 ("**FMA 1967**") effective on 1 June 2024. Any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the previous FMA 1967 shall, on the coming into operation of the FM Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which will be the law of reference for all matters related to safety and welfare of persons at work. The FM Repeal Act has no impact on our Group's existing licences and certificates obtained under the previous FMA 1967 and any renewal thereafter will be dealt in accordance with Occupational Safety and Health Act 1994 and its subsidiary legislations.

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7.19 INFORMATION ON MATERIAL LANDS AND BUILDINGS

7.19.1 Properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as set out below:

No.	Registered owner / Beneficial Owner	Title Details/ Property Address	Description and Existing use	Category of land use / Tenure of Property	Restrictions of Interest/Material Encumbrances	Date of issue of CF or CCC	Land/Gross built-up area	Audited NBV as at 31.3.2024 (RM'000)
1.	Registered owner SCEO	Title details HS(M) 28328, PT 28102, Mukim Empang, Daerah Hulu Langat, Negeri Selangor Property address Factory No. 9	Description of property Single-storey semi-detached factory Existing use To be used for processing facility, to keep and supply edible oil as well as to be used as a management office	Category of land use Commercial / Industrial Express Condition Commercial Tenure Leasehold for 99 years, ending on 28 January 2091	Restriction in interest This land cannot be sold, mortgaged, charged or transferred in whatsoever manner unless upon obtaining the State Authority's consent. Encumbrances None	Date of issue CF 20 October 1992	Land size Approximately 11,250 sq. ft Built-up area Approximately 18,040 sq. ft	1,549

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7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial Owner	Title Details/ Property Address	Description and Existing use	Category of land use / Tenure of Property	Restrictions of Interest/Material Encumbrances	Date of issue of CF or CCC	Land/Gross built-up area	Audited NBV as at 31.3.2024 (RM'000)
2.	Registered owner SCEO	Title details HS(M) 28329, PT 28103, Mukim Ampang, Daerah Ulu Langat, Negeri Selangor Property address Factory No.11	Description of property 2-storey semi-detached factory with mezzanine floor Existing use Management office, packaging facility, distribution and storage of the RBD palm olein cooking oil supplies and products	Category of land use Industrial Express Condition Commercial Tenure Leasehold for 99 years, ending on 28 January 2091	Restriction in interest This land cannot be sold, mortgaged, charged or transferred in whatsoever manner unless upon obtaining the State Authority's consent. Encumbrances None	Date of issue of principal CF 20 October 1992 Date of issue of subsequent CF / CCC for renovation 19 June 2006 and 30 August 2023	Land size Approximately 18,067 sq. ft Built-up area Approximately 20,483.89 sq. ft	10,882

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7. BUSINESS OVERVIEW (CONT'D)

No.	Registered owner / Beneficial Owner	Title Details/ Property Address	Description and Existing use	Category of land use / Tenure of Property	Restrictions of Interest/Material Encumbrances	Date of issue of CF or CCC	Land/Gross built-up area	Audited NBV as at 31.3.2024 (RM'000)
3.	Registered owner SCEO	Title details Master land title HS(M) 28389, PT 28163, Mukim Ampang, Daerah Ulu Langat, Negeri Selangor Property address No 52-2D (Block A2) Jalan 6/9, Kampung Tasek Tambahan, 68000 Ampang, Selangor	Description of property One (1) unit of apartment (under parcel number 100, Level 3, Building No A17) Existing use Staff Accommodation	Category of land use Building Express Condition Shop houses Tenure Leasehold for 99 years, ending on 28 January 2091	Restriction in interest This land cannot be sold, mortgaged, charged or transferred in whatsoever manner unless upon obtaining the State Authority's consent. Encumbrances None	Date of issue of principal CF 9 November 2002	Master land size Approximately 1,650 sq. ft Built-up area Approximately 664.994 sq. ft	Not applicable since this premises was transferred to SCEO on 31 May 2024

7.19.2 Properties rented by our Group

A summary of the material properties rented by our Group for our operations as at the LPD is as follows:

No.	Registered owner / Landlord	Tenant	Property address	Description and existing use	Built-up area (approximate) (sq. ft.)	Date of issue of CF or CCC	Tenure of tenancy	Rental per month (RM)
1.	Thrive Properties	SCSM	No. 33G, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor	Description Shophouse Existing Use Labelling and storing of the lamp oil	1,463.90	9 November 2002	1 October 2023 – 30 September 2026 Renewal option For another period of 2 years	2,500
2.	Thrive Properties	SCEO	No. 35-2C, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor	Description Shophouse Existing Use Hostel to house SCEO's workers.(1)	699.66	9 November 2002	1 October 2023 – 30 September 2026 Renewal option For another period of 2 years	700
3.	Wong Hin Loong & Wong Hing Ngiap	SCEO	No. 2B, Jalan 3/2 Kampung Tasek Tambahan, 68000 Ampang, Selangor ("**Unit 2B**")	Description of Property Shophouse Existing Use Hostel to house SCEO's workers(2)	1,320.00	20 October 1992	1 October 2023 – 30 September 2026 Renewal option For another period of 2 years	1,100

No.	Registered owner / Landlord	Tenant	Property address	Description and existing use	Built-up area (approximate) (sq. ft.)	Date of issue of CF or CCC	Tenure of tenancy	Rental per month (RM)
4.	Balamuraly A/L V.Ramachandran	SCEO	No. A2-60-3D, Jalan 6/9 Kampung Tasek Tambahan, 68000 Ampang, Selangor ("**Unit A2-60-3D**")	Description of Property Shophouse Existing Use Hostel to house SCEO's workers[(3)]	1,170.00	9 November 2002	1 October 2023 – 30 September 2025 Renewal option For another period of 2 years	800

Notes:

(1) Certificate of accommodation was issued to SCEO by Department of Labour Peninsular Malaysia under the Ministry of Human Resources Malaysia ("**Department of Labour**") on 24 November 2022, to house 6 foreign workers. The certificate is valid for a period of 3 years from 24 November 2022 to 24 November 2025. As at the LPD, this property houses 6 SCEO's foreign workers.

(2) Certificate of accommodation was issued to SCEO by Department of Labour on 28 December 2023, to house 12 foreign workers. The certificate is valid for a period of 3 years from 28 December 2023 to 28 December 2026. As at the LPD, this property houses 5 SCEO's foreign workers.

(3) Certificate of accommodation was issued to SCEO by Department of Labour on 20 December 2023, to house its 6 foreign workers. The certificate is valid for a period of 3 years from 20 December 2023 to 20 December 2026. As at the LPD, this property house 5 SCEO's foreign workers.

As at the LPD, there is no breach of any property or land use conditions, non-compliance with any regulatory requirements, land rules or building regulations / by-laws, and environmental issue which may materially affect our Group's operations and / or usage of properties owned and rented by our Group as set out in Sections 7.19.1 and 7.19.2, respectively of this Prospectus.

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7.20 GOVERNING LAWS AND REGULATIONS

7.20.1 Governing laws and regulations

Our Group's business operations are subject to the following laws and regulations:

(i) Local Government Act 1976 ("LGA 1976") and Ampang Jaya Municipal Council's By-Laws ("AJMC By-Laws")

The Local Government Act 1976 and the by-laws of the respective local councils and authorities set out the requirements to obtain business and signage licences. Every licence or permit granted by the local authority may 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.

Any person who operates any trade, business and industry without a valid licence may be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both.

As our business is carried out in Ampang, Selangor, and the relevant by-laws governing the conduct of our business would be the AJMC By-Laws. Any person who operate the any activity of trade, business and industry or use any place or premise without any valid licence shall commit an offence and upon conviction be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding one (1) year or to both and in the case of a continuing offence to a fine not exceeding RM200 for each day during which such offence is continued after conviction.

As at the LPD, our Group holds and maintains valid business and signboard licences issued by the local authorities.

(ii) Control of Supply Act 1961 ("CSA")

The CSA is an act to provide for the control and rationing of supplies. The Control of Supplies Regulations 1974 ("**CS Regulations**") is a regulation made pursuant to the CSA.

Pursuant to Regulation 3 of the CS Regulations, no person shall deal by wholesale or retail in any scheduled article or manufacture any scheduled article except under and in accordance with a licence issued under Regulation 4 of the CS Regulations. The scheduled article includes cooking oil.

Pursuant to Regulation 18 of the CS Regulations, any person who carries on any trade or business, which in the course of the trade or business he uses or consumes cooking oil shall not have in his possession the quantity of cooking oil exceeding 12kg unless he has been authorized by way of a permit issued by the Controller of Supplies.

Section 22 of the CSA provides that:

(a) Any person, other than a body corporate, but including a director or officer of a body corporate, who commits an offence against the CSA shall, on conviction, be liable to a fine not exceeding RM1,000,000 or to imprisonment for a term not exceeding 3 years or to both, and for a second or subsequent offence, to a fine not exceeding RM3,000,000 or to imprisonment for a term not exceeding 5 years or to both; and

(b) Any body corporate which commits an offence against the CSA shall, on conviction, be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000.

As at LPD, our Group has obtained relevant wholesale and retail licences to deal on the activities of wholesale and retail for cooking oil all of which are valid and subsisting.

(iii) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAAA")

The EMSHAAA prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependents, if applicable) as well as requires employers to provide health, hospital, medical and social amenities to their employees.

Employers are required to provide minimum space requirement for workers' accommodation, basic facilities as well as safety and hygiene standards.

Pursuant to Section 24D(1) of the EMSHAAA, no accommodation shall be provided to an employee unless certified with a certificate of accommodation from the Department of Labour of Peninsular Malaysia. An employer who contravenes Section 24D(1) of the EMSHAAA may be liable to a fine not exceeding RM50,000.

From February 2023 to October 2023 ("**Said Period**"), we housed 4 foreign workers employed under SCEO in Unit 2B without a certificate of accommodation. On 25 April 2023, we applied to the Department of Labour to obtain a certificate of accommodation for Unit 2B. On 30 September 2023, our Group obtained a support letter from the Ampang Jaya Municipal Council (Majlis Perbandaran Ampang Jaya) to support that Unit 2B is approved to be occupied as the property has been categorised with the status of shophouse and zoned under commercial and services. The Department of Labour has issued the certificate of accommodation for Unit 2B on 28 December 2023. As at the LPD, Unit 2B housed 5 foreign workers employed under SCEO.

Before the issuance of the certificate of accommodation for Unit 2B on 28 December 2023, we had on 20 December 2023, we relocated our 4 foreign workers from Unit 2B to Unit A2-60-3D upon our receipt of certificate of accommodation dated 20 December 2023 for Unit A2-60-3D to house our foreign workers employed under SCEO. Please refer to Section 7.19.2 of this Prospectus for details of Unit A2-60-3D.

During the Said Period and up to 20 December 2023, there was no fine, penalty or compound being issued by the relevant authorities to our Group for housing our 4 foreign workers in Unit 2B in the absence of the Certificate of Accommodation.

We are of the view the past non-compliance will not have any material adverse impact on our Group's business and operations and/or financial performance as SCEO has taken the necessary steps and actions to rectify the matters by relocating our 4 foreign workers from Unit 2B to Unit A2-60-3D.

As at the LPD, our Group has obtained certificates of accommodation from Department of Labour for all our accommodations provided to our foreign workers.

(iv) Occupational Safety and Health Act 1994 ("OSHA 1994")

OSHA 1994 and its subsidiary legislations are the laws that regulate all matters relating to safety, health and welfare of all persons at work.

The matter relating to the certificate of fitness for plant is particularly govern under the Occupational Safety and Health (Plant Requiring Certificate of Fitness) Regulations 2024 which came into effect on 1 June 2024 (in place of the repealed FMA 1967).

Section 27C(1) of the OSHA 1994 provides that no person shall install or cause to be installed any prescribed plant (refers to steam boiler, pressure vessel and lifting machinery) which requires certificate of fitness unless the person ensures that the plant has fulfilled all the requirements prescribed by the authority and has obtained the written approval from the Director General of Occupational Safety and Health. A person who contravenes Section 27C(1) of the OSHA 1994 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both.

Section 27D(1) of the OSHA 1994 further provides no person shall operate or cause or permit to be operated any plant (includes any machinery, equipment, appliance, implement or tool, any component thereof and anything fitted, connected or appurtenant thereto) that has been installed with certificate of fitness unless the plant has a certificate of fitness issued by an officer or a licensed person. A person who contravenes Section 27D(1) of the OSHA 1994 shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both.

As at the LPD, we hold 2 valid certificates of fitness issued by DOSH under the previous FMA 1967 for its goods hoisting machine and unfired pressure vessel (air vacuum) which are used by our Group and we have obtained the approval letters dated 14 November 2023 for installation of machinery for 14 packaging lines in our Factory No. 11.

Save for the above, there was no other machinery that required the issue of a certificate of fitness or approval to install our machinery under the previous FMA 1967 or OSHA 1994.

During the FYEs Under Review, our Group did not seek DOSH's approval prior to installing its 14 packaging lines machine in the Factory No. 11. The non-compliance was due to the advice from our suppliers who supplied the packaging lines machine by representing that there is no requirement for approval to be obtained for the installation of such packaging lines machine, save for those specific machines that requires certificate of fitness as prescribed under the previous FMA 1967 (which has been repealed by FM Repeal Act).

On 19 October 2023 and as a matter of prudence, we submitted and applied to DOSH to inspect our 14 packaging lines installed in Factory No. 11 as to whether any approval or certificates of fitness is required for such installation. On 14 November 2023, we were issued with the approval letters to install 14 packaging lines machine under the following approval numbers:

- Approval No.: SL/23/PTI/100418
- Approval No.: SL/23/PTI/100420
- Approval No.: SL/23/PTI/100442
- Approval No.: SL/23/PTI/100443

Further on 29 November 2023, a DOSH officer conducted an inspection on our 14 packaging lines in our Factory No. 11 and has indicated his satisfaction with the installations during his visit.

During the FYEs Under Review and up to the LPD, our Group has not been issued with any fine, penalty, compound or stop order to operate our 14 packaging lines machine installed in our Factory No. 11.

We are of the view the past non-compliance will not have any material adverse impact on our Group's business and operations and/or financial performance as our Group has taken the necessary steps and actions to rectify the matters as evidenced by the issuance of the approval letters from DOSH for the installation of our 14 packaging lines machine installed in our Factory No. 11 as well as the inspection conducted by the DOSH officer at the Factory No. 11.

(v) Street, Drainage and Building Act 1974 ("SDBA") and Uniform Building By-Laws 1984 ("UBBL")

The SDBA governs matters relating to streets, drainage and buildings in Peninsular Malaysia and it provides requirement to have a CCC (under UBBL) to ensure that the building is safe and fit for occupation.

Section 70(27)(f) of SDBA provides that any person who occupies or permits to be occupied any building or any part thereof without CCC shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Further, pursuant to Section 70(11) of SDBA, any person who makes any alteration to any building not in accordance with the SDBA or by-laws or without the prior written permission of the local authority shall be liable on conviction to a fine not exceeding RM25,000 and a magistrate's court shall on the application of the local authority, issue a mandatory order to alter the building in any way or to demolish it.

As at LPD, our Group has complied with the provisions as stipulated in the SDBA and UBBL.

(vi) Malaysian Palm Oil Board (Licensing) Regulations 2005 ("MPOB Regulations") under the Malaysian Palm Oil Board Act 1998

Under the MPOB Regulations, it is stated that no person shall, amongst other, sell, move, store, purchase or export the palm oil unless he is a holder of an appropriate licence issued under MPOB Regulations.

Any person who contravenes MPOB Regulations commits an offence and shall be liable on conviction to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding 3 years or to both.

Further under the MPOB Regulations, it is provided that any person who supplies, sell or export any palm oil product which he knows to be false in particulars or different from what it is, commits an offence and shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 3 years or to both.

As at LPD, our Group has obtained the MPOB licence under the MPOB Regulations to carry out the activities to sell, move, store, purchase or export processed palm oil at Factory No. 11.

(vii) Immigration Act 1959/63

The Immigration Act 1959/63 is enacted to regulate matters in respect of immigration, including the issuance of visit pass of foreign workers employed by Malaysian employers.

Pursuant to Section 6 of the Immigration Act 1959/63, no person other than citizen shall enter Malaysia unless the person is in possession of a valid entry permit or valid pass lawfully issued to him to enter Malaysia or has been granted an exemption under the Immigration Act 1959/63. The Immigration Act 1959/63 provides that any person 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 shall be guilty of an offence and shall, on conviction, be liable 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.

As at LPD, all foreign workers employed by our Group carry valid working permits or entry passes which are valid for a period of 11 to 12 months from the date of issue, which are renewable periodically.

(viii) Price Control and Anti-Profiteering Act 2011 ("PCAPA") and Price Control and Anti-Profiteering (Determination of Maximum Price) (No.13) Order 2023 ("PCAPO")

The PCAPA was enacted to control the prices of goods and to prohibit profiteering as well as to provide for matters connected therewith or incidental thereto and is controlled through the PCAPO.

Any person, who sells or offers to sell any price-controlled goods (in this case cooking oil) otherwise than in accordance with the prices as determined by the PCAPA, commits an offence.

Under the PCAPA, a body corporation commits any offence and on conviction, shall be liable to a fine not exceeding RM500,000 and, for a second or subsequent offence, to a fine not exceeding RM1,000,000. If such an offence is committed by a person who is not a body corporate, on conviction, shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 3 years or to both and, for a second or subsequent offence, to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 5 years or to both.

As at LPD, our Group sells all our bottled cooking oil in accordance with PCAPO.

(ix) Food Act 1983 ("FA 1983") and Food Hygiene Regulations 2009 ("FHR")

FA 1983 as supplemented by subsidiary legislation, most pertinent is FHR, is a law enacted to regulate the safety and quality of food in Malaysia and to ensure that food products sold in Malaysia are, amongst other, safe and fit for human consumption.
Under Regulation 3(1) of the FHR, it provides that no person shall use any food premises 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 (or MOH, the supervising regulator authority).

Under Regulation 3(2) of the FHR, any person who fails to comply with such provision commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years.

"Food" is defined under FA 1983 to include every article manufactured, sold or represented for use as food or drink for human consumption or which enters into or is used in the composition, preparation, preservation, of any food or drink and includes confectionery, chewing substances and any ingredient of such food, drink, confectionery or chewing substances while "food premises" means premises used for 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.

Factory No. 11 is considered as food premises where the activities encompass packaging, storage, conveyance, distribution or served for sale and labelling of the food. As at the LPD, our Group has obtained the Certificate of Registration for Food Premises for Factory No. 11.

Further, under Regulation 9(1) of the FHR, it provides that a proprietor, owner or occupier of food premises shall provide and make available a food safety assurance programme in the food premises. Under Regulation 9(2) of FHR, any proprietor, owner or occupier of food premises who fails to comply with this regulation commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years. As at the LPD, our Group has obtained the MeSTI Certificate as required under the FHR, for Factory No. 11.

7.21 ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND MEASURES

We seek to place emphasis on growing our business responsibly, taking into account our environment and social impact on the community and our employees. We also seek to instill an internal governance culture. To this end, we have implemented, and are in the midst of implementing, the following practices:

(i) Environmental

Our Group repackages, markets and distributes RBD palm olein oil products, and our operations involve the sourcing, repackaging and labelling of RBD palm olein oil. We thus implement the following practices to reduce or minimise our impact on the environment:

- Recycling of packaging

  We purchase our used carton boxes from our customers at a per unit cost which is lower than the per unit cost of new carton boxes supplied by our carton box suppliers. Carton boxes which are in good condition are reused while those that are not in good condition are sold to scrap collectors.

- Electricity usage

  The building orientation of our main packaging facility maximises sunlight exposure and allow for cross ventilation. This lowers the usage of electricity for lighting and cooling devices such as fans and air-conditioners. We also use LED lighting at our main packaging facility and lamp oil shop lot which is more energy efficient and emits less heat.

  In addition, we intend to invest in the installation of rooftop solar photovoltaic systems on Factory No. 9.

- Use of semi-automated and automated packaging lines to minimise wastages

We presently use semi-automated and automated packaging lines for the repackaging of RBD palm olein oil into polybags, bottles, jerry cans and tin cans. These semi-automated and automated packaging lines have sensors that will cease the filling of RBD palm olein oil into the packaging once it has reached a particular level. This avoids the occurrence of spillages which would minimise wastages.

- Proper waste management

  Our operational processes generate non-scheduled (municipal) wastes such as used carton boxes which are not in good condition and plastic bags. In this regard, responsible waste management can help reduce the environmental impact of our processes by ensuring that industrial waste do not pollute the natural environment.

  We strive to control unscheduled waste on-site such as used carton boxes and plastic bags. This is done by segregating wastes by type, as well as encouraging reuse and recycling practices by disposing these unscheduled wastes to recycling companies.

(ii) Social

We recognise that our employees are valuable assets and as such, we strive to retain and nurture their talent and at the same time contributed to the social agenda as follows:

- Maintain a safe and conducive workplace

  Creating a positive work environment is crucial for nurturing healthy and motivated employees, enabling them to prosper and make meaningful contributions to our Group. We are dedicated to maintaining a safe and conducive workplace for our employees. To achieve this, we have established Standard Operating Procedures (SOPs) for safety and health. These SOPs include regular safety and health spot checks every quarter, ensuring the well-being of the environment in our business and factory settings. Additionally, we have developed an emergency response plan to educate and prepare our employees for any emergency situations.

- Diversity and inclusion

  Our Group is dedicated to fostering diversity and inclusion in our workplace. We are committed to ensuring that recruitment, employment, placement, training, development, as well as remuneration and advancement within our Group, are based solely on an individual's qualifications, job performance, and their skills and experience. This approach allows all employees, regardless of their backgrounds, to have equal opportunities and feel valued and supported within our Group.

- Promoting personal development

  We retain skilled employees and attract new talents through providing continuous training and rewarding employees with competitive remuneration packages. We set a minimum 8 hours of training per calendar year for each of our employees. By doing so, we believe that we are supporting our employees' professional development which would enhance their performance and productivity while increasing their value and future marketability.

- Participation in Government subsidy programme(s)

  Our participation in the subsidy programme promoted by the Government is part of our initiative to participate and contribute towards stabilisation of retail prices of RBD palm olein cooking oil. This is expected to benefit the society at large as cooking oil is an essential food ingredient used in various food manufacturing and preparation processes.

- Donations

  We contribute back to the society by donating to charitable funds. For the FYEs under review, we have donated approximately 2,000 kg of RBD palm olein cooking oil products to Yayasan Sunbeam Home, a non-governmental, self-supporting foundation which cares and nurtures for the displaced, abused and neglected children of single parent.

(iii) Governance

We are committed to conducting our business ethically and in compliance with all applicable laws and regulations in Malaysia. These laws include but are not limited to the Malaysian Penal Code (revised 1977) (and its amendments) and the Companies Act 2016.

We also have established the following policies and guidelines:

- Anti-bribery and anti-corruption policy and guidelines in compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments

  Our Group is dedicated to carrying out our business operations with integrity, clarity, and responsibility. To uphold these values, we have implemented an anti-bribery and anti-corruption policy. This policy is in accordance with the Malaysian Anti-Corruption Commission Act 2009 and outlines our Group stance against all types of bribery and corruption. We maintain a zero-tolerance approach to such practices, not only within our organisation but also in dealings with external entities like customers and suppliers.

- Whistleblowing policy and guidelines

  Our Group is devoted to managing our business operations ethically, transparently, and responsibly. In line with this commitment, we have established a Whistleblowing Policy, compliant with the Whistleblower Protection Act 2010. This policy enables stakeholders, including customers, employees, suppliers, and the local community, to report any real suspicions or accusations regarding fraud within our Group, alleged unethical actions, or inappropriate business practices conducted by our employees or external parties in business relations with us. This policy is designed to safeguard our Group's integrity and address concerns that might impact us.

- Code of conduct and ethics in compliance with MCCG

  Maintaining robust corporate governance practices is essential for promoting and upholding integrity and ethical business behavior. Consequently, our Group has adopted a code of ethics that applies to all employees and our Board members. In order to foster a Board that effectively instills these corporate governance practices within our Group, we have formed a Nomination Committee and Remuneration Committee. These committees are composed solely of Non-Executive Directors.

Among its various responsibilities, the committees' key roles include assessing and evaluating the performance of our Board and Key Senior Management.

- Procurement management procedure which includes supplier evaluation and quality management system

  The procurement management procedure, encompassing supplier evaluation and a quality management system, is a comprehensive approach that ensures we engage with capable and reliable suppliers. This procedure includes a thorough assessment of potential suppliers to verify their ability to meet our quality standards and fulfill our requirements consistently. Additionally, the quality management system is integrated into this process to maintain high standards of procurement.

  It involves regular monitoring and evaluation of both the suppliers and the goods or services they provide, ensuring continuous improvement and adherence to our organizational standards.

To this end, our Group's sustainability efforts are focused on enhancing our value propositions for our stakeholders and customers with the adoption of best practices. We will be watchful of the industry trends and adapt accordingly to remain at the forefront, and to stay relevant to our stakeholders.

7.22 BUSINESS STRATEGIES AND FUTURE PLANS

We have identified the following strategies to strengthen our position:

(i) We intend to expand our product range to include high oleic soybean oil

Our Group has been involved in the repackaging, marketing and distribution of RBD palm olein oil products since 1992 and has since accumulated experience in the edible oil industry and established a customer base comprising retailers, wholesalers, hotel, restaurant and catering operators, and food manufacturers.

Our Group's experience and existing customer base serve as a foundation for us to continue to secure new orders and cross-sell other types of edible oils.

Our Group intends to expand the range of products we repackage, market and distribute to include high oleic soybean oil as we have been receiving enquiries from food manufacturers and hotel operators since the FYE 2023, to procure high oleic soybean oil for use in their premises. This new venture will be able to provide our Group with an additional income stream and to reduce our reliance on RBD palm olein oil products business, which contributed 99.06% to 99.58% to our Group's total revenue during the FYEs Under Review.

According to the IMR Report, soybean oil, including high oleic soybean oil, has a mild and neutral flavour which makes it suitable for most types of cooking method such as frying, stir frying and deep frying. Soybean oil is also a relatively healthier option as compared to RBD palm olein oil in light of its higher nutrient content (in terms of Omega 3 and Omega 6 fatty acids) and lower saturated fat content. Thus, it serves as a good cooking ingredient in restaurant, hotels and catering operations and food manufacturers as well as for consumers, where it meets the demand for a relatively healthier edible oil while still being a relatively cost-effective cooking oil.

Although it is not as widely consumed as RBD palm olein oil in Malaysia, the soybean market has potential to grow. According to the IMR Report, between 2018 and 2023, the soybean oil market in Malaysia grew at a CAGR of 3.7% in terms of sales volume and a CAGR of 2.6% in terms of sales value. The growth in demand for soybean oil is expected to continue to be driven by its relatively lower price as compared to other edible oils, i.e. olive oil, sunflower oil and rapeseed oil, which will render it an affordable option for households, hotel, restaurant and catering operators, and food manufacturers; its availability as it is one of the most produced oil globally and third most produced vegetable oil in Malaysia apart from palm olein oil and palm kernel oil; as well as the growing population and food and beverage industry in Malaysia (Source: IMR Report).

In light of the above, our Group recognises the potential in high oleic soybean oil.

We also choose to expand into high oleic soybean oil after:

- conducting preliminary internal research, which was based on our market observations made through a combination of feedback from our existing customers. These customers are retailers, wholesalers and hotel operators who have been purchasing high oleic soybean oil from other suppliers and could be our Group's potential customers for high oleic soybean oil in the future; and

- preliminary research on companies engaged in repackaging, marketing and distribution of high oleic soybean oil products. The above has allowed us to gain insight on the potential demand as well as price range for high oleic soybean oil products.

To this end, our Group intends to set up a new packaging facility at Factory No. 9. The cost of rebuilding Factory No. 9 and purchase of machinery and equipment for the repackaging of high oleic soybean oil, is expected to amount to RM7.18 million. This will be funded via our Group's IPO proceeds. Further details are as set out in Section 4.8 of this Prospectus.

The new packaging facility is intended to be set up at an adjacent 3-storey factory unit to our main packaging facility, i.e. Factory No. 9.

As at the LPD, we have achieved the following in respect of the rebuilding of Factory No. 9:

Timeline	Milestones
23 January 2023	Engaged a consultant to design the new Factory No. 9
14 March 2023	Submitted initial building plans for the new Factory No. 9 to relevant authorities
15 June 2023	Received approval on initial building plans from the authorities
27 October 2023	Submitted revised building plans for the new Factory No. 9 to relevant authorities
27 February 2024	Received approval on the revised building plans from the authorities

The indicative timeline for the remaining milestones for the rebuilding of Factory No. 9 are as follows:

Timeline	Milestones
Third quarter of 2024	- Engage a main contractor to construct the new Factory No. 9 - Commence construction works for the new Factory No. 9
Fourth quarter of 2025	Complete construction works of the new Factory No. 9
First quarter of 2026	- Obtaining certificate of completion and compliance - Commence setting up of the new machinery and equipment - Complete installation and testing of the new machinery and equipment
Second quarter of 2026	- Commence operations at the new Factory No. 9 - Conduct ISO 22000: 2018 Food Safety Management System and HACCP (MS 1480: 2019) Food Safety certifications process for the new Factory No. 9
Third quarter of 2026	Receive ISO 22000: 2018 Food Safety Management System and HACCP (MS 1480: 2019) Food Safety certifications for the new Factory No. 9

In conjunction with the rebuilding of Factory No. 9, we intend to purchase new machinery and equipment to be installed / used in this new facility. In particular, we intend to purchase 2 packaging lines for high oleic soybean oil, 1 labelling machine, 2 inkjet printing machines for printing batch numbers and expiry dates on the bottles, 1 receiving turn table, 3 storage tanks and other equipment such as forklifts, pallet trucks and a floor scrubber. These machinery and equipment are estimated to cost approximately RM1.53 million, and will be funded via our IPO Proceeds. We intend to use the aforementioned machinery and equipment for the repackaging, labelling and storage of high oleic soybean oil products.

The rebuilding of Factory No. 9 together with the installation and testing of the new machinery and equipment are expected to complete in the first quarter of 2026 and the commencement of operations at the Factory No. 9 is expected to be in the second quarter of 2026.

As the operational processes required to repackage, market and distribute high oleic soybean oil products are almost identical to our current processes of repackaging, marketing and distribution of RBD palm olein oil products which include quality control, quality assurance and control procedures as set out in Sections 7.6 and 7.7 of this Prospectus, we have the relevant experience and know-how to expand into the business of repackage, market and distribute high oleic soybean oil products.

Our Group may source high oleic soybean oil from our existing network of suppliers comprising local refineries that also supply RBD palm olein oil to our Group. Our Group will identify suitable suppliers by evaluating their product quality, production capacity, market reputation, timeliness of delivery and price competitiveness, amongst others.

In addition to the above, we intend to:

- carry out promotional sales activities and product testing to introduce and promote our high oleic soybean oil products to our potential customers. To carry out these promotional activities, we have set aside a budget of RM200,000 over the span of 9 months prior to commencement of this business in the second quarter of 2026. This will be funded via our internally generated funds. Our Group will also adopt the existing sales channels and marketing strategies as set out in Section 7.12 of this Prospectus to market and distribute our high oleic soybean oil products; and

- recruit additional operation, QC/QA and HSE personnel to handle the packaging of high oleic soybean oil products, if needed. As at LPD, our Group has 30 operation, QC/QA and HSE personnel who handle the packaging of RBD palm olein oil products.

  The aforementioned personnel will also handle the packaging of high oleic soybean oil products in view that the operation of our Group's packaging line will be based on the operational schedule after taking into consideration the orders received from the customers. Hence, not all packaging line will be operated concurrently at all time. Our Group will assess our operating capacity for the packaging of RBD palm olein oil products and the packaging of high oleic soybean oil products from time to time and consider to recruit additional operation, QC/QA and HSE personnel should the need arise.

(ii) We intend to grow our geographical reach to grow our sales

For the FYEs Under Review, our Group's sales have been predominately generated from customers based in Kuala Lumpur and Selangor, where 95.09% to 97.66% of our total sales have been generated from Kuala Lumpur and Selangor.

Our Group has also sold and delivered our products to customers based from other states in Malaysia, though in smaller quantities. For the FYEs Under Review, the remaining 2.34% to 4.91% of our Group's total sales were generated from other states in Malaysia.

Moving forward, our Group intends to grow our sales from existing and new customers based in other states in Malaysia, particularly Perak, Negeri Sembilan, Melaka and Pahang due to the proximity of these states to Kuala Lumpur and Selangor, where Factory No. 11 is located and our Group can easily extend our sales reach and deliver products to these states.

We also choose to expand into other states in Malaysia after conducting preliminary internal research, which was based on enquiries made to existing customers on their demand for our products in these states. This has allowed us to gain insight on the potential demand for our products from these states.

With our products well-received and widely available, we recognise the need for further expansion to other states in Malaysia to continue our growth trajectory. Exploring new geographical markets in other states in Malaysia will allow us to tap into new growth opportunities beyond our current geographical market which are mainly in Kuala Lumpur and Selangor. By expanding our distribution market to other states in Malaysia, we aim to capture a larger customer base for our Group's products.

In order to grow our sales from these states, we intend to achieve the following in 2024 and 2025:

- carry out promotional sales activities to encourage customers in Perak, Negeri Sembilan, Melaka and Pahang to increase their volume of orders. We have set aside a budget of RM200,000 over the span of the next 12 months to carry out these promotional activities. This will be funded via our internally generated funds;

- recruit an Assistant Manager and Senior Sales Executive to focus on expanding customer reach in Perak, Negeri Sembilan, Melaka and Pahang by third quarter of 2024;

- expand our fleet of delivery trucks and recruit 2 additional lorry driver and 2 additional assistant lorry drivers. Our Group has a fleet of 17 trucks to deliver repackaged RBD palm olein oil to our customers. We have allocated RM0.89 million of our IPO Proceeds to acquire 5 new delivery trucks to gradually replace the existing delivery trucks. We intend to acquire the delivery trucks and recruit these personnel within 12 months from receipt of proceeds; and

- reach out to existing customers that have network of stores or operational facilities in Perak, Negeri Sembilan, Melaka and Pahang.

Our Group recognises that new markets, such as the abovementioned states in Malaysia, are untapped potential markets for our Group. As there are no additional operational processes required to grow our sales from the abovementioned states, we have the relevant experience and know-how to expand our geographical reach. Thus, by extending our reach to other states in Malaysia, our Group will be able to extend our reach to new customers, as well as serve our existing customers with operations in the abovementioned states in Malaysia. Should we be successful in expanding into the abovementioned states, our Group may also identify and explore other potential new states or countries to expand into in the future.

7.23 PROSPECTS

We believe that our prospects in the RBD palm olein oil repackaging industry in Malaysia is favourable, taking into account the growth of the RBD palm olein oil repackaging industry in Malaysia, our competitive position set out in Section 7.5 of this Prospectus, and our business strategies as set out above.

According to the IMR Report, the RBD palm olein oil repackaging industry in Malaysia is projected to grow at a CAGR of 20.9% between 2024 and 2026. This will be supported by the following demand drivers:

• continuous demand for RBD palm olein oil products and its downstream products from consumers which will be driven by population growth, government subsidy programmes and initiatives as well as lower price and ease of accessibility; and

• growth in demand from hotel, restaurant and catering operators.

Collectively, these demand drivers are anticipated to bode well for the growth potential of the RBD palm olein oil repackaging industry in Malaysia.

Further, we are also optimistic of the future growth of our Group in light of our plans to expand our range of products to include high oleic soybean oil as well as grow our reach to other states in Malaysia.

7.24 EXCHANGE CONTROLS/ REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As at the LPD, we do not have any foreign subsidiary, associated company or branch office outside of Malaysia and are not subject to any governmental laws, decrees, regulations and/ or other requirements which may affect the repatriation of capital and remittance of profits by or to our Group.

7.25 DEPENDENCY ON CONTRACTS, PRODUCTION OR BUSINESS PROCESS, MAJOR APPROVALS, LICENCES AND PERMITS AND TRADEMARKS

As at the LPD, save as disclosed in Section 7.17 for trademarks under No. 1 to 3 and Section 7.18 of this Prospectus, our Group's business or profitability is not materially dependent on any contracts, intellectual property rights, licences and permits, and production or business processes.

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PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 1 July 2024

The Board of Directors
SIK CHEONG BERHAD
No. 11, Jalan 6/14
Kampung Tasik Tambahan
68000 Ampang
Selangor Darul Ehsan

Dear Sirs,

Independent Market Research ("IMR") report on the Refined, Bleached and Deodorised ("RBD") Palm Olein Oil Repackaging Industry in Malaysia and Overview of the Soybean Oil Market in Malaysia in conjunction with the Listing of Sik Cheong Berhad (the "Company") on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this IMR report on the RBD Palm Olein Oil Repackaging Industry in Malaysia and Overview of the Soybean Oil Market in Malaysia for inclusion in the Prospectus of Sik Cheong Berhad.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of this industry within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive.

For and on behalf of PROVIDENCE:

MELISSA LIM

EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has approximately 15 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

Sik Cheong Berhad and its subsidiaries (collectively referred to as "**Sik Cheong Group**") are principally involved in the repackaging, marketing and distribution of RBD palm olein oil products. As such, this IMR report focuses on ***The RBD Palm Olein Oil Repackaging Industry in Malaysia***. This IMR report also covers an ***Overview of The Soybean Oil Market in Malaysia*** as Sik Cheong Group intends to venture into the repackaging, marketing and distribution of soybean oil in Malaysia.

1 THE RBD PALM OLEIN OIL REPACKAGING INDUSTRY IN MALAYSIA

INTRODUCTION

Palm oil is the most common type of vegetable edible oil consumed in Malaysia. In 2023, the volume of palm oil sold was 188.6 million litres, which translates to 76.7% of the total volume of vegetable edible oils sold in Malaysia.[1]

One of the main reasons it is the most commonly consumed vegetable oil in Malaysia is because it is priced relatively lower than other types of vegetable oil. This is due to its availability in Malaysia as Malaysia is one of the largest producers of palm oil in the world, apart from Indonesia. Malaysia has a planted area of 5.7 million hectares of oil palm plantations in 2023 and these plantations collectively produced approximately 18.6 million metric tonnes ("**MT**") of crude palm oil ("**CPO**") in the year.[2]

Palm oil is typically refined, bleached and deodorised, and is fractionated to produce RBD palm olein and RBD palm stearin oil. RBD palm olein oil refers to the liquid form of palm oil that is used as cooking oil and lamp oil, amongst others. Meanwhile, RBD palm stearin oil refers to the solid fraction of palm oil that is used to produce products such as margarine.

RBD palm olein oil remains stable under high heat as it has a smoke point of approximately 230°C. This indicates that RBD palm olein oil can be heated up to 230°C before it smokes and discolours (which indicates changes in chemical or physical properties and renders it less suitable for continued usage).

As such, RBD palm olein oil is suitable to be used as cooking oil or other types of oil such as lamp oil. As it is used as cooking oil, it is a key ingredient used in the manufacturing and preparation of food and is thus consumed on a daily basis. It is a source of fats and fatty acids and provides energy to the human body.

The industry value chain of the palm oil industry, of which the RBD palm olein oil repackaging industry is a sub-segment, can generally be segmented into:

(a) Upstream

This segment entails the planting, cultivating and harvesting of palm fresh fruit bunches ("**FFB**") from plantations which will be sent to palm oil mills;

(b) Midstream

The midstream segments involve milling and refining palm oil. Palm oil milling involves palm oil mills extracting oil from palm FFB into 2 types of palm oil:

(i) CPO – from the mesocarp of the fruit; and
(ii) palm kernel oil (PKO) – from the kernel of the fruit.

Upon milling, the oil may be sent to local or overseas refineries where it will undergo RBD processes, i.e. deacidification, degumming and bleaching to remove gums, trace metals, pigments, peroxides and other products as well as deodorising by introducing high pressure steam to remove volatile compounds that impact the odour, flavour, colour and stability of the oil.

Thereafter, the oil will undergo fractionation to separate the liquid part (palm olein) from the solid part (palm stearin), forming RBD palm olein oil and RBD palm stearin oil; and

[1] Source: Euromonitor
[2] Source: Malaysia Palm Oil Board ("**MPOB**").

PROVIDENCE

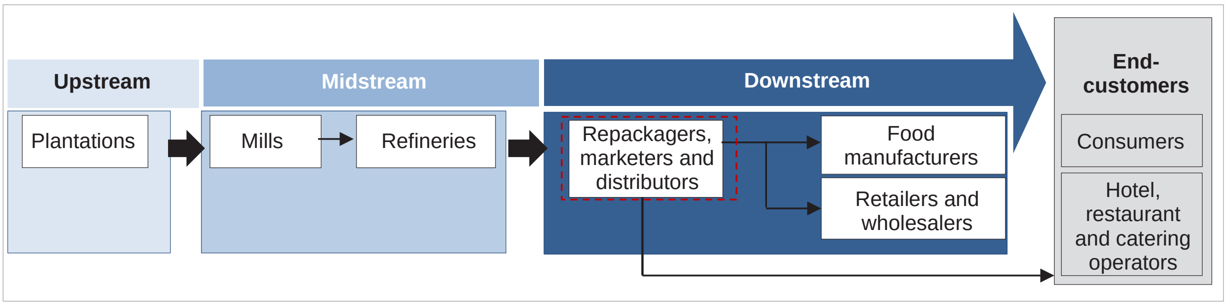
(c) **Downstream**

The downstream segments involve the repackaging, marketing, sales and/or distribution of RBD palm olein oil as well as manufacturing of other related downstream products such as food and oleochemical products. These finished products may be used by the following customer segments:

- **Repackagers, marketers and distributors** – repackages, markets and/or distributes RBD palm olein oil in bulk for onward sale to manufacturers or retailers. These industry players may or may not have their own brand of products;
- **Food manufacturers** – manufacturing food products (such as ice cream, instant noodle and creamer) as well as oleochemical products (such as soap) using RBD palm olein oil and RBD palm stearin; and
- **Retailers and wholesalers** – fast-moving consumer goods companies and/or grocery retailers and wholesalers. Retailers retail packaged RBD palm olein oil products to consumers and food and beverage ("**F&B**") service providers in their retail outlets. Meanwhile, wholesalers sell packaged RBD palm olein oil products to retailers and manufacturers.

Some refineries may either directly, or through a related company or subsidiary, package a portion of their RBD palm olein oil into smaller packaging sizes. In such cases, the refineries act as both refineries as well as repackagers, marketers and distributors.

Palm oil industry value chain



Note:
Denotes the RBD palm olein oil repackaging industry sub-segment, in which Sik Cheong Group operates

Source: PROVIDENCE

The RBD palm olein repackaging industry comprises industry players that purchase RBD palm olein oil from refineries, and package them into smaller packaging sizes such as polybags, bottles, tin cans, jerry cans and intermediate bulk containers to be distributed to manufacturers, retailers, wholesalers and hotel, restaurant and catering operators. These industry players may or may not have their own brand of products. The RBD palm olein repackaging industry does not include refineries that perform their own packaging activities as the RBD palm olein oil is not repackaged if it is carried out by the same party.

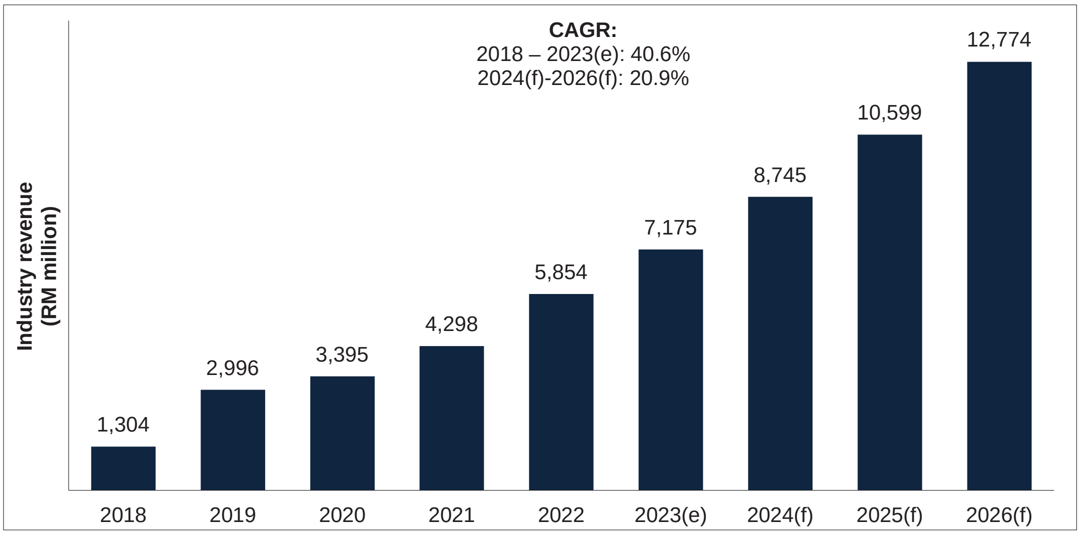
Sik Cheong Group is involved in the downstream segment of the palm oil industry, specifically the RBD palm olein oil repackaging industry, where it is principally involved in the repackaging, marketing and distribution of its own brand of RBD palm olein oil products.

INDUSTRY SIZE, PERFORMANCE AND GROWTH

The RBD palm olein oil repackaging industry in Malaysia can be measured based on the revenues of industry players involved in the repackaging, marketing and/or distribution of RBD palm olein oil products. This may be sold either under their own or third-party brands.

Between 2018 and 2023, the RBD palm olein oil repackaging industry size in Malaysia grew from RM1.3 billion to an estimated RM7.2 billion, registering a compound annual growth rate ("**CAGR**") of 40.6% over the period. Moving forward, the RBD palm olein oil repackaging industry in Malaysia is expected to grow from an estimated RM8.7 billion in 2024 to reach RM12.8 billion in 2026, at a CAGR of 20.9% over the period.[3]

RBD palm olein oil repackaging industry size in Malaysia



Notes:

(i) (e) – Estimate
(ii) (f) – Forecast
(iii) The RBD palm olein oil repackaging industry size may include revenues from business not related to repackaging of RBD palm olein oil products such as repackaging of other types of edible oils, shortening and ghee.

Source: PROVIDENCE

KEY DEMAND DRIVERS

Continuous demand for RBD palm olein oil products and other related downstream products from consumers will drive the growth of the RBD palm olein oil repackaging industry

In 2023, the sales volume of palm oil constituted 76.7% of the total volume of vegetable edible oil sold in Malaysia.[4] In addition, the per capita consumption of palm oil is also higher than other types of vegetable oils. In 2023, the domestic consumption of palm olein oil per capita in Malaysia was 25.7 kilograms ("**kg**") per capita, where else the per capita consumption of other vegetable edible oils such as palm kernel oil was 3.7 kg per capita, soybean oil was 2.1 kg per capita, coconut oil was 1.2 kg per capita and peanut oil was 0.1 kg per capita.[5] This indicates that RBD palm olein oil products are widely consumed by the majority of the Malaysian population.

The demand for RBD palm olein oil products and other related downstream products (such as food products e.g. ice cream, instant noodles and creamer, as well as oleochemicals e.g. soap) amongst consumers is driven by the following factors:

[3] PROVIDENCE's growth forecast is based on their proprietary forecasting model that takes into account historical growth performance, demand drivers and restraints, industry risks and challenges as well as industry trends
[4] Source: Euromonitor
[5] Source: Foreign Agriculture Service, United States Department of Agriculture; PROVIDENCE analysis

(i) Growth in population

The population of Malaysia has been growing, from 32.4 million to 33.7 million between 2018 and 2023.[6] As the population increases, it is expected that the demand for RBD palm olein oil products and other related downstream products will also grow in tandem.

(ii) Government subsidy programmes and initiatives

The Government of Malaysia has implemented a cooking oil subsidy program to ensure the availability and affordability of cooking oil to consumers, as cooking oil is a staple cooking ingredient in Malaysian households.

Since June 2007, the Government of Malaysia subsidised cooking oil in 1 kg polybag packaging at a price of RM2.50 per packet, compared to its actual market price of RM9.00 per kg as at 2022. In June 2022, the Government of Malaysia announced that it will maintain the subsidy with an additional fund allocation of RM4 billion. In April 2023, the Government of Malaysia further announced its initiative to maintain the cooking oil subsidy with a quota of 60,000 MT per month. This government subsidy program is expected to drive demand for RBD palm olein oil products in view that it will help to stabilise the retail price of cooking oil in Malaysia.

Moreover, under Budget 2024, the Government of Malaysia has proposed to allocate a total of RM225 million to cover the distribution costs of essential goods, which includes edible oil, to rural and remote areas, under the Community Drumming Programme.

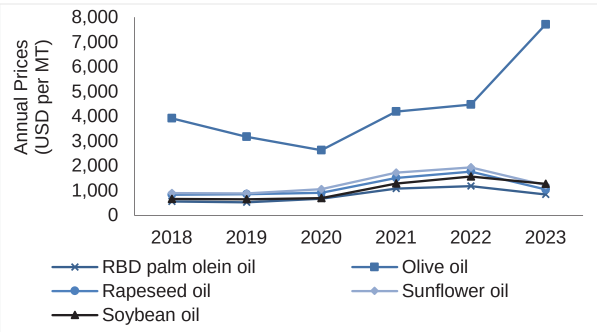
(iii) Lower price and ease of accessibility

Between 2018 and 2023, the average price of RBD palm olein oil was the lowest as compared to other vegetable edible oils such as sunflower oil, rapeseed oil, olive oil and soybean oil. As such, RBD palm olein oil is a more cost-effective option for consumers (especially lower income households) as well as businesses which consume large quantities of oil in their food manufacturing operations.

Further, Malaysia is one of the largest producers of palm oil. The production of CPO in Malaysia increased from 19.5 million MT in 2018 to 19.9 million MT in 2019. Despite the fall in CPO production to 19.1 million MT in 2020 and 18.1 million MT in 2021 due to the impact of the Coronavirus Disease 2019 ("**COVID-19**") and labour shortages, the production of CPO recovered and increased to 18.5 million MT in 2022 and 18.6 million MT in 2023, in light of the lifting of COVID-19 restrictions in the country.[7]

As such, the affordability and accessibility to palm oil will contribute to the growth of the RBD palm olein oil industry in Malaysia.

Global annual average prices of vegetable edible oil



Year	RBD palm olein oil	Sunflower oil	Rapeseed oil	Olive oil	Soybean oil
	USD per MT				
2018	559.9	900.8	829.6	3,911.7	658.6
2019	524.0	883.5	853.7	3,166.3	645.3
2020	666.1	1,056.5	903.1	2,628.3	690.0
2021	1,073.5	1,718.9	1,510.0	4,184.8	1,277.4
2022	1,177.0	1,934.2	1,763.3	4,469.9	1,566.1
2023	838.4	1,218.1	1,039.0	7,709.6	1,272.8
Average	**806.5**	**1,285.3**	**1,149.8**	**4,345.1**	**1,018.4**

Note:

(1) The above edible oils were the only vegetable edible oils tracked by the International Monetary Fund ("**IMF**") and are also substitutes of RBD palm olein oil and soybean oil.

Source: IMF

[6] Source: Department of Statistics Malaysia ("**DOSM**")
[7] Source: MPOB

The growth in demand from hotel, restaurant and catering operators will drive demand for RBD palm olein oil products, which would drive the growth of the RBD palm olein oil repackaging industry

RBD palm olein oil products are essential in food preparation. They can be used in a wide range of cooking methods such as frying, sauteing, baking and dressing. In Malaysia, stir-frying and deep-frying are commonly used in local cuisine. As these methods involve high heat, the use of edible oils with high smoke point such as palm olein oil is typically recommended. As such, apart from consumers, it is also used by hotel, restaurant and catering operators in preparing food for their patrons, guests and customers.

In Malaysia, the performance of the F&B industry has improved over the years, albeit a decline in 2020 and 2021 due to the effects of the COVID-19 pandemic. During the COVID-19 pandemic, many businesses had to reduce operational capacity or stop operations entirely. Overall, the growth of the F&B industry may be depicted by the gross domestic product ("**GDP**") of the F&B industry in Malaysia, which recorded a CAGR of 3.9%. The overall F&B industry increased from RM40.6 billion in 2018 to RM49.2 billion in 2023, despite the temporary dip to RM37.8 billion and RM35.9 billion in 2020 and 2021 respectively.[8] As Malaysia recovers from the COVID-19 pandemic and opened all economic sectors since April 2022, the nation's F&B industry is expected to grow due to the growing demand for food services.

SUPPLY CONDITIONS

The main material used in the RBD palm olein oil repackaging industry is RBD palm olein oil. RBD palm olein oil is generally supplied and refined by refineries. According to MPOB, there were 54 palm oil refineries in Malaysia in 2023. The factors affecting the supply of RBD palm olein oil include its availability and price.

RBD palm olein oil is widely available in Malaysia as Malaysia is one of the largest producers of palm oil in the world, apart from Indonesia. Malaysia has a planted area of 5.7 million hectares of oil palm plantations in 2023 and these plantations collectively produced approximately 18.6 million MT of CPO in the year.[9] Meanwhile, the production of CPO in Malaysia increased from 19.5 million MT in 2018 to 19.9 million MT in 2019. Despite the fall in CPO production to 19.1 million MT in 2020 and 18.1 million MT in 2021 due to the impact of COVID-19 and labour shortages, the production of CPO recovered and increased to 18.6 million MT in 2023 in light of the lifting of COVID-19 restrictions in Malaysia.[10]

Although RBD palm olein oil is widely available in Malaysia, the volume of its supply locally may be affected by weather conditions and any other factors which may lead to disruptions in operational activities such as the COVID-19 pandemic.

In terms of prices, RBD palm olein oil prices generally fluctuate. It correlates with the CPO prices, and the prices of both products are influenced by their demand and supply and prices of other edible oils and fats and crude oil. The annual average RBD palm olein oil, indicated by average export prices of RBD palm olein oil, fell from RM2,328.50 per MT in 2018 to RM2,236.50 per MT in 2019. In 2020, the average prices of RBD palm olein oil recorded RM2,844.00 per MT, before it increased to RM4,764.50 per MT in 2021 and RM5,366.50 per MT in 2022. In 2023, the average prices of RBD palm olein oil decreased to RM4,018.00 per MT.

Likewise, in 2018, the annual average CPO prices in Malaysia recorded RM2,232.50 per MT, before dropping to RM2,079.00 per MT in 2019. The annual average CPO prices recovered to RM2,685.50 per MT in 2020 and further increased to RM4,407.00 per MT in 2021 and RM5,087.50 per MT in 2022.

RBD palm olein oil and CPO prices rose in 2020 largely due to the impact of COVID-19 pandemic which affected the volume of FFB yield and processed, thus resulting in lower CPO and RBD palm olein oil production. The annual production of RBD palm olein oil increased from 10.6 million MT in 2018 to 11.5 million MT in 2019. In 2020, the annual production decreased to 10.1 million MT.

Subsequently in 2021, the annual production of RBD palm olein oil recorded the lowest amongst the 5 years due to the temporary suspension on foreign labour intake as part of COVID-19 containment

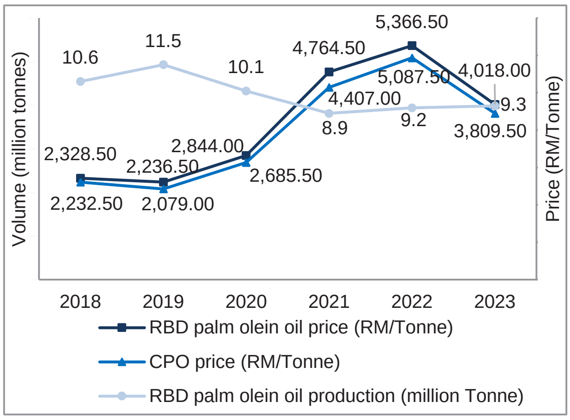
[8] Source: DOSM
[9] Source: MPOB
[10] Source: MPOB

measures. As a result, it has affected the volume of FFB processed and CPO production, which led to an increase in prices of CPO and RBD palm olein oil.

Although the annual production of RBD palm olein oil recovered in 2022, the CPO and RBD palm olein oil prices continued to rose due to weaker Ringgit as against the USD as well as the prolonged Russia-Ukraine war. The Russia-Ukraine war has disrupted the sunflower oil supply chain globally, which caused a surge in demand for palm oil as a replacement for sunflower oil.

However, CPO prices fell from RM5,087.50 per MT in 2022 to RM3,809.50 per MT in 2023.[11] The fall in CPO prices was due to higher production and stock levels of CPO in the year as well as lower demand for vegetable oils from China and competition from other types of vegetable oils which would result in lower demand for CPO. The higher supply of and lower demand for CPO resulted in lower CPO prices in the year.

RBD palm olein price trend analysis



Note:
(1) Latest publicly available information on RBD palm olein oil prices and production is in 2023

Source: MPOB

GOVERNMENT LAWS AND REGULATIONS

The key laws and regulations relating to the RBD palm olein oil repackaging industry are as follows:

- Control of Supplies Act 1961 – was enacted to provide for the control and rationing of supplies;
- Control of Supplies Regulations 1974 – which states that a person shall deal in any scheduled article of manufacture any scheduled article (including cooking oil) in accordance with the licence issued under the regulation, and have separate licence(s) for each place of business; and
- Cooking Oil Stabilisation Scheme - a cooking oil subsidy programme established by Kementerian Perdagangan Dalam Negeri dan Kos Sara Hidup or Ministry of Domestic Trade and Cost of Living ("**KPDN**") that aims to stabilise the retail price of cooking oil in Malaysia, as cooking oil is one of the controlled goods under the Control of Supplies Act 1961 and Control of Supplies Regulations 1974.

  The eligibility criteria for application of Cooking Oil Stabilisation Scheme ("**COSS**") are as follows:

  (a) the applicant must own a repackaging facility;
  (b) the applicant must have obtained a MPOB licence to buy and store the processed palm oil;
  (c) the applicant must have obtained a business licence from local authority;
  (d) the applicant must have obtained a retail licence and wholesale licence issued by KPDN under Control of Supplies Regulations 1974;
  (e) the applicant must provide details and particulars of suppliers for the RBD palm olein oil; and
  (f) the applicant must provide details of the retailers and wholesalers to be distributed by the applicant.

  According to KPDN, as at December 2023, there were 9 refineries and 319 repackagers nationwide that were granted with the quota in total of 60,000 MT per month to supply subsidised cooking oil in polybag to the market under COSS programme.
- MPOB (Licensing) Regulations 2005 under the MPOB Act 1998 – which states that no person shall sell, move, store, purchase or export palm oil and related products unless he is a holder of an appropriate licence issued under MPOB (Licensing) Regulations 2005, amongst others. Any person that contravenes this regulation shall be liable to a fine not exceeding RM250,000 or imprisonment for a term not exceeding 3 years, or both.

[11] Source: World Bank

PRODUCT/ SERVICE SUBSTITUTION, AND RELIANCE AND VULNERABILITY TO IMPORTS

As cooking oil, RBD palm olein oil products can be substituted with other types of vegetable edible oil such as sunflower oil, corn oil, rapeseed oil, soybean oil and olive oil as well as blended oil (which is a blend of different types of edible oil).

RBD palm olein oil products are readily available from local refineries in Malaysia. Thus, the palm oil industry is not reliant on imports of palm olein oil.

COMPETITIVE OVERVIEW

There are more than 319[12] repackagers of RBD palm olein oil in Malaysia, comprising companies, sole proprietorships and partnerships which may be private companies or public listed companies. As mentioned earlier, there are 319 repackagers nationwide that were granted with the quota to supply subsidised cooking oil in polybag to the market under COSS programme as at December 2023, according to KPDN. These companies, sole proprietorships and partnerships may repackage, market and distribute their own brands of RBD palm olein oil products, or may repackage on behalf of other RBD palm olein oil marketers. Some of the companies may also be related companies to refineries.

As Sik Cheong Group is principally involved in the repackaging, marketing and distribution of its own brand of RBD palm olein oil products, the competitive landscape will be focused on companies involved in the repackaging, marketing and distribution of their own brand of RBD palm olein oil products.

PROVIDENCE has identified 9 industry players, including the Group, on the basis that:

(i) these industry players are involved in repackaging of RBD palm olein oil and distribute their own brand(s) of RBD palm olein oil products;

(ii) these industry players have a revenue of RM10.0 million and above in the latest financial year; and

(iii) these industry players are not involved, and are not related to companies that are involved, in refining of palm oil and are not involved in the repackaging of upstream palm oil products such as crude palm oil, based on publicly available information.

The table below sets out the details of the industry players [(a)(b)]:

Company name	Type of vegetable edible oils marketed and distributed	Brand	Latest audited financial year end ("FYE")	Revenue (RM '000)	Gross profit ("GP") (RM '000)	Profit after tax/Loss after tax ("PAT/LAT") (RM '000)	GP margin (%)[(c)]	PAT margin (%)[(d)]
Bukit Seribu Holdings Sdn Bhd	RBD palm olein oil	Cap Bukit and Cap Bukit Emas	31 December 2022	16,655	1,097	596	6.6	3.6
CI Holdings Berhad (a public listed company)	RBD palm olein oil, sunflower oil, soybean oil, coconut oil, canola oil and corn oil	333 Chilli, Cheri~Mas, Cheri~Mama, Aisha and Shasa	30 June 2023	5,326,012[(e)]	355,916[(f)]	166,514[(f)]	6.7[(f)]	3.1[(f)]

[12] The actual total number of repackagers of RBD palm olein oil in Malaysia cannot be ascertained as some of the companies, sole proprietorships and partnerships may not be publicly searchable.

Company name	Type of vegetable edible oils marketed and distributed	Brand	Latest audited financial year end ("FYE")	Revenue (RM '000)	Gross profit ("GP") (RM '000)	Profit after tax/Loss after tax ("PAT/LAT") (RM '000)	GP margin (%)[c]	PAT margin (%)[d]
Continental Edible Oil Industries Sdn Bhd	RBD palm olein oil	Cap Hasil, Cap Aloe Vera and Cap Coral	31 December 2023	13,569	1,986	531	14.6	3.9
Ding-Dang Enterprise Sdn Bhd	RBD palm olein oil	Cap Ketupat	30 June 2023	11,656	1,603	199	13.8	1.7
Federation Oil Factory (Johore) Sdn Bhd	RBD palm olein oil, canola oil, coconut oil, sunflower oil and soybean oil	Lazaria	30 April 2023	50,185	5,628	649	11.2	1.3
Gemilang Edible Oil (M) Sdn Bhd	RBD palm olein oil	Gemilang	31 May 2023	45,465	2,534	(1,606)	5.6	-
Golden Palm Oil Industries Sdn Bhd	RBD palm olein oil	Ali Jaya and Fatin	30 November 2022	13,253	1,841	349	13.9	2.6
Sarafiah Natural Resources Sdn Bhd	RBD palm olein oil and sunflower oil	Sarafiah and Fenna	31 December 2023	1,246,052	10,675	1,594	0.9	0.1
Sik Cheong Group	RBD palm olein oil	Sawit Emas and Vitamas	31 March 2024	79,583	12,731	6,329	16.0	8.0

Notes:

(i) [a] Information based on publicly disclosed information as at 1 July 2024.

(ii) [b] This list is not exhaustive. Exempt private companies and companies with revenues below RM10.0 million have been excluded from this list.

(iii) [c] GP margin is computed based on GP divided by revenue.

(iv) [d] PAT margin is computed based on PAT divided by revenue.

(v) [e] Segmental financial information for the group's edible oil business

(vi) [f] Consolidated financial information was used as segmental financial information was not publicly available. As such, financial information may include other types of business activities not related to edible oil

Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

In order to set up a new RBD palm olein oil repackaging, marketing and distribution business, there is a need for new entrants to incur capital expenditure for the purchase of the packaging lines, rental or acquisition of the facility, storage tanks, tankers, delivery trucks and other necessary equipment to carry out the packaging process. Further, new entrants will also be required to recruit workers and have sufficient working capital to purchase RBD palm olein oil supplies from refineries. As capital expenditure and working capital are required, the barriers to entry faced by industry players involved in the repackaging, marketing and distribution of RBD palm olein oil products are moderately high. Among the critical success factors for companies involved in the repackaging, marketing and distribution of RBD palm olein oil are having a network of suppliers to have a consistent supply of palm oil, a network of customers to distribute and sell palm oil products to and managing palm oil inventory levels to ensure prompt delivery.

Market Share

Based on Sik Cheong Group's revenue from its RBD palm olein oil repackaging, marketing and distribution business segment of RM59.4 million for the FYE 31 March 2022 and the total RBD palm olein oil repackaging industry size of RM4.3 billion in 2021, Sik Cheong Group garnered an industry revenue share of approximately 1.4% in 2021. Sik Cheong Group's industry revenue share was approximately 1.3% in 2022, with a revenue of RM77.9 million for the FYE 31 March 2023 and a total RBD palm olein oil repackaging industry size of RM5.9 billion in 2022. In 2023, Sik Cheong Group's industry share revenue was approximately 1.1% in 2023, with a revenue of RM79.2 million for the FYE 31 March 2024 and a total RBD palm olein oil repackaging industry size of RM7.2 billion in 2023.

2 OVERVIEW OF THE SOYBEAN OIL MARKET IN MALAYSIA

Soybean oil is a type of vegetable edible oil produced from the seeds of the soybean plant. Once soybeans are harvested, they are cleaned to remove impurities before being cracked into smaller pieces and dehulled to remove the outer seed coat. The dehulled soybeans are then conditioned with heat and moisture to prepare them for oil extraction. The solid residue remaining after the oil extraction process is used to produce soybean meal, which is a staple in the diets of livestock and poultry. The extracted soybean oil will then undergo a refining process, which involves degumming, neutralisation, bleaching and deodorisation to remove impurities and improve the quality of the oil. After refining, the soybean oil is filtered to further remove any remaining particles and before it is packaged for distribution.

Soybean oil, including high oleic soybean oil, has a mild and neutral flavour which makes it suitable for most types of cooking method such as frying, stir frying and deep frying. Soybean oil is also a relatively healthier option as compared to RBD palm olein oil in light of its higher nutrient content (in terms of Omega 3 and Omega 6 fatty acids) and lower saturated fat content.[13] Thus, it serves as a good cooking oil option for restaurant, hotels and catering operations and food manufacturing as well as for consumers, where it meets the demand for a relatively healthier edible oil while still being a relatively cost-effective cooking oil.

The soybean oil market in Malaysia, as depicted by the sales volume of soybean oil sold locally, grew at a CAGR of 3.7% from 1.0 million litres in 2018 to 1.2 million litres in 2023.[14] During the same period, the sales value of soybean oil in Malaysia increased from RM13.3 million to RM15.1 million, recording a CAGR of 2.6%.[15] The growth in sales value and sales volume has been in line with growing demand for soybean oil in the country in light of its affordability and availability, as well as the growth of the F&B industry and steady growth in population. Moving forward, PROVIDENCE forecasts that the sales volume of soybean oil sold in Malaysia to grow at a CAGR of 4.7% between 2024 and 2026 to reach 1.4 million litres in 2026, and forecasts the sales value of soybean oil sold in Malaysia to grow at a CAGR of 3.8% between 2024 and 2026 to reach RM16.8 million in 2026.[16]

The growth of the soybean oil market has been, and is expected to be, driven by the following factors:

(a) **affordability of soybean oil** – as compared to other vegetable edible oils such as olive oil, sunflower oil and rapeseed oil, soybean oil is a relatively cheaper option due to its availability as soybean oil is the second most produced vegetable edible oil in the world. Between 2018 and 2023, the average price of soybean oil is USD1,018.40 (RM4,326.63[17]) per MT, while the average prices of sunflower oil, rapeseed oil and olive oil are USD1,285.30 (RM5,460.78[17]) per MT, USD1,149.80 (RM4,884.93[17]) per MT and USD4,345.10 (RM18,460.42[17]) per MT, respectively.[18];

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[13] Source: MFA Incorporated
[14] Source: Euromonitor
[15] Source: Euromonitor
[16] PROVIDENCE's growth forecast is based on their proprietary forecasting model that takes into account historical growth performance, demand drivers and restraints, industry risks and challenges as well as industry trends
[17] Exchange rate from USD to RM was converted based on the average of annual exchanges rates from 2018 to 2023 derived from published information from Bank Negara Malaysia at USD1 = RM4.2486
[18] Source: IMF

(b) **availability of soybean oil** – soybean oil is one of most produced vegetable edible oil, alongside RBD palm olein oil. In 2023, the production of soybean oil recorded 62.4 million MT, which accounted for 27.9% of the world vegetable edible oil production output.[19] In Malaysia, soybean oil is the third most produced vegetable oil in the country, after palm olein oil and palm kernel oil in 2023.[20]

(c) **rising population** – the population of Malaysia grew from 32.4 million in 2018 to 33.7 million in 2023.[21] The population growth will contribute to increased consumption of edible oil, including soybean oil, as edible oil is a necessity in every household. In terms of domestic consumption per capita of vegetable oils in Malaysia, soybean ranks the third highest in terms of per capita consumption after palm oil and palm kernel oil. In 2023, the domestic consumption of soybean oil per capita in Malaysia was 2.1 kg per capita, which was third highest after palm oil and palm kernel oil. This is in comparison to other vegetable edible oils such as coconut oil at 1.2 kg per capita and peanut oil at 0.1 kg per capita.[22] This indicates that soybean oil is also widely consumed by the Malaysian population; and

(d) **growth of F&B industry in Malaysia –** between 2018 and 2023, the F&B industry in Malaysia, as depicted by the GDP of F&B industry, grew at a CAGR of 3.9%, from RM40.6 billion to RM49.2 billion.[23] As edible oil is an essential ingredient used in food preparation, the growth of the F&B industry will drive demand for edible oil, including soybean oil.

PROVIDENCE has identified 4 soybean oil repackagers, marketers and distributors based in Malaysia, namely Continental Resources Sdn Bhd, Federation Oil Factory (J) Sdn Bhd, Promac Industries (Johore) Sdn Bhd and Kenchana Edible Oils Sdn Bhd. In order to operate as a soybean oil repackager, marketer and distributor in Malaysia, an industry player would be required to obtain a Scheduled Controlled Goods licence under the Control of Supplies Regulations 1961.

3 PROSPECTS OF SIK CHEONG BERHAD

The RBD palm olein oil repackaging industry in Malaysia grew by 40.6% between 2018 and 2023. Moving forward, the RBD palm olein oil repackaging industry in Malaysia is forecast to grow at a CAGR of 20.9% between 2024 and 2026, in light of the following demand drivers:

- Continuous demand for RBD palm olein oil products and other related downstream products from consumers, which are driven by population growth, government subsidy programmes and initiatives as well as lower price and ease of accessibility; and
- Growth in demand from hotel, restaurant and catering operators.

As a key industry player in the RBD palm olein oil repackaging industry in Malaysia, Sik Cheong Group stands to benefit from the positive outlook of the industry. Sik Cheong Group also stands to benefit from the growing soybean oil market in Malaysia as it intends to venture into the repackaging, marketing and distribution of high oleic soybean oil in the future.

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19 Source: Foreign Agriculture Service, United States Department of Agriculture
20 Source: Foreign Agriculture Service, United States Department of Agriculture
21 Source: DOSM
22 Source: Foreign Agriculture Service, United States Department of Agriculture; PROVIDENCE analysis
23 Source: DOSM

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 our business and operations

9.1.1 We may be adversely affected if we are unable to source RBD palm olein oil in sufficient quantities and/or at acceptable prices

We source RBD palm olein oil from 4 suppliers in Malaysia. Accordingly, the availability of RBD palm olein oil required for our business at commercially acceptable prices are critical to our ability to maintain our GP margins and to deliver products promptly and reliably to our customers.

Although we may procure non-subsidised RBD palm olein oil from any other suppliers, we may not be able to obtain the volume of RBD palm olein oil required for our operations in sufficient quantities or at prices commercially acceptable to us. If we are unable to obtain the volume of RBD palm olein oil required for our operations in sufficient quantities or at prices commercially acceptable to us, our business operations and financial performance may be adversely affected.

Our Group has entered into various short term sales contracts (for a period of 1 month each) with the following major suppliers for the purchase of RBD palm olein oil for the FYEs Under Review:

- Intercontinental Specialty Fats Sdn Bhd;
- Lee Oilmills Sdn Bhd;
- NGO Chew Hong Oils & Fats (M) Sdn Bhd; and
- Wilmar group of companies which include PGEO Edible Oils Sdn Bhd and Wilmar Palm Products Sdn Bhd.

These sales contracts will state out the maximum quantity to be supplied, pricing per MT, delivery period and payment terms, amongst others.

Since incorporation up until the LPD, we have not experienced any shortage in RBD palm olein oil or significant rise in RBD palm olein oil price that have impacted our financial performance. Despite this, there can be no assurance that we will continuously be able to secure supply of RBD palm olein oil at commercially acceptable prices or in the volume required for our operations.

9.1.2 We may face disruptions in our packaging facility and business operations

We have 14 packaging lines to repackage our products in various packaging sizes and types, including polybags, jerry cans, tin cans, bottles and IBCs. This being the case, we depend on the continued operation of our packaging lines. Our packaging lines may be susceptible to unanticipated breakdowns or damages. To minimise such risks, our Group has scheduled regular maintenance for our packaging lines prior to operational usage on a daily basis, and conducts calibration on our packaging lines on an annual basis.

In addition, we are susceptible to circumstances such as accidents, fire outbreaks, floods or natural disasters, which may cause significant losses or damages to our products and/or facilities. To minimise such risks, we ensure that our packaging facility meets all the stipulated safety requirements by relevant local authorities. Further, our operational activities are dependent on the continuous supply of electricity. Any major interruptions in the supply of electricity will negatively impact our operations.

Any prolonged disruptions in our operations may adversely affect our production schedule and timely delivery of our products. As a result, this will cause a negative impact on our market reputation, relationship with our customers and financial performance.

Since incorporation up until the LPD, we have not experienced any prolonged disruptions in our operations that have materially impacted our Group's business operations and financial performance. However, there can be no assurance that this would not occur in the future.

9.1.3 Our business operations and financial performance may be adversely affected should there be a failure in renewing our licences

Our RBD palm olein oil repackaging, marketing and distribution business is subject to the Control of Supplies Regulations 1961 ("**CS Regulations**") and Malaysian Palm Oil Board (Licensing) Regulations 2005 ("**MPOB Regulations**").

The CS Regulations sets out, amongst others, that a licence is required to deal in the activity of wholesale or retail in any scheduled article, including cooking oil. Meanwhile, the MPOB Regulations states that a licence issued under the MPOB Regulations is required in order for a person to sell, move, store, purchase or export palm oil related products, which includes RBD palm olein oil products. As at the LPD, we have obtained the necessary licences to carry out our business operations, which details are set out in Section 7.18 of this Prospectus.

However, our business operations could be disrupted should we fail to renew these permits and licences in a timely manner. Should we continue operating without these licences, we are liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000 under the Control Supply Act 1961. We are also liable to a fine not exceeding RM200,000 or to imprisonment for a term not exceeding 3 years or to both under the MPOB Regulations.

Further, if there are changes in the CS Regulations and MPOB Regulations which result in stricter compliance requirements, our business operations may need to incur additional operating costs to put in place the necessary processes to comply with the new standards/ requirements. In the event such additional costs cannot be passed on to our customers, we will have to absorb the additional costs incurred, which in turn, would adversely impact the profitability of our business.

9.1.4 Our financial performance may be impacted should we lose our registration status under COSS or should our allocated quota under COSS be reduced while the COSS is still on-going

As at the LPD, our Group has obtained a quota to supply up to 700 MT of subsidised RBD palm olein cooking oil per month under COSS.

Although there is no expiry period stated for the COSS and we are able to sell the RBD palm olein cooking oil products under COSS for as long as the COSS is implemented, there is no assurance that KPDN, who is the authority responsible for approving our registration status and allocated quota, would not cancel or revoke this registration status or reduce our allocated quota under COSS. The quota granted to our Group may be cancelled, revoked or reduced by KPDN at any time without any reason.

Should our registration status under COSS be cancelled or revoked while the COSS is still on-going, this would adversely impact our Group's 1kg polybag product's competitiveness in the market. This is because our Group would still have to retail our 1kg polybag products at a fixed retail price of RM2.50 although we would not receive any subsidies. Should our allocated quota under COSS be reduced, we will be subsidised for a lower volume of 1kg polybag products sold. This would either result in us reducing the volume of 1kg polybag products sold or not receive subsidies for the volume of 1kg polybag products sold if it exceeds our allocated quota. Should we reduce the volume of 1kg polybag products sold, this could adversely impact our Group's sales. Meanwhile, should we not receive subsidies for the volume of 1kg polybag products sold if it exceeds our allocated quota, this could adversely impact our Group's profitability.

However, should the Government cease the COSS programme, our Group will continue to repackage, market and distribute non-subsidised RBD palm olein oil in polybags as there will not be any fixed retail price for the said product, our Group and our competitors will compete as is done with non-subsidised products presently.

Although our Group has not had our registration status under COSS revoked since we were registered under COSS in 2007 or had our current allocated quota under COSS reduced since 2016, there is no assurance that this may not occur in the future.

9.1.5 We depend on our ability to secure new contracts and customers

We do not enter into long-term contracts with our customers due to the potential volatility of CPO and RBD palm olein oil prices. The maximum contract period that we have with our customers is for 6 months during the FYEs Under Review.

The absence of long-term contracts poses a risk of losing our existing customers, which would impact our financial performance. As such, we are dependent on our ability to secure new contracts with our existing customers, as well as secure new customers.

While our Group has managed to secure repeat orders from some of our customers and has built longstanding business relationships with our major customers, any adverse economic conditions, price fluctuations or more competitive prices offered by other industry players may negatively impact our sales, which may adversely affect our Group's financial performance and business operations.

9.1.6 We are dependent on our key management for the continuing success of our Group

The continuing success of our business is dependent on the leadership abilities and the experiences of our key management personnel, namely Wong Hing Ngiap (Managing Director), Wong Hin Loong (Executive Director), Choo Wai Yeen (Chief Operating Officer), Dee Bee Lian (Chief Financial Officer) as well as Woi Chee Keong (Factory Manager).

Our key management personnel play a significant role in our operations as well as developing and implementing business strategies. Wong Hing Ngiap (Managing Director) and Wong Hin Loong (Executive Director) each has more than 30 years of experience in repackaging, marketing and distribution RBD palm olein oil products. The rest of our key management personnel have extensive knowledge and experience in their respective fields, averaging approximately 27 years.

The loss of services from any of our key management personnel without any suitable or prompt replacement may cause an adverse effect on our business operations and financial performance.

9.1.7 We are presently dependent on a single product, RBD palm olein oil

We are primarily involved in the repackaging, marketing and distribution of RBD palm olein oil. Our repackaging, marketing and distribution of RBD palm olein oil products business contributed approximately RM42.17 million (99.06%), RM59.39 million (99.40%), RM77.86 million (99.52%) and RM79.25 million (99.58%) to our Group's revenue for FYE 2021, FYE 2022, FYE 2023 and FYE 2024 respectively, as stated in Section 7.1 of this Prospectus.

Despite RBD palm olein oil products as a single product for our Group, our RBD palm olein oil products are marketed in our in-house brands i.e. "Sawit Emas", "Vitamas" and unbranded for RBD palm olein cooking oil as well as "Pingat Emas" for RBD palm olein lamp oil and they are sold to the customers in different packaging sizes and type. Please refer to Section 7.2 of this Prospectus for the details of our RBD palm olein oil products.

If we are unable to expand our product range to include high oleic soybean oil (as stated in Section 7.22(i) of this Prospectus) to reduce reliance on RBD palm olein oil products, we will continue to be dependent on RBD palm olein oil products as a single product for our Group.

Therefore, our financial performance is dependent upon the continued demand for RBD palm olein oil by our customers, and any challenges and/or decline faced in the RBD palm olein oil industry may adversely impact our Group's business operations and financial performance. The performance of the RBD palm olein oil industry in Malaysia is driven by various factors, including but not limited to the following:

(a) population growth;

(b) Government subsidy programmes and initiatives; and

(c) lower price and ease of accessibility of supply of RBD palm olein oil.

In addition, changes in consumer preference to other types of edible oil may lead to materially adverse effects to the demand for RBD palm olein oil. Although RBD palm olein oil is currently the lowest priced cooking oil as stated in Section 8 of this Prospectus, there is no assurance that other types of cooking oil will not be priced lower than RBD palm olein cooking oil in the future. If other types of cooking oil are priced lower and the demand for RBD palm olein cooking oil is reduced because of the changes in consumer preferences, or increased popularity of other types of edible oil as substitutes, this may adversely affect our financial performance.

In order to mitigate the above, we intend to expand our product offering to include high oleic soybean oil, as part of our future plans (as stated in Section 7.22(i) of this Prospectus). Despite this, our business operations and financial performance may still be impacted by lower demand for RBD palm olein oil.

9.1.8 We may not be able to successfully execute our business strategies and future plans

Our Group plans to expand our product range to include high oleic soybean oil as well as grow our sales to other states in Malaysia.

The future growth of our Group and the successful development of our business strategies and future plans are dependent on, amongst others, the timely and cost-effective for the rebuilding of Factory No. 9, the ability of our key management personnel together with our business development and marketing department to expand our customer reach in Perak, Negeri Sembilan, Melaka and Pahang, our ability to venture into the repackaging, marketing and distribution of high oleic soybean oil business and our ability to market our products to potential and existing customers.

The rebuilding of Factory No. 9 may be delayed due to factors such as but not limited to natural disasters, acts of war or terrorism, political or social unrest, shortage of labour or raw materials, delays in receiving approvals from authorities, variations in design, or where a delay in one part of the construction leads to subsequent delays as the rebuilding works cannot proceed without that particular part being complete.

As our Group does not have any track record in the repackaging, marketing and distribution of high oleic soybean oil, we will rely on the knowledge and experience of our key management personnel which have extensive knowledge and experience in the repackaging, marketing and distribution of RBD palm olein oil products.

Further, we may not be able to successfully execute our future plans if our key management personnel together with our business development and marketing department are not able to expand our customer reach in Perak, Negeri Sembilan, Melaka and Pahang. We may not be able to successfully execute our business strategies and future plans if we are unable to secure customers for our new products and in new markets (be it existing customers of our Group or new customers to our Group).

There can be no assurance that we will be able to successfully implement our business strategies and future plans. There can also be no assurance that if our business strategies and future plans have been implemented that they will be commercially successful. As such, failure to execute our business strategies and future plans successfully may adversely affect our growth and financial performance.

9.1.9 We may not be able to sustain our current levels of profitability in the future

Our revenue grew from RM42.57 million in FYE 2021, RM59.74 million in FYE 2022, RM78.24 million in FYE 2023 to RM79.58 million in FYE 2024. Meanwhile our PAT grew from RM1.85 million in FYE 2021, RM3.26 million in FYE 2022, RM6.03 million in FYE 2023, to RM6.33 million in FYE 2024, as stated in Section 12.1.1 of this Prospectus.

Notwithstanding that our revenue and PAT were at an upward trend from FYEs 2021 to 2024, there is no assurance that we will be able to sustain our current levels of revenue and profitability in the future as our financial performance is dependent on several factors, among others, availability of supplies of RBD palm olein oil, CPO price fluctuation, the increase in operating costs, the ability to retain our existing customers and to secure new customers as well as the execution of our business strategies and future plans as stated in Section 7.22 of this Prospectus.

If our Group is unable to mitigate the aforementioned risks, they will have impacts on our Group's financial performance and thus, our levels of revenue and profitability would be adversely affected.

9.1.10 We are subject to product liability claims, recalls and adverse publicity or public perception regarding our products and brand reputation

We are exposed to the risk of spoilage, contamination, tampering and adulteration of our products, product recall and consumer product liability claims. In such instances, we may need to recall some or all of our products. A widespread product recall, even a recall of products sold by our suppliers or customers who are wholesalers and retailers, could result in significant loss due to the cost of conducting a product recall including destruction of inventory and the loss of sales resulting from the unavailability of the product for a period of time.

Further, adverse publicity or negative public perception regarding the products that we sell, the safety or quality of our products, our actions relating to our products or our industry in general could damage our "Sawit Emas", "Vitamas" and ""Pingat Emas" brands and result in a substantial drop in demand for our products.

Negative public perception may also arise from regulatory investigations or product liability claims, regardless of whether those investigations involve us or whether any product liability claim is successful against us. We may also be subject to liabilities resulting from actions by third-parties such as suppliers, which are beyond our control.

All of these factors could result in a loss of consumer confidence in our products and an actual or perceived loss of value of our brands, and this would materially impact consumer demand for our products and adversely impact our business operations and financial performance. In particular, we could suffer losses from a significant product liability judgment against us.

9.1.11 We may not have sufficient insurance to cover all losses or liabilities

We are exposed to risks such as fire, flood and accidents that may negatively impact our business operations such as damages to our products and packaging facility. As at the LPD, we have in place, among others, burglary, fire, business and assets safeguard insurance for our business premises and assets as well as public liability and money-in-transit. We did not experience any event of burglary, fire or flood on our business premises, public liability claims and any losses in money-in-transit during the FYEs Under Review and up to the LPD.

Notwithstanding the insurance coverage taken by our Group, our insurance does not cover certain types of losses that are not insurable or not economically insurable such as wars, riots, acts of terrorism, acts of God and outbreak of diseases.

In addition, our insurance may not be adequate to cover the losses, damages or liabilities that may arise in the course of our business operations. Any losses, damages or liabilities in excess of our insured limits or in areas for which we are not fully insured may adversely affect our business operations, financial performance and financial condition.

9.1.12 We may face credit risks

Generally, the trade credit terms granted to our customers is 30 days from the date of invoice. Our customers have varying degrees of creditworthiness which expose us to the risk of nonpayment by them. Should our customers fail to meet their payment obligations in accordance with the agreed terms, our operating cash flows, financial condition and financial performance could be adversely affected.

We are aware of the consequences arising from our exposure to credit risk and have implemented credit risk management policies through the application of credit terms approval and monitoring procedures on an on-going basis.

We perform a background check on new customers and normally a cash term will be imposed for new customers. Credit terms are only granted to existing customers with good standing and payment records.

Our Group's trade receivables turnover period was within the credit term period of 30 days in FYE 2022 to FYE 2024 but stood at 34 days in FYE 2021 due to our Group's customers took a longer time to make payments during the COVID-19 pandemic period. Meanwhile, our bad debts written off were not significant, amounted to approximately RM7,000, approximately RM14,000 and approximately RM5,000 in FYE 2021, FYE 2022 and FYE 2023, respectively. For the FYE 2024, we had no bad debts written off. There was no provision for impairment required for the remaining trade receivables during the FYEs Under Review.

Although there have been no material collection problems for trade receivables during the FYEs Under Review up to the LPD, there is no assurance that our customers will be able to fulfil their payment obligations and our Group will not encounter collection problems in the future. If our customers default or delay on their payments, this could lead to impairment of our trade receivables which may adversely affect our financial condition and financial performance.

9.2 Risks relating to our industry in which we operate in

9.2.1 We are exposed to volatility in prices and availability of materials and supplies

We are susceptible to the risk of price fluctuation of RBD palm olein oil products, which is dependent on prices of the raw material, i.e. CPO.

As CPO is a major commodity, its pricing is volatile and dependent on global supply and demand factors, including but not limited to, weather conditions such as flooding or dry spells, global economic conditions, inflationary pressure, and new policies or regulations. If there is a significant increase in the cost of raw materials, our GP margins and financial conditions may be adversely affected.

While our Group's financial performance has not been adversely impacted by the volatility of the prices of RBD palm olein oil during the FYEs Under Review, there is no assurance that the volatility of RBD palm olein oil prices will not lead to any substantial increase in our cost of sales, and that our Group will be able to increase the selling price of our products accordingly resulting in a material adverse impact on our Group's financial performance in the future.

As at the LPD, we obtain our RBD palm olein oil from 4 suppliers, which are local palm oil refineries located in the Klang Valley area. We selected these suppliers based on competitive pricing, proximity to our Factory No. 11, product quality and ability to fulfil our order volume. We face the risk of having to purchase RBD palm olein oil at a higher price if there is a significant price increase.

Further, the consistent supply of our main raw materials (RBD palm olein oil and packaging materials such as polybags, jerry cans, tin cans and bottles), is crucial to our business operations. Any event that affects the availability and quality of our raw materials will have a negative impact on our business operation and financial performance. Any shortages or interruptions in supplies would lead to our inability to fulfil customers' orders.

9.2.2 We may face competition from other industry players involved in the repackaging, marketing and distribution of RBD palm olein oil products

Our Group competes with industry players involved in the repackaging, marketing and distribution of RBD palm olein oil products. They may compete with us in terms of branding, pricing and ability to deliver in a timely manner.

Some of our competitors may have longer operating history, better financial capability, stronger marketing abilities (which may lead to stronger brand recognition) and larger customer base. As a result, customers may be more inclined to purchase the product of our competitors. While we compete based on the quality of our products and good track record, there is no assurance that we will be able to compete effectively with existing or new competitors in the future.

An increase in competition may result in our Group experiencing reduced profits or lower profit margins and loss of market share. All of these may adversely affect our Group's business operations and financial performance.

9.2.3 We are subject to political, social, regulatory and economic risks

As we operate in Malaysia, any changes in political, economic or regulatory conditions in Malaysia may materially and adversely affect the demand and supply of our products and its prices. These events could include, but not limited to:

(i) political and economic instability, including global and regional macroeconomic disruptions such as natural disasters, pandemics and epidemics, geopolitical tension, or other risks;

(ii) unfavourable changes in government policies such as introduction of new regulations, including trade protection measures, sanction and subsidies as well as changes in import tariffs and related duties; and

(iii) risks with respect to social and political crisis resulting from riots, terrorism, war or civil unrest.

As at the LPD, we have not experienced any material impact of any adverse government, political, economic and regulatory changes on our Group's business operations. However, there can be no assurance that the adverse political, social, economic or regulatory developments, which are beyond our control, will not materially affect our business and financial performance.

9.3 Risks relating to our Shares

9.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no public market or public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

(i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;

(ii) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing; and

(iii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications for our IPO Shares shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) our Listing is aborted, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares:

(i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either:

(a) the sanction of our shareholders by special resolution in a general meeting, a consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or

(b) a solvency statement from our Directors.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.4 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 66.14% of our enlarged share capital upon Listing. As a result, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, we have not entered into any related party transactions with our related parties for the FYEs Under Review and up to the LPD:

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
1.	Thrive Properties	SCEO	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of our Company as well as directors of SCEO Wong Hing Ngiap and Wong Hin Loong both are the directors and shareholders of Thrive Properties. Wong Cheng Li, a daughter to Wong Hin Loong is also a shareholder of Thrive Properties	- Rental expenses paid to Thrive Properties for unit No. 35-2C, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor which is used for hostel to house SCEO's workers(1)	4	(2) #	4	(2) #	3	(2) #	6	(2) #	2
2.	Thrive Properties	SCEO		- Purchase of insurance policies from Thrive Properties mainly for motor vehicles and property owned by SCEO(3)	-	-	81	(2) 2	10	(2) #	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
3.	Wong Hing Ngiap and Wong Hin Loong	SCEO	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of the Company as well as directors of SCEO	- Rental expenses paid to Wong Hing Ngiap and Wong Hin Loong for Factory No. 11(4)	132	(2) 4	144	(2) 4	144	(2) 3	96	(2) 2	-
4.	Wong Hing Ngiap and Wong Hin Loong	SCEO		- Acquisition of Factory No. 11(5)	-	-	-	-	-	-	7,050	(12) 22	3,450
5.	Wong Hing Ngiap and Wong Hin Loong	SCEO		- Rental expenses paid to Wong Hing Ngiap and Wong Hin Loong for unit No. 2B, Jalan 3/2 Kampung Tasek Tambahan, 68000 Ampang, Selangor which is used for hostel to house SCEO's workers(6)	-	-	-	-	^	(2) #	10	(2) #	3
6.	Wong Hin Loong	SCEO		- Disposal of motor vehicle (Mercedes Benz, model E250, year 2013) to Wong Hin Loong(7)	-	-	-	-	-	-	90	(9) 8	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
7.	Wong Hing Ngiap	SCEO	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of the Company as well as directors of SCEO	- Disposal of motor vehicle (Lexus, model RX350, year 2015) to Wong Hing Ngiap(7)	-	-	-	-	-	-	170	(9) 15	-
8.	Wong Hing Ngiap	SCEO		- Disposal of motor vehicle (Mercedes Benz, model E250, year 2016) to Wong Hing Ngiap(7)	-	-	-	-	-	-	150	(9) 13	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
9.	Thrive Properties	SCSM	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of the Company as well as directors of SCSM Wong Hing Ngiap and Wong Hin Loong both are the directors and shareholders of Thrive Properties. Wong Cheng Li, a daughter to Wong Hin Loong is also a shareholder of Thrive Properties	- Rental expenses paid to Thrive Properties for unit No. 33G, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor for lamp oil labelling line and storage for SCSM's operations[8]	24	[2] #	24	[2] #	24	[2] #	27	[2] #	8

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10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
10.	Thrive Properties	SCSM	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of the Company as well as directors of SCSM Wong Hing Ngiap and Wong Hin Loong both are the directors and shareholders of Thrive Properties. Wong Cheng Li, a daughter to Wong Hin Loong is also a shareholder of Thrive Properties	- Purchase of insurance policies from Thrive Properties for property No. 33G, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor and motor vehicles(3)	^	(2) #	10	(2) #	-	-	-	-	-
11.	Thrive Properties	SCSM		- Sales of insurance policies to Thrive Properties for properties owned by Thrive Properties(3)	-	-	-	-	-	-	9	(2) #	-
12.	Thrive Properties	SCSM		- Management fee received from Thrive Properties by SCSM for providing finance and administration services(10)	-	-	-	-	110	(9) 17	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
13.	Wong Hing Ngiap and Wong Hin Loong	SCSM	Wong Hing Ngiap and Wong Hin Loong both are the Executive Directors, Promoters and substantial shareholders of the Company as well as directors of SCSM	- Sales of insurance policies to Wong Hing Ngiap and Wong Hin Loong for properties owned by them(3)	-	-	-	-	15	(9) 2	20	(9) 2	-
14.	Au Ngan Yoke	SCEO	Au Ngan Yoke, the spouse of Wong Hin Loong who is the Executive Director, Promoter and substantial shareholder of the Company as well as director of SCEO	- Disposal of motor vehicle (Lexus, model RX350, year 2015) to Au Ngan Yoke(7)	-	-	-	-	-	-	170	(9) 15	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Transacting company within our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021		FYE 2022		FYE 2023		FYE 2024		1 April 2024 up to LPD*
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000
15.	Choo Wai Yeen	SCEO	Choo Wai Yeen, the spouse of Wong Hing Ngiap who is the Managing Director, Promoter and substantial shareholder of the Company as well as director of SCEO	- Disposal of motorcycle (Modenas, model Kriss MJ110, year 2020) to Choo Wai Yeen(11)	-	-	4	(9) #	-	-	-	-	-

Notes:

^ Less than RM1,000.

\# Less than 1%.

* The percentage of the related party transaction is not able to be ascertained as our Group's audited financial statement for 1 April 2024 up to the LPD is not available.

(1) Based on the tenancy agreement dated 8 January 2021 entered between SCEO and Thrive Properties to rent this property as a hostel to house SCEO's workers for the period commencing 1 January 2021 to 31 December 2025 at the monthly rental of RM350 for 699.65 sq. ft. (RM0.50 per sq. ft.). The monthly rental was determined based on Wong Hing Ngiap and Wong Hin Loong's view as reasonable without obtaining any independent opinion or checking the monthly market rental values for other similar properties in the vicinity. As such, the monthly rental of this property was not on normal commercial terms and not on an arms' length basis. However, the transaction was not unfavourable to SCEO as it was on a lower monthly rental as compared to the monthly market rental value for this property of RM700 as appraised by Laurelcap Sdn Bhd (an independent property valuer) ("**Laurelcap**") on 11 September 2023 using the comparison approach. This agreement was mutually terminated by the parties via letter dated 1 September 2023 with effect from 30 September 2023.

On 1 October 2023, the parties entered into a new tenancy agreement for this property by revising the monthly rental to RM700. The new tenancy agreement is valid from 1 October 2023 to 30 September 2026 with an option to renew for another 2 years upon expiry of the initial term.

10. RELATED PARTY TRANSACTIONS (CONT'D)

In addition, the total amount of the rental paid for the FYE 2023 (i.e. the period from April 2022 to March 2023) is lower than FYE 2022 due to the changes in the mode of billing by Thrive Properties for the rental payment from half yearly to quarterly basis during the FYE 2023. The rental expenses of RM1,050 (for the period of April 2022 to June 2022) were captured in FYE 2022 as it was part of the rental period from January 2022 to June 2022, whilst the rental period from July 2022 to March 2023 were reflected in FYE 2023.

(2) Calculated based on our Group's administrative expenses for each of the financial years.

(3) For the transactions involving the purchase/sale of insurance policies from/to the related parties, the transacted amounts were based on the insurance premiums charged by the insurance companies. Thrive Properties and SCSM subsequently only received insurance agent commissions from the respective insurance companies.

(4) Based on the tenancy agreement dated 1 March 2021 entered between SCEO and Wong Hing Ngiap and Wong Hin Loong (and renewed via letter dated 28 February 2023) for the rental of this property for SCEO's operations commencing 1 March 2021 to 31 December 2023 at the monthly rental of RM12,000. The monthly rental was determined based on Wong Hing Ngiap and Wong Hin Loong's view as reasonable as the monthly rental for Factory No. 9 to a third party was RM10,000 and the monthly rental for a factory next to Factory No. 9 was RM12,000 based on the tenancy agreement between the third party tenant and the landlord of that factory. On 11 September 2023, Laurelcap appraised this property at a monthly market rental value of RM27,000 using the comparison approach. As such, the monthly rental of this property was not on normal commercial terms and not on an arms' length basis. However, the transaction was not unfavourable to SCEO as it was on a lower monthly rental as compared to the monthly market rental value for this property as appraised by Laurelcap.

On 25 October 2023, SCEO and Wong Hing Ngiap and Wong Hin Loong executed a supplemental letter to record their agreement to revise the monthly rental from RM12,000 to RM27,000 for this property commencing from 1 January 2024 if the conditional sale and purchase agreement dated 22 September 2023 for the acquisition of this property by SCEO cannot be completed prior to 1 January 2024. With effect from 1 December 2023, the tenancy of this property has been terminated as Factory No. 11 has been transferred to and registered under the name of SCEO and the legal possession of this property has been deemed delivered to SCEO.

(5) Conditional sale and purchase agreement dated 22 September 2023 entered between SCEO (as purchaser) and Wong Hing Ngiap and Wong Hin Loong (as vendors) to acquire this property for cash consideration of RM10.50 million. The purchase price is based on the market value of this property of RM10.50 million, as appraised by Laurelcap on 11 September 2023 using the comparison approach. The Factory No. 11 has been successfully transferred to and registered in the name of SCEO on 1 December 2023. The balance purchase price of RM9.45 million was fully settled on 16 May 2024 and the sale and purchase agreement of Factory No. 11 was completed on 16 May 2024.

(6) Based on the tenancy agreement dated 21 February 2023 entered between SCEO and Wong Hing Ngiap and Wong Hin Loong to rent this property as a hostel to house SCEO's workers for the period commencing 1 March 2023 to 28 February 2025 at the monthly rental of RM500 for 1,320 sq. ft. (approximately RM0.38 per sq. ft.). The monthly rental was determined based on Wong Hing Ngiap and Wong Hin Loong's view as reasonable without obtaining any independent opinion or checking the monthly market rental values for other similar properties in the vicinity. As such, the monthly rental of this property was not on normal commercial terms and not on an arms' length basis.

10. RELATED PARTY TRANSACTIONS (CONT'D)

However, the transaction was not unfavourable to SCEO as it was on a lower monthly rental as compared to the monthly market rental value for this property of RM1,100 as appraised by Laurelcap on 11 September 2023 using the comparison approach. This agreement was mutually terminated by the parties via letter dated 1 August 2023 with effect from 30 September 2023.

On 1 October 2023, the parties entered into a new tenancy agreement for this property by revising the monthly rental to RM1,100. The new tenancy agreement is valid from 1 October 2023 to 30 September 2026 with an option to renew for another 2 years upon the expiry of the initial term.

(7) The transaction values for the disposal of motor vehicles by SCEO to the related parties were based on the quotations (being the market rates) received from a third party car dealer.

(8) Based on the tenancy agreement dated 3 December 2023 entered between SCSM and Thrive Properties to rent this property as a labelling and storage space for SCSM's operation for the period commencing 1 December 2019 to 30 November 2024 at the monthly rental of RM2,000 for 1,463.90 sq. ft. (approximately RM1.37 per sq. ft.). The monthly rental was determined based on Wong Hing Ngiap and Wong Hin Loong's view as reasonable without obtaining any independent opinion or checking the monthly market rental values for other similar properties in the vicinity. As such, the monthly rental of this property was not on normal commercial terms and not on an arms' length basis. However, the transaction was not unfavourable to SCSM as it was on a lower monthly rental as compared to the monthly market rental value for this property of RM2,500 as appraised by Laurelcap on 11 September 2023 using the comparison approach. This agreement was mutually terminated by the parties via letter dated 1 September 2023 with effect from 30 September 2023.

On 1 October 2023, the parties entered into a new tenancy agreement for this property by revising the monthly rental to RM2,500. The new tenancy agreement is valid from 1 October 2023 to 30 September 2026 with an option to renew for another 2 years upon expiry of the initial term.

(9) Calculated based on our Group's other income for each of the financial years.

(10) Based on the management agreement dated 1 May 2022 entered between SCSM and Thrive Properties for the management services provided by SCSM to Thrive Properties at the fee of RM10,000 per month. The management service fee of RM10,000 per month was determined based on Wong Hing Ngiap's and Wong Hin Loong's view as reasonable after taking into consideration the expected amount of work and time required in providing the services without obtaining any independent opinion. As such, the management service fee was not on normal commercial terms and not on an arms' length basis. However, the transaction was not unfavourable to our Group as it contributed additional income to SCSM. This agreement was terminated on 1 April 2023 vide letter dated 1 March 2023.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(11) The transaction value for the disposal of motorcycle by SCEO to the related party was determined after taking into consideration the quotation (being the market rate) received from a third party motorcycles dealer.

(12) Calculated based on our Group's total assets for each of the financial years.

Save for the tenancy agreements and management agreement as disclosed in Notes (1), (4), (6), (8) and (10) above, the related party transactions above were carried out on an arm's length basis and on normal commercial terms which were not more favourable to the related parties than those generally available to the public and were not detrimental to our Group.

The related party transactions as disclosed in Notes (1), (6) and (8) above, are recurrent in nature and will subsist after our Listing.

Moving forward, if there are potential related party transactions, our Group will ensure that they are carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our Group.

Save as disclosed above, our Board has confirmed that there are no other material related party transactions that we had entered into with the related parties but not yet effected up to the date of this Prospectus.

In addition, if there are potential related party transactions, moving forward, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into. Our Audit and Risk Management Committee is responsible for the review of the terms of all related party transactions. In order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions ("RRPTs")

(i) At least 2 other contemporaneous transactions with third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or

(ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board may seek a mandate from our shareholders at general meetings of our Company to enter into any recurrent related party transactions. The said shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into. The interested persons shall abstain from voting on resolutions pertaining to the respective transactions.

(b) Other related party transactions

Assessments will be carried out to determine:

(i) whether the terms of the related party transaction are fair and on arm's length basis, and whether these terms would apply on the same basis if the transaction did not involve a related party;

10. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) the rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

In accordance with the Listing Requirements, a related party transaction may require prior approval of our shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the non-interested shareholders are concerned, and whether the transaction is to the detriment of non-interested shareholders.

In such instances, the independent adviser shall also advise the non-interested shareholders on whether they should vote in favour of the transaction.

For a related party transaction that requires prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them having any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our non-interested shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

10.1.1 Other transactions

(a) Transactions which are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the FYEs Under Review and up to the LPD.

(b) Loans and guarantees

As at LPD, there are no personal guarantees for banking facilities extended by our Promoters, substantial shareholders and/or Directors to our Group.

(c) Amount due to / from related parties / Directors

(i) Amount due from related party

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000	As at LPD RM'000
Amount due from related party	-	-	30	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

The outstanding management service fee for the management services provided by SCSM to Thrive Properties. The amount due has been fully settled as at the LPD.

(ii) Amount due to related party

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000	As at LPD RM'000
Amount due to related party	-	-	4	-	-

The rental due from SCSM to Thrive Properties for unit No. 33G, Jalan 6/10, Kampung Tasek Tambahan, 68000 Ampang, Selangor was for lamp oil labelling line and storage for SCSM's operations. The amount due has been fully settled as at the LPD.

(iii) Amount due from / to Directors

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000	As at LPD RM'000
Amount due from/ (to) the director	-	-	1	(3,450)	-

The insurance premium due from Wong Hing Ngiap to SCSM in FYE 2023 was for the sales of an insurance policy by SCSM to Wong Hing Ngiap for a property owned by him. The amount due has been fully settled as at the LPD.

The amount due to Directors in FYE 2024 was for the remaining amount payable for the acquisition of Factory No. 11 by SCEO from Wong Hin Loong and Wong Hing Ngiap. The amount due has been fully settled as at the LPD.

There is no outstanding amount due from our Directors as at the end of the respective FYEs Under Review and as at the LPD.

(iv) Financial assistance provided for the benefit of a related party

There is no financial assistance provided by us for the benefit of any related party for the FYEs Under Review and up to the LPD.

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity. It also maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest.

Our Audit and Risk Management Committee will submit an annual report to our Board summarising its activities during the financial year and the related significant results and findings.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2.2 Our Group's policy on related party transactions

Related party transactions by their nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Any such related party transactions may individually and in aggregate give rise to potential conflicts of interest.

It is the policy of our Group that all related party transactions in the course of our business are made on an arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and these terms are not detrimental to our non-interested shareholders who are not part of the transaction. The related parties and any other parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and voting on resolutions pertaining to the matters and/or transactions where a conflict of interest may arise.

In addition, our Directors are required to make an annual disclosure of any related party transactions and conflicts of interest with our Group, and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and/or conflict of interest. Our Audit and Risk Management Committee will in turn report and make the appropriate recommendations to our Board after its evaluation and assessment.

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11. CONFLICT OF INTERESTS

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

As at the LPD, none of our Directors or substantial shareholders has any direct or indirect interest in any entity which is carrying on a similar trade as our Group or is a customer or supplier of our Group.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

11.2.1 Principal Adviser, Sponsor, Underwriter and Placement Agent

TA Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

11.2.2 Solicitors for our IPO

Olivia Lim & Co, has confirmed that, as at the date of this Prospectus, it has no existing or potential conflict of interest in the Company and there is no existing or potential conflict of interest in its capacity as the Solicitors for our Group in relation to the Listing.

11.2.3 Auditors and Reporting Accountants

UHY, has confirmed that, as at the date of this Prospectus, it has no existing or potential conflict of interest in the Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to the Listing.

11.2.4 Independent Market Researcher

Providence, has confirmed that, as at the date of this Prospectus, it has no existing or potential conflict of interest in the Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

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12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the FYEs Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus. The historical combined statements of profit or loss and other comprehensive income have been prepared in accordance with MFRS.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	Audited			
	FYE 2021	**FYE 2022**	**FYE 2023**	**FYE 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	42,574	59,742	78,236	79,583
Cost of sales	(37,142)	(51,751)	(66,251)	(66,852)
GP	**5,432**	**7,991**	**11,985**	**12,731**
Other income	654	371	665	1,155
Selling and distribution costs	(412)	(399)	(441)	(502)
Administrative expenses	(3,252)	(3,687)	(4,195)	(5,440)
Profit from operations	**2,422**	**4,276**	**8,014**	**7,944**
Finance costs	(5)	(15)	(9)	(6)
PBT	**2,417**	**4,261**	**8,005**	**7,938**
Income tax expense	(565)	(999)	(1,976)	(1,609)
PAT / Total comprehensive income for the financial year	**1,852**	**3,262**	**6,029**	**6,329**
PAT/ Total comprehensive income attributable to:				
- Owners of the Company	**1,852**	**3,262**	**6,029**	**6,329**
EBITDA (1)	3,025	5,024	8,645	8,544
GP margin (%) (2)	12.76	13.38	15.32	16.00
PBT margin (%) (3)	5.68	7.13	10.23	9.97
PAT margin (%) (4)	4.35	5.46	7.71	7.95
Number of Shares assumed in issue ('000) (5)	266,000	266,000	266,000	266,000
Basic EPS (sen) (6)	0.70	1.23	2.27	2.38
Diluted EPS (sen) (6)(7)	0.70	1.23	2.27	2.38

Notes:

(1) The table below sets forth a reconciliation of our PBT to EBITDA.

	Audited			
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**	**FYE 2024 RM'000**
PBT	2,417	4,261	8,005	7,938
Add:				
Finance costs	5	15	9	6
Depreciation	674	671	654	762
Amortisation	34	162	163	135

	Audited			
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**	**FYE 2024 RM'000**
Less: Interest income	(105)	(85)	(186)	(297)
EBITDA	**3,025**	**5,024**	**8,645**	**8,544**

(2) GP margin is computed based on our GP over revenue.

(3) PBT margin is computed based on our PBT over revenue.

(4) PAT margin is computed based on our PAT over revenue.

(5) Assumed number of ordinary shares in issue in Sik Cheong after our IPO.

(6) Basic and diluted EPS are calculated based on PAT attributable to owners of the Company divided by 266,000,000 enlarged total number of Shares after our IPO.

(7) Our Company does not have any outstanding convertible securities at the end of the financial years.

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12.1.2 Historical combined statements of financial position

The following table sets out a summary of our combined statements of financial positions for the FYEs Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	Audited			
	As at 31 March			
	2021	**2022**	**2023**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets				
Property, plant and equipment	2,366	1,768	1,759	14,330
Rights-of-use assets	474	312	161	132
Investment properties	1,849	1,817	1,840	203
Total non-current assets	4,689	3,897	3,760	14,665
Current assets				
Inventories	914	1,611	1,029	1,206
Trade receivables	4,384	4,947	4,931	6,055
Other receivables	1,117	3,254	1,763	2,955
Tax recoverable	88	22	80	101
Fixed deposits with licensed bank	1,283	1,300	1,325	41
Cash and bank balances	5,550	6,790	11,658	6,800
Total current assets	13,336	17,924	20,786	17,158
TOTAL ASSETS	**18,025**	**21,821**	**24,546**	**31,823**
EQUITY AND LIABILITIES				
Equity invested				
Share capital	420	420	420	420
Retained profits	16,293	19,535	19,544	25,873
TOTAL EQUITY	**16,713**	**19,955**	**19,964**	**26,293**
Non-current liabilities				
Lease liabilities	319	156	28	79
Deferred tax liabilities	172	191	187	244
Total non-current liabilities	491	347	215	323
Current liabilities				
Trade payables	317	881	294	785
Other payables	307	449	540	4,055
Dividend payable	-	-	3,000	-
Lease liabilities	157	163	139	56
Provision for taxation	40	26	394	311
Total current liabilities	821	1,519	4,367	5,207
TOTAL LIABILITIES	**1,312**	**1,866**	**4,582**	**5,530**
TOTAL EQUITY AND LIABILITIES	**18,025**	**21,821**	**24,546**	**31,823**

12.1.3 Historical combined statements of cash flows

The following table sets out our combined statements of cash flows for the FYEs Under Review, which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus. The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
PBT	2,417	4,261	8,005	7,938
Adjustments for:				
Amortisation of right-of-use assets	34	162	163	135
Bad debts written off	7	14	5	-
Depreciation of investment properties	32	32	33	3
Depreciation of property, plant and equipment	642	639	621	759
Gain on disposal of property, plant and equipment	(395)	(96)	(176)	(679)
Gain on termination of lease contract	-	-	-	(1)
Interest expense	5	15	9	6
Interest income	(105)	(85)	(186)	(297)
Property, plant and equipment written off	8	-	10	1
Operating profit before working capital changes	2,645	4,942	8,484	7,865
(Increase)/Decrease in inventories	(133)	(697)	581	(177)
(Increase)/Decrease in trade receivables	(720)	(577)	11	(1,124)
Decrease/(Increase) in other receivables	303	(2,137)	1,521	(1,221)
(Decrease)/Increase in trade payables	(79)	564	(587)	491
Increase in other payables	20	141	88	69
Cash from operations	**2,036**	**2,236**	**10,098**	**5,903**
Interest paid	(5)	(15)	(9)	(6)
Tax paid	(337)	(927)	(1,670)	(1,958)
Tax refunded	99	-	-	302
Net cash from operating activities	**1,793**	**1,294**	**8,419**	**4,241**
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(1,744)	(44)	(679)	(8,272)
Increase in amount owing by a related party	-	-	(30)	30
Interest received	105	85	186	297
Proceeds from disposal of property, plant and equipment	529	100	176	704
Net cash (used in)/ from investing activities	**(1,110)**	**141**	**(347)**	**(7,241)**

12. FINANCIAL INFORMATION (CONT'D)

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES				
Repayment to Directors	(155)	-	-	-
Increase in amount owing to a related party	-	-	4	(4)
Dividend paid	(3,000)	(20)	(3,020)	(3,000)
Increase in fixed deposits pledged	(58)	(18)	(24)	1,325
Issuance of shares	20	-	-	-
Repayment of lease liabilities	(32)	(157)	(164)	(138)
Net cash used in financing activities	**(3,225)**	**(195)**	**(3,204)**	**(1,817)**
Net (decrease)/ increase in cash and cash equivalents	(2,542)	1,240	4,868	(4,817)
Cash and cash equivalents at beginning of the financial year	8,092	5,550	6,790	11,658
Cash and cash equivalents at end of the financial year	5,550	6,790	11,658	6,841

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12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness based on our unaudited financial information as at 31 May 2024 and after adjusting for the effects of our Public Issue and utilisation of proceeds from our Public Issue.

	Unaudited as at 31 May 2024	After Public Issue and utilisation of proceeds
	RM'000	RM'000
Capitalisation		
Shareholders' equity	26,674	40,694
Total capitalisation	**26,674**	**40,694**
Indebtedness		
Current		
Unsecured and unguaranteed		
- Lease liabilities (rentals) (1)	57	57
Non-current		
Unsecured and unguaranteed		
- Lease liabilities (rentals) (1)	70	70
Total indebtedness	**127**	**127**
Total capitalisation and indebtedness	**26,801**	**40,821**
Gearing ratio (times) (2)	0.0047	0.0031

Notes:

(1) Lease liabilities (rentals) represent the present value of the remaining rental payments over the rental period for our rented properties.

(2) Computed based on total indebtedness divided by total capitalisation.

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group which may have a substantial impact on the financial position of our Group.

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12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial condition and results of operations for the FYEs Under Review should be read in conjunction with our Accountants' Report and accompanying notes presented in Section 13 of this Prospectus.

This discussion and analysis contains data derived from our financial statements as well as forward-looking statements that reflect our views with respect to future events and our future financial performance. Actual events and results may differ materially from those anticipated in these forward-looking statements. Factors that may cause future events and results to differ significantly from those described in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Overview of business operations

We are principally involved in the following business activities:

(i) Repackaging, marketing and distribution of RBD palm olein oil products

Our Group is principally involved in the repackaging, marketing and distribution of RBD palm olein oil products, wherein the products are mainly sold under our in-house brands, i.e. Sawit Emas", "Vitamas" and "Pingat Emas".

Our main products are RBD palm olein cooking oil, which are sold under our in-house brands, "Sawit Emas" and "Vitamas", or sold unbranded. We also sell RBD palm olein lamp oil under our in-house brand, "Pingat Emas".

Our Group's customer base mainly comprises retailers, wholesalers, hotel, restaurant and catering operators, and food manufacturers.

(ii) Trading of third-party products

Upon request from our customers, we also source third-party branded products (such as margarine) for our customers in the retail, wholesale, hospitality and food industries. As at the LPD, we sourced and distributed "Adela", "Pelangi" and "Bunga Emas" margarine.

Our Group recognises revenue at the point of delivery of products. All of our Group's revenue are generated in Malaysia and denominated in RM. We typically deliver our products to our customers' manufacturing facility, warehouse or distribution centres or retail locations.

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12.3.2 Revenue

(i) Revenue by business activities

The table below presents the breakdown of our total revenue by business activities:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Subsidised RBD palm olein oil products								
Sawit Emas								
- COSS (1)	18,853	44.29	20,205	33.82	20,218	25.84	20,307	25.52
- MKHMM (2)	-	-	8,869	14.85	5,109	6.53	1,074	1.35
Vitamas								
- MKHMM (3)	-	-	803	1.34	374	0.48	23	0.03
	18,853	**44.29**	**29,877**	**50.01**	**25,701**	**32.85**	**21,404**	**26.90**
Non-subsidised RBD palm olein oil products								
Sawit Emas (4)	18,627	43.75	23,807	39.85	44,183	56.48	49,001	61.57
Vitamas (5)	1,406	3.30	1,143	1.91	2,902	3.71	3,737	4.70
Pingat Emas (6)	2,738	6.43	3,899	6.53	3,802	4.86	3,367	4.23
Unbranded (IBC) (7)	549	1.29	659	1.10	1,270	1.62	1,738	2.18
	23,320	**54.77**	**29,508**	**49.39**	**52,157**	**66.67**	**57,843**	**72.68**
Repackaging, marketing and distribution of RBD palm olein oil products	**42,173**	**99.06**	**59,385**	**99.40**	**77,858**	**99.52**	**79,247**	**99.58**
Trading of third-party products	**401**	**0.94**	**357**	**0.60**	**378**	**0.48**	**336**	**0.42**
Total revenue	**42,574**	**100.00**	**59,742**	**100.00**	**78,236**	**100.00**	**79,583**	**100.00**

As seen from the table above, majority of the revenue generated by our Group was from repackaging, marketing and distribution of RBD palm olein oil products.

Notes:

(1) "Sawit Emas" products under COSS were sold in 1kg polybags.

(2) "Sawit Emas" products under MKHMM were sold in 1kg, 2kg and 5kg bottles.

(3) "Vitamas" products under MKHMM were sold in 3kg and 5kg bottles.

(4) Non-subsidised "Sawit Emas" products were sold in 1kg bottles, 2kg bottles, 5kg bottles, 17kg jerry cans and 17kg tin cans.

(5) Non-subsidised "Vitamas" products were sold in 3kg bottles, 5kg bottles and 17kg jerry cans.

(6) Non-subsidised "Pingat Emas" lamp oil products were sold in 1.8 litre bottles and 5 litre bottles.

(7) Non-subsidised unbranded cooking oil products were sold in 900kg IBCs.

(ii) Revenue by geographical location in Malaysia

The table below presents the breakdown of our total revenue by states where our customers are based for the FYEs Under Review:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Selangor	24,997	58.71	31,940	53.46	41,839	53.48	46,455	58.37
Kuala Lumpur	15,487	36.38	25,120	42.05	34,064	43.54	31,268	39.29
Other remaining states [(1)]	2,090	4.91	2,682	4.49	2,333	2.98	1,860	2.34
Total revenue	**42,574**	**100.00**	**59,742**	**100.00**	**78,236**	**100.00**	**79,583**	**100.00**

Note:

(1) Other remaining states include Negeri Sembilan, Johor, Federal Territory of Putrajaya, Pahang, Perak, Sarawak, Melaka and Terengganu.

(iii) Revenue by customer segment

The table below presents the breakdown of our total revenue by customer segment:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Wholesalers	15,416	36.21	23,840	39.90	31,585	40.37	33,279	41.82
Retailers	15,969	37.51	19,197	32.14	25,385	32.45	24,891	31.28
Food manufacturers	9,207	21.63	13,399	22.43	14,750	18.85	11,997	15.07
Hotel, restaurant and catering operators	1,982	4.65	3,306	5.53	6,516	8.33	9,416	11.83
Total revenue	**42,574**	**100.00**	**59,742**	**100.00**	**78,236**	**100.00**	**79,583**	**100.00**

As seen from the table above, majority of the revenue generated by our Group was from wholesalers, retailers and food manufacturers.

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(iv) Average revenue per kg of our RBD palm olein oil products

The average revenue per kg for each of the product under the repackaging, marketing and distribution of RBD palm olein oil products segment for the FYEs Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024(4)	
	kg	Average selling price per kg (1) (RM)	kg	Average selling price per kg (1) (RM)	kg	Average selling price per kg (1) (RM)	kg	Average selling price per kg (1) (RM)
Subsidised RBD palm olein oil								
Sawit Emas								
- COSS	7,892,930	2.39	8,395,688	2.41	8,401,283 (2)	2.41	8,399,288	2.42
- MKHMM	-	-	1,561,371	5.68	903,288	5.66	199,792	5.38
Vitamas (MKHMM)	-	-	143,272	5.60	66,554	5.62	4,200	5.48
Non-subsidised RBD palm olein oil								
Sawit Emas (3)	4,897,912	3.80	4,288,118	5.55	7,395,506	5.97	9,539,660	5.14
Vitamas (3)	364,580	3.86	208,658	5.48	500,233	5.80	721,275	5.18
Pingat Emas	603,452	4.54	610,845	6.38	535,081	7.11	546,016	6.17
Unbranded (IBC)	160,200	3.43	119,700	5.51	238,500	5.32	392,400	4.43

Notes:

(1) Average selling price per kg was computed based on revenue over total volume (kg) sold for each product during the respective FYE Under Review.

(2) Our total volume sold during FYE 2023 of 8,401,283 kg was higher than the quota granted by the Government of 8,400,000 kg. This was because there were inventories that were brought forward from FYE 2022.

(3) In FYE 2022 and FYE 2023, the average selling prices of our "Sawit Emas" brand of RBD palm olein oil products were generally higher than that of our "Vitamas" brand. This was primarily because we sold more 17kg jerry cans and 17kg tin cans of "Sawit Emas", which generally have a higher selling price per kg compared to other packaging sizes and types as we typically sell directly to end-customers, i.e. hotel, restaurant and catering operators, and food manufacturers. In comparison, "Vitamas" brand of RBD palm olein oil products were mainly sold in 3kg and 5kg bottles during the same period, which have a lower average selling price per kg as these packaging sizes and types are typically sold to wholesalers and retailers who will resell our products to their customers.

(4) In FYE 2024, the average selling prices of our RBD palm olein oil products were lower than the average selling prices of our RBD palm olein oil products in FYE 2023 mainly due to the lower CPO price in FYE 2024.

(v) Commentary on revenue

FYE 2022 compared to FYE 2021

Our total revenue recorded an increase of RM17.17 million or 40.33%, from RM42.57 million in FYE 2021 to RM59.74 million in FYE 2022 due to an increase in revenue generated from repackaging, marketing and distribution of RBD palm olein oil products.

In terms of geographical location, Selangor and Kuala Lumpur were our largest markets, collectively representing 95.09% and 95.51% of total revenue in FYE 2021 and FYE 2022, respectively.

In terms of customer segments, our higher revenue was derived mainly from wholesalers (RM8.42 million), food manufacturers (RM4.19 million), retailers (RM3.23 million) as well as hotel, restaurant and catering operators (RM1.33 million).

Repackaging, marketing and distribution of RBD palm olein oil products

Our RBD palm olein oil product segment was our main segment, contributing 99.06% and 99.40% to total revenue in FYE 2021 and FYE 2022, respectively.

Our revenue from RBD palm olein oil products increased by RM17.22 million or 40.83%, from RM42.17 million in FYE 2021 to RM59.39 million in FYE 2022. This was due to the higher revenue from both subsidised RBD palm olein oil products of RM11.03 million and non-subsidised RBD palm olein oil products of RM6.19 million in FYE 2022.

Subsidised RBD palm olein oil products

Our revenue from subsidised RBD palm olein oil products increased by RM11.03 million or 58.51%, from RM18.85 million in FYE 2021 to RM29.88 million in FYE 2022. The increase was because:

(a) there was an increase in revenue from subsidised "Sawit Emas" cooking oil of RM10.22 million. The increase was due to:

- higher sales volume of subsidised "Sawit Emas" cooking oil by 26.15% in FYE 2022, as there were:

  (aa) an increase of 503 MT of products sold under COSS in FYE 2022 as our Group secured increased orders from approximately 270 existing customers and approximately 30 new customers which mainly comprised wholesalers and retailers;

  (bb) our Group began to generate revenue from "Sawit Emas" products under MKHMM as our Group obtained quota to repackage, market and distribute RBD palm olein oil products under MKHMM in September 2021. We sold 1,561 MT of products under MKHMM in various packaging sizes and types (i.e. 1kg, 2kg and 5kg bottles) mainly to wholesalers and retailers in FYE 2022. The average selling price for "Sawit Emas" MKHMM products was RM5.68 per kg in FYE 2022; and

  (cc) increase in average selling price of "Sawit Emas" products under COSS of 0.84%, from RM2.39 per kg in FYE 2021 to RM2.41 per kg in FYE 2022. Cost of packaging materials was higher in FYE 2022 as compared to FYE 2021 and we passed on the incremental costs to our customers.

(b) our Group began to generate revenue from "Vitamas" products under MKHMM of RM0.80 million as we obtained quota to repackage, market and distribute RBD palm olein oil under MKHMM in September 2021. We sold 143 MT of "Vitamas" products under MKHMM in various packaging sizes and types largely to wholesalers in FYE 2022. The average selling price for "Vitamas" products under MKHMM was RM5.60 per kg in FYE 2022.

Non-subsidised RBD palm olein oil products

Our revenue from non-subsidised RBD palm olein oil products increased by RM6.19 million or 26.54%, from RM23.32 million in FYE 2021 to RM29.51 million in FYE 2022. The increase was mainly due to:

(a) increase in revenue from non-subsidised "Sawit Emas" cooking oil of RM5.18 million or 27.80%. This was contributed by an increase in average selling price of non-subsidised "Sawit Emas" cooking oil of 46.05%, from RM3.80 per kg in FYE 2021 to RM5.55 per kg in FYE 2022, a result of the higher CPO prices.

CPO price increased from an average of RM3.06 per kg in FYE 2021 to an average of RM4.96 per kg in FYE 2022. The higher CPO price was a result of the higher demand for edible oil due to the reopening of businesses (such as hotels, restaurants, catering operators and food manufacturers) after Malaysia entered into the endemic phase of COVID-19, and lower supply of sunflower oil from Ukraine due to the Russia-Ukraine war which led to businesses using other edible oil such as RBD palm olein cooking oil.

The increase in average selling prices of non-subsidised "Sawit Emas" was partly offset by a decrease in total volume of non-subsidised "Sawit Emas" products sold of 12.45% between FYE 2021 and FYE 2022. This was because we obtained quota to sell "Sawit Emas" cooking oil under MKHMM for a longer period in FYE 2022 as compared to FYE 2021, which led to us selling more "Sawit Emas" cooking oil under MKHMM;

(b) increase in revenue from non-subsidised "Pingat Emas" lamp oil of RM1.16 million or 42.34%. This was also contributed by an:

- increase in average selling price of non-subsidised "Pingat Emas" lamp oil of 40.53%, from RM4.54 per kg in FYE 2021 to RM6.38 per kg in FYE 2022, a result of higher CPO price during FYE 2022 as compared to FYE 2021; and

- increase in volume of non-subsidised "Pingat Emas" lamp oil sold of 1.23% between FYE 2021 and FYE 2022. This was due to increased orders from existing and new customers which mainly comprised retailers and wholesalers in FYE 2022; and

(c) increase in revenue from non-subsidised unbranded cooking oil of RM0.11 million or 20.00%. This was due to an increase in average selling price of non-subsidised unbranded cooking oil of 60.64%, from RM3.43 per kg in FYE 2021 to RM5.51 per kg in FYE 2022, a result of higher CPO price during FYE 2022 as compared to FYE 2021. However, our total volume of non-subsidised unbranded cooking oil sold decreased by 25.28% between FYE 2021 and FYE 2022.

The increase in revenue from the abovementioned products was partly offset by the decrease in revenue from non-subsidised "Vitamas" cooking oil of RM0.26 million or 18.57%. This was due to lower volume sold of 42.77% between FYE 2021 and FYE 2022.

This was because we obtained quota to sell "Vitamas" cooking oil under MKHMM for a longer period in FYE 2022 as compared to FYE 2021, which led to us selling more "Vitamas" cooking oil under MKHMM.

Our average selling price of non-subsidised "Vitamas" cooking oil increased by 41.97%, from RM3.86 per kg in FYE 2021 to RM5.48 per kg in FYE 2022, a result of higher CPO price during FYE 2022.

Trading of third-party products

Our revenue from trading of third-party products decreased by RM0.04 million or 10.00%, from RM0.40 million in FYE 2021 to RM0.36 million in FYE 2022. This was due to lower volume of orders from our customers for such products.

FYE 2023 compared to FYE 2022

Our total revenue recorded an increase of RM18.50 million or 30.97%, from RM59.74 million in FYE 2022 to RM78.24 million in FYE 2023. This was due to an increase in revenue from RBD palm olein oil products.

In terms of geographical location, Selangor and Kuala Lumpur were our largest markets, collectively representing 95.51% and 97.02% of total revenue in FYE 2022 and FYE 2023, respectively.

In terms of customer segment, our higher revenue was mainly from wholesalers (RM7.75 million), food manufacturers (RM1.35 million), retailers (RM6.19 million) as well as hotel, restaurant and catering operators (RM3.21 million).

Repackaging, marketing and distribution of RBD palm olein oil products

Our RBD palm olein oil product segment was our main segment, contributing 99.40% and 99.52% to our total revenue in FYE 2022 and FYE 2023, respectively.

Our revenue from RBD palm olein oil products increased by RM18.47 million or 31.10%, from RM59.39 million in FYE 2022 to RM77.86 million in FYE 2023. This was due to an increase in revenue from non-subsidised RBD palm olein oil products of RM22.65 million in FYE 2023, and was partly offset by a decrease in revenue from subsidised RBD palm olein oil products of RM4.18 million in FYE 2023.

Subsidised RBD palm olein oil products

Our revenue from subsidised RBD palm olein oil products decreased by RM4.18 million or 13.99%, from RM29.88 million in FYE 2022 to RM25.70 million in FYE 2023. The decrease was due to shorter quota period obtained under MKHMM during FYE 2023 i.e. from April 2022 to June 2022. This had resulted in the following:

(a) decrease in revenue from "Sawit Emas" products under MKHMM of RM3.76 million. This was mainly due to lower sales volume of "Sawit Emas" products under MKHMM by 658.08 MT in FYE 2023, translating to a decrease of 42.15%; and

(b) decrease in revenue from "Vitamas" products under MKHMM of RM0.43 million. This was due to lower sales volume of "Vitamas" products under MKHMM by 76.72 MT in FYE 2023, translating to a decrease of 53.55%.

In FYE 2023, our revenue from products under COSS remained consistent with FYE 2022.

Non-subsidised RBD palm olein oil products

Our revenue from non-subsidised RBD palm olein oil products increased by RM22.65 million or 76.75%, from RM29.51 million in FYE 2022 to RM52.16 million in FYE 2023. The increase was mainly due to:

(a) increase in revenue from non-subsidised "Sawit Emas" cooking oil of RM20.37 million or 85.55%. This was because:

- total volume of non-subsidised "Sawit Emas" cooking oil sold increased by 72.47% between FYE 2022 and FYE 2023 as we secured more orders from approximately 340 existing customers and approximately 180 new customers who mainly comprised wholesalers, retailers as well as hotel, restaurant and catering operators. The increase in orders was largely due to our sales efforts in meeting existing and potential new customers and receiving referrals from existing customers; and

- average selling price of non-subsidised "Sawit Emas" cooking oil increased by 7.57% from RM5.55 per kg in FYE 2022 to RM5.97 per kg in FYE 2023. We increased the selling price of various packaging sizes and types (i.e. 1kg, 2kg and 5kg bottles) of non-subsidised "Sawit Emas" cooking oil charged to customers in FYE 2023. This was our pricing strategy to gradually passed on the rising purchase price of RBD palm olein oil during FYE 2022 to customers over the span of FYE 2022 and FYE 2023. The rising purchase price of RBD palm olein oil during FYE 2022 was attributable to higher CPO prices as explained in revenue commentary for FYE 2022 compared to FYE 2021.

(b) increase in revenue from non-subsidised "Vitamas" cooking oil of RM1.76 million or 154.39%. This was because:

- total volume of non-subsidised "Vitamas" cooking oil sold increased by 139.74% between FYE 2022 and FYE 2023 as there was an increase in orders from new and existing customers who mainly comprised wholesalers as well as hotel, restaurant and catering operators. The increase in orders was largely due to our sales efforts in meeting existing and potential new customers and receiving referrals from existing customers; and

- average selling price of non-subsidised "Vitamas" cooking oil increased by 5.84%, from RM5.48 per kg in FYE 2022 to RM5.80 per kg in FYE 2023.The higher average selling price of non-subsidised "Vitamas" cooking oil was due to more 17kg jerry cans being sold in FYE 2023 which have higher selling price compared to 3kg or 5kg bottles.

In addition, selling prices of RBD palm olein cooking oil (particularly for 17kg tin cans and jerry cans) were gradually increased in response to the increase in purchase prices of RBD palm olein oil in FYE 2022.

(c) increase in revenue from non-subsidised unbranded cooking oil of RM0.61 million or 92.42%. This was because total volume of unbranded cooking oil sold increased by 99.25% between FYE 2022 and FYE 2023 as there were more orders received from food manufacturers.

The increase in revenue from this product segment was partly offset by the decrease in average selling price of unbranded cooking oil of 3.45% from RM5.51 per kg in FYE 2022 to RM5.32 per kg in FYE 2023.

Based on our mutual understanding with our customers, who are mainly food manufacturers, the average selling price of non-subsidised unbranded cooking oil typically fluctuates according to prevailing CPO prices. As such, CPO prices declined from an average of RM4.96 per kg in FYE 2022 to RM4.61 per kg in FYE 2023, the average selling prices of unbranded cooking oil had declined accordingly.

The increase in revenue from the abovementioned products was partly offset by a decrease in revenue from "Pingat Emas" lamp oil of RM0.10 million between FYE 2022 and FYE 2023. This was because the volume of "Pingat Emas" lamp oil sold declined by 12.40% during the period.

During FYE 2023, our average selling price of "Pingat Emas" lamp oil increased by 11.44%, from RM6.38 per kg in FYE 2022 to RM7.11 per kg in FYE 2023 as the selling price of RBD palm olein lamp oil in FYE 2023 were gradually increased in response to the increase in purchase prices of RBD palm olein oil in FYE 2022.

<u>Trading of third-party products</u>

Our revenue from trading of third-party products increased by RM0.02 million or 5.56%, from RM0.36 million in FYE 2022 to RM0.38 million in FYE 2023. This was attributable to higher volume of orders for margarine from our existing customers.

<u>FYE 2024 compared to FYE 2023</u>

Our total revenue recorded an increase of RM1.34 million or 1.71%, from RM78.24 million in FYE 2023 to RM79.58 million in FYE 2024. This was due to an increase in revenue from RBD palm olein oil products.

In terms of geographical location, Selangor and Kuala Lumpur remained as our largest markets, collectively representing 97.02% and 97.66% of total revenue in FYE 2023 and FYE 2024, respectively.

In terms of customer segment, our higher revenue was from hotel, restaurant and catering operators (RM2.90 million) and wholesalers (RM1.69 million), and this was offset by the lower revenue from food manufacturers (RM2.75 million) and retailers (RM0.50 million).

Repackaging, marketing and distribution of RBD palm olein oil products

Our RBD palm olein oil product segment was our main segment, contributing 99.52% and 99.58% to our total revenue in FYE 2023 and FYE 2024, respectively.

Our revenue from RBD palm olein oil products increased by RM1.39 million or 1.79%, from RM77.86 million in FYE 2023 to RM79.25 million in FYE 2024. This was due to an increase in revenue from non-subsidised RBD palm olein oil products of RM5.68 million in FYE 2024, and was partly offset by a decrease in revenue from subsidised RBD palm olein oil products of RM4.30 million in FYE 2024.

<u>Subsidised RBD palm olein oil products</u>

Our revenue from subsidised RBD palm olein oil products decreased by RM4.30 million or 16.73%, from RM25.70 million in FYE 2023 to RM21.40 million in FYE 2024. The decrease was due to shorter quota period obtained under MKHMM during FYE 2024, i.e. from 10 April 2023 to 30 April 2023 for FYE 2024 (FYE 2023: 2 months from April 2022 to June 2022). This had resulted in the following:

(a) decrease in revenue from "Sawit Emas" products under MKHMM of RM4.04 million. This was mainly due to lower sales volume of "Sawit Emas" products under MKHMM by 703.50 MT in FYE 2024, translating to a decrease of 77.88%; and

(b) decrease in revenue from "Vitamas" products under MKHMM of RM0.35 million. This was due to lower sales volume of "Vitamas" products under MKHMM by 62.35 MT in FYE 2024, translating to a decrease of 93.69%.

This was partially offset by a marginal increase in revenue from products sold under COSS of RM0.09 million or 0.45% from RM20.22 million in FYE 2023 to RM20.31 million in FYE 2024.

Non-subsidised RBD palm olein oil products

Our revenue from non-subsidised RBD palm olein oil products increased by RM5.68 million or 10.89%, from RM52.16 million in FYE 2023 to RM57.84 million in FYE 2024. The increase was mainly due to the following:

(a) increase in revenue from non-subsidised "Sawit Emas" cooking oil of RM4.82 million or 10.91%. This was contributed by an increase in total volume of non-subsidised "Sawit Emas" cooking oil sold of 2,144.15 MT or 28.99% in FYE 2024 as we secured more orders from approximately 634 existing customers and approximately 254 new customers who mainly comprised wholesalers, hotel, restaurant and catering operators.

The increase in total volume of non-subsidised "Sawit Emas" cooking oil was partly offset by a decrease in average selling price of non-subsidised "Sawit Emas" cooking oil of 13.90% from RM5.97 per kg in FYE 2023 to RM5.14 per kg in FYE 2024, as a result of lower CPO prices in FYE 2024 where the selling prices of RBD palm olein cooking oil were decreased following the decrease in purchase prices of RBD palm olein oil in FYE 2024.

CPO price decreased from an average of RM4.61 per kg in FYE 2023 to an average of RM3.83 per kg in FYE 2024. The lower CPO price in FYE 2024 was a result of the gradual rise in palm oil production and stock levels of CPO within Malaysia and lower demand for vegetable oils from China as well as competition from other types of vegetable oils that led to lower demand for CPO.

(b) increase in revenue from non-subsidised "Vitamas" cooking oil of RM0.84 million or 28.97%. This was contributed by an increase in total volume of non-subsidised "Vitamas" cooking oil sold of 221.04 MT or 44.19% in FYE 2024 as there was an increase in orders from new and existing customers who mainly comprised wholesalers as well as hotel, restaurant and catering operators.

The increase in total volume of non-subsidised "Vitamas" cooking oil was partly offset by a decrease in average selling price of non-subsidised "Vitamas" cooking oil of 10.69%, from RM5.80 per kg in FYE 2023 to RM5.18 per kg in FYE 2024, as a result of lower CPO prices in FYE 2024 where the selling prices of RBD palm olein cooking oil were decreased following the decrease in purchase prices of RBD palm olein oil in FYE 2024.

(c) increase in revenue from non-subsidised unbranded cooking oil of RM0.47 million or 37.01%. This was contributed by the increase in total volume of unbranded cooking oil sold by 64.53% between FYE 2023 and FYE 2024 as there were more orders received from food manufacturers.

The increase in revenue from this product segment was partly offset by the decrease in average selling price of unbranded cooking oil of 16.73% from RM5.32 per kg in FYE 2023 to RM4.43 per kg in FYE 2024. As CPO prices declined from an average of RM4.61 per kg in FYE 2023 to an average of RM3.83 per kg in FYE 2024, the average selling prices of unbranded cooking oil had declined accordingly.

The increase in revenue from the abovementioned products was partly offset by a decrease in revenue from "Pingat Emas" lamp oil of RM0.43 million between FYE 2023 and FYE 2024. This was because the average selling price of "Pingat Emas" lamp oil sold declined by 13.22% during the period because of lower CPO prices.

During FYE 2024, our total volume of "Pingat Emas" lamp oil sold increased by 10.94 MT or 2.04%, as there were more orders received from retail customers.

<u>Trading of third-party products</u>

Our revenue from trading of third-party products decreased by RM0.04 million or 10.53%, from RM0.38 million in FYE 2023 to RM0.34 million in FYE 2024. This was attributable to lower volume of orders for margarine received from our customers.

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12.3.3 Cost of sales

(i) Cost of sales by business activities

The table below presents the breakdown of our total cost of sales by business activities:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Subsidised RBD palm olein oil								
Sawit Emas								
-COSS	15,806	42.56	17,070	32.98	17,441	26.33	16,881	25.25
-MKHMM	-	-	6,346	12.26	3,830	5.78	798	1.19
Vitamas (MKHMM)	-	-	572	1.11	281	0.42	17	0.03
	15,806	**42.56**	**23,988**	**46.35**	**21,552**	**32.53**	**17,696**	**26.47**
Non-subsidised RBD palm olein oil								
Sawit Emas	17,009	45.79	22,469	43.42	37,913	57.23	41,597	62.22
Vitamas	1,285	3.46	1,105	2.13	2,568	3.87	3,169	4.74
Pingat Emas	2,197	5.91	3,295	6.37	2,735	4.13	2,504	3.75
Unbranded (IBC)	516	1.39	595	1.15	1,151	1.74	1,591	2.38
	21,007	**56.55**	**27,464**	**53.07**	**44,367**	**66.97**	**48,861**	**73.09**
Repackaging, marketing and distribution of RBD palm olein oil products	**36,813**	**99.11**	**51,452**	**99.42**	**65,919**	**99.50**	**66,557**	**99.56**
Trading of third-party products	**329**	**0.89**	**299**	**0.58**	**332**	**0.50**	**295**	**0.44**
Total cost of sales	**37,142**	**100.00**	**51,751**	**100.00**	**66,251**	**100.00**	**66,852**	**100.00**

(ii) Cost of sales by cost items

The table below sets out the breakdown of our Group's cost of sales by cost items:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases (1)(2)	36,381	97.95	51,045	98.64	65,394	98.71	66,142	98.94
Direct labour	761	2.05	706	1.36	857	1.29	710	1.06
Total	**37,142**	**100.00**	**51,751**	**100.00**	**66,251**	**100.00**	**66,852**	**100.00**

Notes:

(1) The breakdown of purchases are as follows:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBD palm olein oil	33,331	91.62	47,035	92.14	60,460	92.45	61,273	92.64
Packaging materials	2,721	7.48	3,711	7.27	4,602	7.04	4,574	6.91
Others (a)	329	0.90	299	0.59	332	0.51	295	0.45
Total purchases	**36,381**	**100.00**	**51,045**	**100.00**	**65,394**	**100.00**	**66,142**	**100.00**

Note:

(a) Others include third-party products such as margarine.

(2) Total volume of RBD palm olein oil purchased by our Group for the FYEs Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	kg	kg	kg	kg
RBD palm olein oil	13,799,320	15,171,490	17,923,400	19,802,630

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(iii) Average cost per kg of our RBD palm olein oil products

The average cost per kg for each of the product under the repackaging, marketing and distribution of RBD palm olein oil products for the FYEs Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	Cost of sales (RM'000)	Average cost per kg [(1)] (RM)	Cost of sales (RM'000)	Average cost per kg [(1)] (RM)	Cost of sales (RM'000)	Average cost per kg [(1)] (RM)	Cost of sales (RM'000)	Average cost per kg [(1)] (RM)
Subsidised RBD palm olein oil								
Sawit Emas								
- COSS	15,806	2.00	17,070	2.03	17,441	2.08	16,881	2.01
- MKHMM	-	-	6,346	4.06	3,830	4.24	798	3.99
Vitamas	-	-	572	3.99	281	4.22	17	4.05
Non-subsidised RBD palm olein oil								
Sawit Emas	17,009	3.47	22,469	5.24	37,913	5.13	41,597	4.36
Vitamas	1,285	3.52	1,105	5.30	2,568	5.13	3,169	4.39
Pingat Emas	2,197	3.64	3,295	5.39	2,735	5.11	2,504	4.59
Unbranded (IBC)	516	3.22	595	4.97	1,151	4.83	1,591	4.05

Note:
(1) Average cost per kg was computed based on total costs over total volume (kg) sold for each product during the respective FYE Under Review.

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(iv) GP and GP margin

The table below presents the breakdown of our GP and GP margin by business activities and products:

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
GP	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Subsidised RBD palm olein oil								
Sawit Emas								
- COSS	3,047	56.09	3,135	39.23	2,777	23.17	3,426	26.91
- MKHMM	-	-	2,523	31.57	1,279	10.67	276	2.17
Vitamas (MKHMM)	-	-	231	2.89	93	0.78	6	0.05
	3,047	**56.09**	**5,889**	**73.69**	**4,149**	**34.62**	**3,708**	**29.13**
Non-subsidised RBD palm olein oil								
Sawit Emas	1,618	29.79	1,338	16.74	6,270	52.32	7,404	58.16
Vitamas	121	2.23	38	0.48	334	2.79	568	4.46
Pingat Emas	541	9.96	604	7.56	1,067	8.9	863	6.78
Unbranded (IBC)	33	0.61	64	0.8	119	0.99	147	1.15
	2,313	**42.59**	**2,044**	**25.58**	**7,790**	**65.00**	**8,982**	**70.55**
Repackaging, marketing and distribution of RBD palm olein oil products	**5,360**	**98.68**	**7,933**	**99.27**	**11,939**	**99.62**	**12,690**	**99.68**
Trading of third-party products	**72**	**1.32**	**58**	**0.73**	**46**	**0.38**	**41**	**0.32**
Total GP	**5,432**	**100.00**	**7,991**	**100.00**	**11,985**	**100.00**	**12,731**	**100.00**

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GP margin	FYE 2021 %	FYE 2022 %	FYE 2023 %	FYE 2024 %
Subsidised RBD palm olein oil				
Sawit Emas				
- COSS	16.16	15.52	13.74	16.87
- MKHMM	-	28.45	25.03	25.70
Vitamas (MKHMM)	-	28.77	24.87	26.09
	16.16	**19.71**	**16.14**	**17.32**
Non-subsidised RBD palm olein oil				
Sawit Emas	8.69	5.62	14.19	15.11
Vitamas	8.61	3.32	11.51	15.20
Pingat Emas	19.76	15.49	28.06	25.63
Unbranded (IBC)	6.01	9.71	9.37	8.46
	9.92	**6.93**	**14.94**	**15.53**
Repackaging, marketing and distribution of RBD palm olein oil products	**12.71**	**13.36**	**15.33**	**16.01**
Trading of third-party products	**17.96**	**16.25**	**12.17**	**12.20**
Overall GP margin	**12.76**	**13.38**	**15.32**	**16.00**

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(v) Commentary on cost of sales, segmental analysis by GP and GP margin

The cost of sales for the FYEs Under Review was largely contributed by our repackaging, marketing and distribution of RBD palm olein oil products representing between 99.11% and 99.56% of the total cost of sales. Our cost of sales varies in tandem with the increase or decrease in sales volume of the products sold and average cost per kg.

Purchases (refers to RBD palm olein oil, packaging materials such as jerry cans, tin cans, polybags and bottles; as well as traded products for our trading of third-party products segment) was the largest component of our total cost of sales, representing between 97.95% and 98.94% of our total cost of sales for the FYEs Under Review.

The cost of sales attributable to purchases of the RBD palm olein oil is largely determined by market prices of RBD palm olein oil (depending on the price movement of crude palm oil (CPO) because CPO is the main input for the production of cooking oil (palm olein)). The cost of sales attributable to purchases of margarine under trading of third-party products segment is determined by the purchase price of the margarine.

Direct labour was our second largest component of our total cost of sales, representing between 1.06% and 2.05% of our total cost of sales for the FYEs Under Review. The cost of sales attributable to direct labour is dependent on the number of workers and hours required in the repackaging of our RBD palm olein oil products.

Our overall GP margin varies depending on fluctuation in CPO prices, monthly subsidised RBD palm olein oil from the Government and our direct labour cost during the FYEs Under Review. During the FYEs Under Review, the fluctuations in our overall GP margins were mainly contributed by GP margin fluctuations for the sale of non-subsidised RBD palm olein oil (which in turn was affected by the average selling price and average CPO price).

The GP margin for the subsidised RBD palm olein oil was affected by the average selling price, average CPO price and subsidies received from the Government, while the GP margin for the trading of third-party products was affected by our average selling price and average purchase price. We may not pass on the full incremental cost to customers in any period. Instead, we may from time to time adjust the average selling price of our RBD palm olein oil products.

In general, the GP margin for our non-subsidised RBD palm olein oil products "Sawit Emas" and "Vitamas" brands are lower as compared to subsidised RBD palm olein oil "Sawit Emas" and "Vitamas" brands as we do not receive subsidies from the Government for the non-subsidised RBD palm olein oil products sold and our average selling price fluctuates in tandem with CPO prices.

Our non-subsidised lamp oil sold under "Pingat Emas" has higher GP margin as compared to non-subsidised RBD palm olein oil cooking oil sold under "Sawit Emas" and "Vitamas" brands as the average selling price for "Pingat Emas" products are generally higher as compared to average selling price of RBD palm olein cooking oil in view that lamp oil is not considered a controlled good by the Government and there are no ceiling prices set for lamp oil whilst there is a ceiling price set by the Government for RBD palm olein cooking oil.

FYE 2022 compared to FYE 2021

Cost of sales

Our total cost of sales increased by RM14.61 million or 39.34%, from RM37.14 million in FYE 2021 to RM51.75 million in FYE 2022. This was attributable to the higher cost of sales from repackaging, marketing and distribution of RBD palm olein oil products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our cost of sales for repackaging, marketing and distribution of RBD palm olein oil products increased by RM14.64 million or 39.77%, from RM36.81 million in FYE 2021 to RM51.45 million in FYE 2022. This was in tandem with the increase in our revenue generated from repackaging, marketing and distribution of RBD palm olein oil products of 40.83% in FYE 2022. This was due to:

(a) increase in the purchases of RM14.70 million or 40.78%, from RM36.05 million in FYE 2021 to RM50.75 million in FYE 2022. This was largely due to higher volume of RBD palm olein oil sold during in FYE 2022, which was in tandem with the increase in our revenue from repackaging, marketing and distribution of RBD palm olein oil products of 40.83% in FYE 2022; and

(b) increase in average CPO prices in FYE 2022 of 62.09%, from an average of RM3.06 per kg in FYE 2021 to RM4.96 per kg in FYE 2022. This led to higher average cost of sales per kg across various product brands and categories.

We were able to partially pass on the incremental purchases cost to customers in FYE 2022, leading to higher average selling prices of RBD palm olein oil products in FYE 2022 as compared to FYE 2021.

The increase in purchases was offset by the decrease in direct labour of RM0.06 million or 7.89%, from RM0.76 million in FYE 2021 to RM0.70 million in FYE 2022. The decrease was mainly because there was relatively lower number of employees working during the financial year.

In terms of the average cost of sales per kg by product brands, subsidised "Sawit Emas" cooking oil, non-subsidised "Sawit Emas" cooking oil, non-subsidised "Vitamas" cooking oil, "Pingat Emas" lamp oil and non-subsidised unbranded cooking oil experienced increase in average cost of sales per kg of 1.50%, 51.01%, 50.57%, 48.08% and 54.35%, respectively, between FYE 2021 and FYE 2022.

Trading of third-party products

Our cost of sales for the trading of third-party products decreased by RM0.03 million or 9.09% from RM0.33 million in FYE 2021 to RM0.30 million in FYE 2022. This was because purchases of third-party products fell by 9.09% between FYE 2021 and FYE 2022 due to lower volume of orders sold in FYE 2022.

GP

Our total GP increased by RM2.56 million and our overall GP margin increased from 12.76% in FYE 2021 to 13.38% in FYE 2022. The increase in GP was contributed by the increase in the GP from the repackaging, marketing and distribution of RBD palm olein oil products.

The increase in GP margins was contributed by higher GP margins from both the repackaging, marketing and distribution of RBD palm olein oil products and trading of third-party products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our GP from the repackaging, marketing and distribution of RBD palm olein oil products increased by RM2.57 million or 47.95%, from RM5.36 million in FYE 2021 to RM7.93 million in FYE 2022. This was due to higher GP from "Sawit Emas" products under MKHMM of RM2.52 million and "Vitamas" products under MKHMM of RM0.23 million in FYE 2022.

The GP margin for RBD palm olein oil products increased from 12.71% in FYE 2021 to 13.36% in FYE 2022. This was due to higher sales of "Sawit Emas" MKHMM products and "Vitamas" products under MKHMM, both of which yielded higher GP margin (i.e. 28.45% and 28.77% respectively). The higher GP margin for these products was due to price subsidies received under MKHMM programme in FYE 2022. The subsidy received under MKHMM programme in FYE 2022 was RM3.30 million as compared to nil in FYE 2021. Hence, this resulted in higher overall GP margin in FYE 2022 as compared to FYE 2021.

The higher GP and GP margin from "Sawit Emas" and "Vitamas" products under MKHMM were partly offset by the lower GP and GP margin from non-subsidised "Sawit Emas" cooking oil of RM0.28 million. The GP margin from non-subsidised "Sawit Emas" cooking oil decreased from 8.69% in FYE 2021 to 5.62% in FYE 2022. This was because we were not able to fully pass on the increase in average costs per kg of RBD palm olein oil to customers.

Meanwhile, our GP margin for non-subsidised "Vitamas" cooking oil and non-subsidised "Pingat Emas" lamp oil declined to 3.32% and 15.49% respectively in FYE 2022. This was due to higher average purchase prices of RBD palm olein oil in FYE 2022 as compared to FYE 2021, and we were not able to pass on the entire increase in purchase prices to customers.

<u>Trading of third-party products</u>

Our GP from the trading of third-party products decreased by RM0.01 million or 14.29%, from RM0.07 million in FYE 2021 to RM0.06 million in FYE 2022. This was due to the higher volume of margarine brands that had lower GP margins being sold to our customers in FYE 2022. Hence, the GP margin for the trading of third-party products decreased from 17.96% in FYE 2021 to 16.25% in FYE 2022.

<u>FYE 2023 compared to FYE 2022</u>

Cost of sales

Our total cost of sales increased by RM14.50 million or 28.02%, from RM51.75 million in FYE 2022 to RM66.25 million in FYE 2023. This was due to the higher cost of sales from repackaging, marketing and distribution of RBD palm olein oil products.

<u>Repackaging, marketing and distribution of RBD palm olein oil products</u>

Our cost of sales for RBD palm olein oil products increased by RM14.47 million or 28.12%, from RM51.45 million in FYE 2022 to RM65.92 million in FYE 2023. The increase was due to:

(a) increase in purchases of RM14.31 million or 28.20%, from RM50.75 million in FYE 2022 to RM65.06 million in FYE 2023. This was due to higher total volume of RBD palm olein oil products sold during FYE 2023, in tandem with the increase in our revenue from this product segment of 31.10% in FYE 2023; and

(b) increase in direct labour cost of RM0.16 million or 22.86%, from RM0.70 million in FYE 2022 to RM0.86 million in FYE 2023 due to salary adjustments for employees following higher minimum wages imposed by the Government.

Nevertheless, this was partly offset by a decrease in average purchase prices of non-subsidised RBD palm olein oil prices due to lower CPO prices in FYE 2023.

Cost of sales per kg of non-subsidised "Sawit Emas" cooking oil, non-subsidised "Vitamas" cooking oil, "Pingat Emas" lamp oil and non-subsidised unbranded cooking oil fell by 2.10%, 3.21%, 5.19% and 2.82% respectively, between FYE 2022 and FYE 2023.

Trading of third-party products

Our cost of sales for the trading of third-party products increased by RM0.03 million or 10.00%, from RM0.30 million in FYE 2022 to RM0.33 million in FYE 2023. This is due to an increase in orders from our customers and higher purchase prices of margarine in FYE 2023. We were able to pass on the incremental cost to customers partially in FYE 2023.

GP

Our total GP increased by RM4.00 million and our overall GP margin increased from 13.38% in FYE 2022 to 15.32% in FYE 2023. The increase in GP was contributed by the increase in the GP from the repackaging, marketing and distribution of RBD palm olein oil products. The increase in GP margins was contributed by higher GP margins from the repackaging, marketing and distribution of RBD palm olein oil products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our GP from RBD palm olein oil products increased by RM4.01 million or 50.57%, from RM7.93 million in FYE 2022 to RM11.94 million in FYE 2023. This was in tandem with the increase in our revenue from this product segment of 31.10% in FYE 2023.

Meanwhile, the GP margin for repackaging, marketing and distribution of RBD palm olein oil products increased from 13.36% in FYE 2022 to 15.33% in FYE 2023. This was due to:

(a) higher GP from non-subsidised "Sawit Emas" cooking oil of RM4.93 million and non-subsidised "Vitamas" cooking oil of RM0.30 million. This was due to the higher total volume of these products sold in FYE 2023; and

(b) higher average selling price for "Pingat Emas" lamp oil in FYE 2023 as the selling price of RBD palm olein lamp oil was gradually increased in FYE 2023 in response to the increase in purchase prices of RBD palm olein oil in FYE 2022, while average purchase prices of RBD palm olein oil was lower in FYE 2023.

The increase in GP margin was partly offset by a decrease in GP margins for subsidised RBD palm olein oil products from 19.71% in FYE 2022 to 16.14% in FYE 2023. This was because of:

(a) higher direct labour costs per kg from an average labour cost of RM0.046 kg in FYE 2022 to RM0.048 per kg in FYE 2023, due to higher minimum wages imposed by the Government in FYE 2023. As the selling price for subsidised RBD palm olein oil products have a ceiling price imposed by the Government, we could not pass on the increase in labour costs to our customers;

(b) increase in the cost of packaging materials at RM0.26 per kg in FYE 2023 as compared to RM0.24 kg in FYE 2022, and we absorbed the increased cost of packaging materials for subsidised RBD palm olein oil products as we were unable to increase the selling price due to the retail price is fixed by the Government; and

(c) lower price subsidies received under the MKHMM programme in FYE 2023.

Trading of third-party products

Our GP from the trading of third-party products decreased by RM0.01 million or 16.67%, from RM0.06 million in FYE 2022 to RM0.05 million in FYE 2023.

Our GP margin for the trading of third-party products also decreased from 16.25% in FYE 2022 to 12.17% in FYE 2023. This was due to higher purchase prices of third-party products, and the increase in cost was not fully passed on to our customers.

FYE 2024 compared to FYE 2023

Cost of sales

Our total cost of sales increased by RM0.60 million or 0.91%, from RM66.25 million in FYE 2023 to RM66.85 million in FYE 2024. This was due to the higher cost of sales from repackaging, marketing and distribution of RBD palm olein oil products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our cost of sales for RBD palm olein oil products increased by RM0.64 million or 0.97%, from RM65.92 million in FYE 2023 to RM66.56 million in FYE 2024. The increase was due to an increase in purchases of RM0.75 million or 1.15%, from RM65.39 million in FYE 2023 to RM66.14 million in FYE 2024. This was due to higher total volume of RBD palm olein oil products sold during FYE 2024, in tandem with the increase in our revenue from this product segment of 1.79% in FYE 2024.

This was offset by the following:

(i) a decrease in direct labour cost of RM0.15 million or 17.44%, from RM0.86 million in FYE 2023 to RM0.71 million in FYE 2024 due to recategorisation of some employees expenses from direct labour costs to administrative expenses in FYE 2024; and

(ii) a decrease in average purchase prices of non-subsidised RBD palm olein oil prices due to lower CPO prices in FYE 2024.

Cost of sales per kg of non-subsidised "Sawit Emas" cooking oil, non-subsidised "Vitamas" cooking oil, "Pingat Emas" lamp oil and non-subsidised unbranded cooking oil fell by 0.15%, 0.14%, 0.10% and 0.16% respectively, between FYE 2023 and FYE 2024.

Trading of third-party products

Our cost of sales for the trading of third-party products decreased by RM0.04 million or 12.12%, from RM0.33 million in FYE 2023 to RM0.29 million in FYE 2024. This was due to decrease in orders from our customers.

GP

Our total GP increased by RM0.74 million and our overall GP margin increased from 15.32% in FYE 2023 to 16.00% in FYE 2024. The increase in GP was contributed by the increase in the GP from the repackaging, marketing and distribution of RBD palm olein oil products. The increase in GP margins was contributed by higher GP margins from the repackaging, marketing and distribution of RBD palm olein oil products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our GP from RBD palm olein oil products increased by RM0.75 million or 6.28%, from RM11.94 million in FYE 2023 to RM12.69 million in FYE 2024. This was in tandem with the increase in our revenue from this product segment of 1.79% in FYE 2024.

Meanwhile, the GP margin for repackaging, marketing and distribution of RBD palm olein oil products increased from 15.33% in FYE 2023 to 16.01% in FYE 2024. This was due to:

(a) higher GP from non-subsidised "Sawit Emas" cooking oil of RM1.13 million and non-subsidised "Vitamas" cooking oil of RM0.24 million. This was due to the higher total volume of these products sold in FYE 2024; and

(b) higher GP margins for subsidised RBD palm olein oil products from 16.14% in FYE 2023 to 17.32% in FYE 2024. This was because of:

(i) lower direct labour costs per kg from an average labour cost of RM0.048 kg in FYE 2023 to RM0.036 per kg in FYE 2024, due to recategorisation of some employees expenses from direct labour costs to administrative expenses in FYE 2024; and

(ii) decrease in the cost of packaging materials at RM0.23 per kg in FYE 2024 as compared to RM0.26 per kg in FYE 2023 attributable to the lower market price for corrugated paper (which was used to produce the boxes to pack our products) in FYE 2023 driven by low demand and reduced orders globally.

Trading of third-party products

Our GP from the trading of third-party products decreased by RM0.01 million or 20.00%, from RM0.05 million in FYE 2023 to RM0.04 million in FYE 2024. Our GP margin for the trading of third-party products increased slightly from 12.17% in FYE 2023 to 12.20% in FYE 2024.

12.3.4 Other income

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Management fees (1)	-	-	-	-	110	16.54	-	-
Gain on disposal of property, plant and equipment (2)	395	60.40	96	25.88	176	26.47	679	58.79
Interest income (3)	105	16.06	85	22.91	186	27.97	297	25.71
Rental income (4)	132	20.18	138	37.20	120	18.04	100	8.66
Other (5)	22	3.36	52	14.01	73	10.98	79	6.84
Total	**654**	**100.00**	**371**	**100.00**	**665**	**100.00**	**1,155**	**100.00**

Notes:

(1) Management fees refer to fees charged by SCSM to Sik Cheong Management Sdn Bhd (now known as Thrive Properties) for providing finance and administrative services. Such service was terminated on 31 March 2023.

(2) Gain on disposal of plant and equipment relates mainly to the gain on disposal of motor vehicles during respective FYEs Under Review.

(3) Interest income comprised interest received from fixed deposit as well as money market instruments.

(4) Rental income mainly derived by SCEO from the rental of Factory No. 9 and a shop office, bearing the postal address of No. 31G, Jalan 6/10, Kg Tasek Tambahan, 68000 Ampang, Selangor, to third parties. Both properties were recorded as investment properties in our books. Factory No. 9 was reclassified to property, plant and equipment in FYE 2024 as our Group plans to use Factory No. 9 to accommodate future expansion of our repackaged RBD palm olein oil business and our intended new venture into the repackaging of high oleic soybean oil, which will require additional space.

In FYE 2023, additional rental from a shop office, bearing the postal address of No. 31-A, Jalan 6/10, Kg Tasek Tambahan, 68000 Ampang was recorded. The tenancy was terminated on 30 September 2023 and used as a hostel to house 1 Malaysian worker.

The abovementioned Factory No. 9 was rented out to a third party from 1 April 2020 until 31 December 2022. Our Group intends to rebuild Factory No. 9. Please refer to Section 4.8 of this Prospectus for further details on the utilisation of proceeds from our IPO.

(5) Others mainly comprised income received from scrap sales, credit card rebate, insurance refund from the disposed motor vehicles and weighbridge service charges to customers.

FYE 2022 compared to FYE 2021

Our other income decreased by RM0.28 million or 43.08% from RM0.65 million in FYE 2021 to RM0.37 million in FYE 2022 mainly due to a decrease in gain on disposal of property, plant and equipment of RM0.30 million. During FYE 2022, we disposed of 2 units of motor vehicles as compared to 8 units of motor vehicles and 2 units of machines in FYE 2021.

FYE 2023 compared to FYE 2022

Our other income increased by RM0.30 million or 81.08% from RM0.37 million in FYE 2022 to RM0.67 million in FYE 2023 mainly due to the following items:

(i) an increase in administrative fees of RM0.11 million charged to Thrive Properties for providing administrative support. Such service was terminated on 31 March 2023;

(ii) an increase in interest income of RM0.10 million, mainly due to higher interest received from money market instruments; and

(iii) an increase in gain on disposal of property, plant and equipment of RM0.08 million mainly for 3 units of motor vehicles disposed of in FYE 2023.

FYE 2024 compared to FYE 2023

Our other income increased by RM0.49 million or 73.13% from RM0.67 million in FYE 2023 to RM1.16 million in FYE 2024 mainly due to an increase in gain on disposal of property, plant and equipment of RM0.50 million. During FYE 2024, we disposed of 9 units of motor vehicles.

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12.3.5 Selling and distribution expenses

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Petrol, parking and toll	255	61.89	257	64.41	291	65.99	337	67.13
Upkeep of motor vehicle	157	38.11	142	35.59	150	34.01	165	32.87
Total	**412**	**100.00**	**399**	**100.00**	**441**	**100.00**	**502**	**100.00**

Selling and distribution expenses are incurred to deliver our products from our packaging facility to our customers' premises. Our selling and distribution expenses fluctuate in tandem with revenue as we deliver our products to our customers at their request.

12.3.6 Administrative expenses

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs (1)	1,054	32.41	1,449	39.30	1,897	45.22	2,881	52.96
Directors' remuneration	695	21.37	764	20.72	890	21.22	779	14.32
Depreciation and amortisation	708	21.77	833	22.60	817	19.48	897	16.49
Travelling and accommodation	170	5.23	145	3.93	144	3.43	139	2.55
Office expenses (2)	132	4.06	152	4.12	142	3.38	180	3.31
Marketing expenses (3)	144	4.43	107	2.90	100	2.38	144	2.65
Upkeep and maintenance (4)	143	4.40	149	4.04	93	2.22	207	3.80
Professional fee (5)	31	0.95	43	1.17	76	1.81	170	3.13
Rental expenses (6)	122	3.75	-	-	-	-	3	0.05
Other (7)	53	1.63	45	1.22	36	0.86	40	0.74
Total	**3,252**	**100.00**	**3,687**	**100.00**	**4,195**	**100.00**	**5,440**	**100.00**

Notes:

(1) Staff costs comprised staff salaries, wages, bonuses, employee contributions, and other staff related expenses such as staff welfare, medical fees and training expenses.

(2) Office expenses comprised mainly license fees, utilities for office and packaging facility, printing, courier and stationery.

(3) Marketing expenses comprised entertainment expenses, gifts to customers and commission to sales agent.

(4) Upkeep and maintenance comprised mainly maintenance expenses for packaging facility, office, plant and machinery, tools and equipment as well as office equipment.

(5) Professional fees comprised mainly fees incurred for audit, company secretarial, legal and tax.

(6) Rental expenses relate to short-term leases of less than 12 months on our rented office and 1 unit of rented air cooler.

(7) Others refer to expenses mainly incurred for service tax and charges, bank charges and bad debts written off.

FYE 2022 compared to FYE 2021

Administrative expenses increased by RM0.44 million or 13.54%, from RM3.25 million in FYE 2021 to RM3.69 million in FYE 2022 mainly attributable to:

(i) increase in staff costs of RM0.40 million, mainly due to higher salaries from salary adjustment to existing staff and higher bonus payout; and

(ii) increase in depreciation of RM0.12 million, due to higher depreciation of right-of-use assets from the rental obligation for Factory No. 11.

The increase in administrative expenses was offset by a decrease in rental expenses of RM0.12 million following a two-year tenancy agreement entered for Factory No. 11 which was classified as right-of-use assets in FYE 2022.

FYE 2023 compared to FYE 2022

Administrative expenses increased by RM0.51 million or 13.82%, from RM3.69 million in FYE 2022 to RM4.20 million in FYE 2023 attributable to:

(i) increase in staff costs of RM0.45 million, mainly due to higher salaries from salary adjustment to existing staff and higher bonus payout; and

(ii) increase in directors' remuneration of RM0.13 million, mainly due to higher bonus payout to executive directors in line with growth in revenue.

The increase in administrative expenses was offset by a decrease in upkeep and maintenance of RM0.06 million in FYE 2023. In FYE 2022, we refurbished our goods hoist lift (also commonly known as cargo lift) at Factory No. 11 but the same was not done in FYE 2023.

FYE 2024 compared to FYE 2023

Administrative expenses increased by RM1.24 million or 29.52%, from RM4.20 million in FYE 2023 to RM5.44 million in FYE 2024 mainly attributable to:

(i) increase in staff costs of RM0.98 million, mainly due to salaries for increased headcount during the year and recategorisation of some employees expenses from direct labour costs to administrative expenses in FYE 2024; and

(ii) increase in upkeep and maintenance of RM0.12 million, mainly due to regular maintenance for our packaging facility, and plant and machinery during the year.

12.3.7 Finance costs

	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
Bank overdraft	*	-	-	-	-	-	-	-
Lease liabilities	5	100.00	15	100.00	9	100.00	6	100.00
Total	**5**	**100.00**	**15**	**100.00**	**9**	**100.00**	**6**	**100.00**

Note:
* Negligible.

FYE 2022 compared to FYE 2021

Our total finance costs increased by RM9.681.98 or 185.47% from RM5,220.10 in FYE 2021 to RM14,902.08 in FYE 2022, attributable to the increase in interest expense on lease liabilities of the rented office at Factory No. 11.

FYE 2023 compared to FYE 2022

Our total finance costs decreased by RM5,845.94 or 39.23% from RM14,902.08 in FYE 2022 to RM9,056.14 in FYE 2023, attributable to the decrease in interest expense on lease liabilities of rented office as the tenancy for Factory No. 11 was closer to expiry towards the end of FYE 2023.

FYE 2024 compared to FYE 2023

Our total finance costs decreased by RM3,067.66 or 33.87% from RM9,056.14 in FYE 2023 to RM5,988.48 in FYE 2024, attributable to the decrease in interest expense on the lease liabilities of rented office for Factory No. 11 as the transfer of ownership of Factory No. 11 was completed on 1 December 2023. Hence, it attributed to the decrease in interest expenses on the lease liabilities in FYE 2024.

12.3.8 Profits and income tax expenses

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
PBT (RM'000)	2,417	4,261	8,005	7,938
PBT margin (%)	5.68	7.13	10.23	9.97
PAT (RM'000)	1,852	3,262	6,029	6,329
PAT margin (%)	4.35	5.46	7.71	7.95
Income tax expense (RM'000)	565	999	1,976	1,609
Effective tax rate (%)	23.38	23.45	24.68	20.27
Statutory tax rate (%)	24.00	24.00	24.00	24.00

FYE 2022 compared to FYE 2021

We recorded an increase in PBT of RM1.84 million or 76.03% from RM2.42 million in FYE 2021 to RM4.26 million in FYE 2022 and our PBT margin increased from 5.68% in FYE 2021 to 7.13% in FYE 2022, which was in line with higher GP and GP margin in FYE 2022 as compared to FYE 2021, despite a decrease in other income and an increase in administrative expenses.

The effective tax rate of 23.45% for FYE 2022 was lower than the statutory tax rate of 24.00%, mainly due to overprovision of current tax in prior years and income not subject to tax, collectively amounting to RM0.15 million. The lower tax expenses were offset by non-deductible expenses amounting to RM0.12 million such as depreciation for non-qualifying expenditure (i.e. investment properties).

Due to the foregoing, our PAT increased by RM1.41 million or 76.22% from RM1.85 million in FYE 2021 to RM3.26 million in FYE 2022, while PAT margin increased from 4.35% in FYE 2021 to 5.46% in FYE 2022.

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FYE 2023 compared to FYE 2022

We recorded an increase in PBT of RM3.75 million or 88.03% from RM4.26 million in FYE 2022 to RM8.01 million in FYE 2023 and our PBT margin increased from 7.13% in FYE 2022 to 10.23% in FYE 2023, which was in line with higher GP and GP margin in FYE 2023 as compared to FYE 2022 as well as increase in other income, which was partially offset by an increase in selling and distribution costs and administrative expenses.

The effective tax rate of 24.68% for FYE 2023 was higher than the statutory tax rate of 24.00%, mainly due to adding back of non-deductible expenses amounting to RM0.14 million (such as depreciation for non-qualifying expenditure).

Due to the foregoing, our PAT increased by RM2.77 million or 84.97% from RM3.26 million in FYE 2022 to RM6.03 million in FYE 2023, while PAT margin increased from 5.46% in FYE 2022 to 7.71% in FYE 2023.

FYE 2024 compared to FYE 2023

We recorded a decrease in PBT of RM0.07 million or 0.87% from RM8.01 million in FYE 2023 to RM7.94 million in FYE 2024 and our PBT margin decreased from 10.23% in FYE 2023 to 9.97% in FYE 2024, attributable to an increase in selling and distribution costs and administrative expenses in FYE 2024.

The effective tax rate of 20.27% for FYE 2024 was lower than the statutory tax rate of 24.00%, mainly due to overprovision of taxation in prior years of RM0.11 million and non-taxable income of RM0.15 million mainly arising from gain on disposal of property, plant and equipment.

Due to the foregoing, our PAT increased by RM0.30 million or 4.98% from RM6.03 million in FYE 2023 to RM6.33 million in FYE 2024, while PAT margin increased from 7.71% in FYE 2023 to 7.95% in FYE 2024 due to lower effective tax rate in FYE 2024.

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12. FINANCIAL INFORMATION (CONT'D)

12.4 REVIEW OF FINANCIAL POSITION

12.4.1 Assets

	Audited			
	As at 31 March			
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,366	1,768	1,759	14,330
Rights-of-use assets	474	312	161	132
Investment properties	1,849	1,817	1,840	203
Total non-current assets	4,689	3,897	3,760	14,665
Current assets				
Inventories	914	1,611	1,029	1,206
Trade receivables	4,384	4,947	4,931	6,055
Other receivables	1,117	3,254	1,763	2,955
Tax recoverable	88	22	80	101
Fixed deposits with licensed bank	1,283	1,300	1,325	41
Cash and bank balances	5,550	6,790	11,658	6,800
Total current assets	**13,336**	**17,924**	**20,786**	**17,158**
TOTAL ASSETS	**18,025**	**21,821**	**24,546**	**31,823**

31 March 2022 compared to 31 March 2021

Total assets increased by RM3.79 million or 21.02% from RM18.03 million as at 31 March 2021 to RM21.82 million as at 31 March 2022, due to the increase in current assets of RM4.58 million and this was offset by the decrease in non-current assets of RM0.79 million as at 31 March 2022.

Non-current assets

Non-current assets decreased by RM0.79 million or 16.84%, mainly attributable to depreciation of investment properties, depreciation of property, plant and equipment of RM0.67 million collectively and amortisation of right-of use assets of RM0.16 million for FYE 2022.

Current assets

Current assets increased by RM4.58 million or 34.33% mainly attributable to:

(i) increase in inventories of RM0.70 million as we made more purchases of packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;

(ii) increase in trade receivables of RM0.57 million in line with the increase in revenue recorded in FYE 2022 and more invoices issued during the last quarter of FYE 2022 amounting to RM17.60 million (FYE 2021: RM12.88 million);

(iii) increase in other receivables of RM2.13 million mainly due to the subsidies owing by COSS and MKHMM; and

(iv) increase in cash and bank balances of RM1.24 million resulting from the increase in revenue and collection from our trade receivables during FYE 2022.

<u>31 March 2023 compared to 31 March 2022</u>

Total assets increased by RM2.73 million or 12.51% from RM21.82 million as at 31 March 2022 to RM24.55 million as at 31 March 2023, due to the increase in current assets of RM2.87 million and this was offset by the decrease in non-current assets of RM0.14 million as at 31 March 2023.

Non-current assets

Non-current assets decreased by RM0.14 million or 3.59%, mainly attributable to decrease in right-of-use asset from the amortisation of right-of use assets of RM0.16 million incurred for FYE 2023.

Current assets

Current assets increased by RM2.87 million or 16.02% mainly attributable to the increase in cash and bank balances of RM4.87 million resulting from the further increase in revenue and improved collection from our trade receivables during FYE 2023. Our average trade receivables turnover period for FYE 2023 was 23 days (FYE 2022: 29 days).

The increase in current assets was offset by the following items:

(i) decrease in inventories of RM0.58 million, mainly the lower inventories of the packing materials and RBD palm olein oil due to higher revenue recorded towards the second half of the financial year and our revenue increased by 30.97% in FYE 2023; and

(ii) decrease in other receivables of RM1.49 million following partial collection of subsidies from COSS and MKHMM of RM1.41 million.

<u>31 March 2024 compared to 31 March 2023</u>

Total assets increased by RM7.27 million or 29.61% from RM24.55 million as at 31 March 2023 to RM31.82 million as at 31 March 2024, due to the increase in non-current assets of RM10.90 million and this was offset by the decrease in current assets of RM3.63 million as at 31 March 2024.

Non-current assets

Non-current assets increased by RM10.90 million or 289.89%, mainly attributable to increase in property, plant and equipment of RM12.57 million, attributable to additions of property, plant and equipment of RM11.72 million (mainly comprising Factory No. 11 of RM10.94 million and 2 units of motor vehicles of RM0.29 million) and reclassifications of 2 investment properties to property, plant and equipment of RM2.09 million. The increase in property, plant and equipment was partly offset by the depreciation charged during the year.

During FYE 2024, we reclassified the following properties from investment properties to property, plant and equipment:

(a) 1 unit of shop office (bearing the postal address of No. 31-A, Jalan 6/10, Kg Tasek Tambahan, 68000 Ampang, Selangor Darul Ehsan) which was previously rented out to a third party. Currently, the above property is used as a hostel to house 1 Malaysian worker; and

(b) Factory No. 9 was previously rented out to a third party until 31 December 2022 as our Group intends to use Factory No. 9 to accommodate future expansion of our repackaged RBD palm olein oil business and our intended new venture into the repackaging of high oleic soybean oil, which will require additional space.

Current assets

Current assets decreased by RM3.63 million or 17.46% mainly attributable to the decrease in cash and bank balances of RM4.86 million for part payment of the purchase price of the Factory No. 11 and withdrawal of fixed deposit with licensed banks of RM1.29 million to fund our Group's working capital.

The decrease in current assets was offset by the following items:

(i) increase in trade receivables of RM1.13 million. This was because some of our customers took longer time to process payment to us. Our average trade receivables turnover period for FYE 2024 was 25 days (FYE 2023: 23 days); and

(ii) increase in other receivables of RM1.20 million, due to prepayment for professional fees in relation to our Listing.

12.4.2 Liabilities

	Audited			
	As at 31 March			
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Lease liabilities	319	156	28	79
Deferred tax liabilities	172	191	187	244
Total non-current liabilities	491	347	215	323
Current liabilities				
Trade payables	317	881	294	785
Other payables	307	449	540	4,055
Dividend payable	-	-	3,000	-
Lease liabilities	157	163	139	56
Provision for taxation	40	26	394	311
Total current liabilities	821	1,519	4,367	5,207
TOTAL LIABILITIES	**1,312**	**1,866**	**4,582**	**5,530**

31 March 2022 compared to 31 March 2021

Total liabilities increased by RM0.56 million or 42.75% from RM1.31 million as at 31 March 2021 to RM1.87 million as at 31 March 2022, attributable to the increase in current liabilities of RM0.70 million and this was offset by the decrease in non-current liabilities of RM0.14 million.

Non-current liabilities

Non-current liabilities decreased by RM0.14 million or 28.57% mainly due to the decrease in non-current portion of lease liabilities of RM0.16 million resulting from repayments made during FYE 2022. The lease liabilities are in respect of rental obligation for lamp oil labelling line, Factory No. 11 and hostel to house SCEO's workers.

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Current liabilities

Current liabilities increased by RM0.70 million or 85.37% mainly due to the following:

(i) increase in trade payables of RM0.56 million, as we made more purchase for packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023; and

(ii) increase in other payables of RM0.14 million, mainly due to higher accruals for staff salaries in FYE 2022.

31 March 2023 compared to 31 March 2022

Total liabilities increased by RM2.71 million or 144.92% from RM1.87 million as at 31 March 2022 to RM4.58 million as at 31 March 2023, attributable to the increase in current liabilities of RM2.84 million and this was offset by the decrease in non-current liabilities of RM0.13 million.

Non-current liabilities

Non-current liabilities decreased by RM0.13 million or 37.14% mainly due to the decrease in non-current portion of lease liabilities of RM0.13 million resulting from repayments made during FYE 2023. The lease liabilities are in respect of rental obligation for lamp oil labelling line, Factory No. 11 and hostel to house SCEO's workers.

Current liabilities

Current liabilities increased by RM2.84 million or 187.50% mainly due to the following:

(i) dividend payable of RM3.00 million, being the dividend declared in respect of FYE 2023; and

(ii) increase in provision for taxation of RM0.36 million as we recorded a higher PBT during FYE 2023.

The increase in current liabilities was offset by the decrease in trade payables of RM0.59 million as we paid our suppliers faster which reduced our trade payable turnover days from 4 days to 3 days in FYE 2023.

31 March 2024 compared to 31 March 2023

Total liabilities increased by RM0.95 million or 20.74% from RM4.58 million as at 31 March 2023 to RM5.53 million as at 31 March 2024, attributable to the increase in current liabilities of RM0.84 million and increase in non-current liabilities of RM0.10 million.

Non-current liabilities

Non-current liabilities increased by RM0.11 million or 52.38% mainly due to the increase in non-current portion of lease liabilities of RM0.05 million, mainly resulting from the extended lease terms in the existing leases.

Current liabilities

Current liabilities increased by RM0.84 million or 19.22% mainly due to the following:

(i) increase in other payables of RM3.52 million, mainly due to amount owing to Directors of RM3.45 million, being outstanding balance owing by our Group for the acquisition of Factory No. 11. Such outstanding balance was fully settled on 16 May 2024; and

(ii) increase in trade payables of RM0.50 million, as we made more purchases for packing materials and RBD palm olein oil towards the last quarter of FYE 2024 to cater for future sales orders in FYE 2025.

The increase in current liabilities was offset by the payment of dividend payables of RM3.00 million in FYE 2024.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working capital

Our business has been financed from a combination of internal and external sources comprising existing cash and bank balance (including fixed deposits with licensed bank), credit terms granted by our suppliers and cash generated from our operations.

Based on our audited combined statement of financial position as at 31 March 2024, our Group has cash and bank balances (including fixed deposits with licensed bank) of RM6.84 million. As at 31 March 2024, our Group's gearing ratio was nil and current ratio was 3.30 times.

As at the LPD, our Group recorded cash and bank balances (including fixed deposits with licensed bank) of approximately RM3.61 million.

Our Directors are of the opinion that we will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus after taking into consideration the following:

(i) our cash and bank balance (including fixed deposits with licensed bank);

(ii) cash generated from our operations; and

(iii) proceeds expected to be raised from our Public Issue.

12.5.2 Cash flow

The following is a summary of our combined statements of cash flows for the FYEs Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			
	FYE 2021	**FYE 2022**	**FYE 2023**	**FYE 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	1,793	1,294	8,419	4,241
Net cash (used in)/ from investing activities	(1,110)	141	(347)	(7,241)
Net cash used in financing activities	(3,225)	(195)	(3,204)	(1,817)
Net (decrease)/ increase in cash and cash equivalents	(2,542)	1,240	4,868	(4,817)
Cash and cash equivalents at beginning of financial year	8,092	5,550	6,790	11,658
Cash and cash equivalents at end of financial year	5,550	6,790	11,658	6,841

<u>FYE 2021</u>

Net cash from operating activities

For FYE 2021, we recorded net operating cash inflow of RM1.79 million after taking into consideration our operating profit of RM2.65 million and the following working capital changes:

(i) increase in inventories of RM0.13 million as we made more purchases towards the last quarter of FYE 2021 to cater for future sales orders in FYE 2022;

(ii) increase in trade receivables of RM0.72 million in line with the increase in revenue recorded in FYE 2021;

(iii) decrease in other receivables of RM0.30 million after collection of subsidies from COSS and MKHMM in FYE 2021;

(iv) decrease in trade payables of RM0.08 million as we made more payments to our suppliers; and

(v) income tax paid of RM0.34 million.

Net cash used in investing activities

For FYE 2021, our net cash outflow for investing activities was RM1.11 million, mainly attributable to cash payment of RM1.74 million to purchase property, plant and equipment, mainly for 6 units of motor vehicles of RM1.37 million.

The abovementioned cash outflow was partially offset by:

(i) interest received of RM0.11 million from fixed deposit as well as money market instruments; and

(ii) proceeds from the disposal of 8 units of motor vehicles and 2 units of machines in FYE 2021 for RM0.53 million.

Net cash used in financing activities

For FYE 2021, our net cash outflow for financing activities was RM3.23 million, mainly due to the following:

(i) dividend paid of RM3.00 million in respect of FYE 2021; and

(ii) repayment to Directors of RM0.16 million for the advances to our Group for working capital purposes.

FYE 2022

Net cash from operating activities

For FYE 2022, we recorded net operating cash inflow of RM1.29 million after taking into consideration our operating profit of RM4.94 million and the following working capital changes:

(i) increase in inventories of RM0.70 million as we made more purchases towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;

(ii) increase in trade receivables of RM0.58 million in line with the increase in revenue recorded in FYE 2022 and more invoices issued during the last quarter of FYE 2022 amounting to RM17.60 million (FYE 2021: RM12.88 million);

(iii) increase in other receivables of RM2.14 million mainly due to the subsidies owing by COSS and MKHMM;

(iv) increase in trade payables of RM0.56 million as we made more purchases for packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;

(v) increase in other payables of RM0.14 million, mainly due to higher accruals for staff salaries in FYE 2022; and

(vi) income tax paid of RM0.93 million.

Net cash from investing activities

For FYE 2022, our net cash inflow from investing activities was RM0.14 million, mainly attributable to the following items:

(i) interest received of RM0.09 million from fixed deposit as well as money market instruments; and

(ii) proceeds from the disposal of 2 units of motor vehicles in FYE 2022 for RM0.10 million.

The abovementioned cash inflow was offset by cash payment of RM0.04 million to purchase property, plant and equipment.

Net cash used in financing activities

For FYE 2022, our net cash outflow for financing activities was RM0.20 million, mainly due to repayment made for lease liabilities of RM0.16 million which was in relation to the rental obligation for rented lamp oil labelling line, Factory No. 11 and hostel.

FYE 2023

Net cash from operating activities

For FYE 2023, we recorded net operating cash inflow of RM8.42 million after taking into consideration our operating profit of RM8.48 million and the following working capital changes:

(i) decrease in inventories of RM0.58 million, mainly the lower inventories of the packing materials and RBD palm olein oil in line with the higher sales volume in FYE 2023;

(ii) decrease in other receivables of RM1.52 million after collection of subsidies from COSS and MKHMM;

(iii) decrease in trade payables of RM0.59 million as we had paid our suppliers in a shorter time period which reduced our trade payable turnover days from 4 days to 3 days in FYE 2023; and

(vi) income tax paid of RM1.67 million.

Net cash used in investing activities

For FYE 2023, our net cash outflow from investing activities was RM0.35 million, mainly attributable to the cash payment of RM0.68 million to purchase of property, plant and equipment, mainly for 3 units of motor vehicles of RM0.42 million.

The abovementioned cash outflow was offset by the following items:

(i) interest received of RM0.19 million from fixed deposit as well as money market instruments; and

(ii) proceeds from the disposal of 4 units of motor vehicles in FYE 2023 for RM0.18 million.

Net cash used in financing activities

For FYE 2023, our net cash outflow for financing activities was RM3.20 million, mainly due to the following:

(i) dividend paid of RM3.02 million in respect of FYE 2023; and

(ii) repayment made for lease liabilities of RM0.16 million which was in relation to the rental obligation for rented lamp oil labelling line, Factory No. 11 and hostel.

FYE 2024

Net cash from operating activities

For FYE 2024, we recorded net operating cash inflow of RM4.24 million after taking into consideration our operating profit of RM7.87 million and the following working capital changes:

(i) increase in inventories of RM0.18 million as we made more purchases of packing materials and RBD palm olein oil towards the last quarter of FYE 2024 to cater for future sales orders;

(ii) increase in trade receivables of RM1.12 million. This was because some of our customers took longer time to process payment to us;

(iii) increase in other receivables of RM1.22 million, mainly due to prepayment for professional fee for our Listing;

(iv) increase in trade payables of RM0.49 million, as we made more purchase for packing materials and RBD palm olein oil towards the last quarter of FYE 2024 to cater for future sales orders in FYE 2025;

(v) income tax paid of RM1.96 million; and

(vi) income tax refund of RM0.30 million.

Net cash used in investing activities

For FYE 2024, our net cash outflow for investing activities was RM7.24 million, mainly attributable to cash payments of RM8.27 million for additions of property, plant and equipment of RM11.72 million (mainly comprising Factory No. 11 of RM10.94 million and 2 units of motor vehicles of RM0.29 million). Our Group had on 22 September 2023 entered into a sale and purchase agreement with our Directors to acquire Factory No. 11 for a purchase consideration of RM10.50 million of which RM7.05 million has been paid during the FYE 2024.

The abovementioned cash outflow was partly offset by the proceeds from the disposal of 9 units of motor vehicles in FYE 2024 for RM0.70 million and interest received of RM0.30 million from fixed deposit as well as money market.

Net cash used in financing activities

For FYE 2024, our net cash outflow for financing activities was RM1.82 million, mainly due to the following:

(i) dividend paid of RM3.00 million in respect of FYE 2023; and

(ii) repayment of lease liabilities of RM0.14 million.

The abovementioned cash outflow was offset by the withdrawal of fixed deposit with licensed banks of RM1.33 million.

12.5.3 Borrowings

As at 31 March 2024, our Group did not have any outstanding bank borrowings which are interest bearing and denominated in RM.

As at the LPD, we do not have any borrowings which are interest bearing, non-interest bearing and/or in foreign currency. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to any borrowings for the FYEs Under Review and up to the LPD.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investment holders of our securities.

12.5.4 Types of financial instruments used, treasury policies and objectives

As at LPD, save as disclosed in Section 12.5.3 above, we do not have or use any other financial instruments or have any other treasury policies.

Our Group has been funding our operations from a combination of internal and external sources comprising existing cash and bank balance (including fixed deposits with licensed bank), credit terms granted by our suppliers and cash generated from our operations. The normal credit term granted by our suppliers from cash term up to 30 days.

As at the LPD, our Group does not have any borrowings from financial institutions.

The main objective of our capital management is to ensure that entities within our Group will be able to maintain an optimal capital structure to support our businesses and maximise shareholders value. To achieve this objective, our Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new Shares.

12.5.5 Material capital commitment, investments and divestitures

(i) Material capital commitment

Our Board confirms that there are no material capital commitments incurred or known to be incurred by our Group as at the LPD.

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(ii) Investments and divestitures

Our Group's capital investments for the FYEs Under Review and up to the LPD are as follows:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024	1 April 2024 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
At cost:					
Motor vehicles	(1)1,543	-	(4)419	(7)286	-
Plant and machinery	(2)59	-	(5)98	(8)97	-
Tool and equipment	(3)86	4	6	39	-
Renovation and signboards	13	12	(6)118	(9)85	3
Factory No. 11	-	-	-	10,944	-
Furniture and fitting	-	8	8	(9)194	-
Office equipment	43	3	4	(9)59	1
Computers	-	17	26	18	-
Factory No. 9	-	-	-	-	104
Total	**1,744**	**44**	**679**	**11,722**	**108**

Notes:

(1) Purchased 4 units of delivery trucks and 4 units of passenger cars for business purposes.

(2) Purchased 1 unit of conveyor for jerry can, 1 unit of labelling machine and 1 unit of printer for the packaging lines.

(3) Purchased 1 unit of electric-powered forklift.

(4) Purchased 3 units of delivery trucks.

(5) Mainly purchased 1 unit of filler machine and 2 units of printers for the packaging lines.

(6) Renovation works for first floor of Factory No. 11.

(7) Purchased 2 units of delivery trucks.

(8) Purchased air cooler system, tanks and exhaust fan.

(9) Renovation works, furniture and fittings as well as office equipment for first floor of Factory No. 11.

The investments set out above were financed by our Group's internally generated funds.

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Our Group's capital divestitures for the FYEs Under Review and up to the LPD are as follows:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024	1 April 2024 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
At cost:					
Motor vehicles	(1)1,090	(3)226	(4)359	(5)2,055	-
Plant and machinery	(2)144	-	-	30	-
Tools and equipment	-	-	9	-	-
Total	**1,234**	**226**	**368**	**2,085**	-

Notes:
(1) Disposal of 3 units of delivery trucks and 5 units of passenger cars.

(2) Disposal of 1 unit of seal machine and 1 unit of air compressor machine.

(3) Disposal of 1 units of passenger car and 1 unit of motorcycle.

(4) Disposal of 3 units of delivery trucks and 1 unit of passenger car.

(5) Disposal of 6 units of passenger cars, 2 units of delivery trucks and 1 unit of motorcycle.

12.5.6 Material litigation, claims or arbitration and contingent liabilities

(i) Material litigation, claims or arbitration

As at the LPD, our Group is not engaged in any material litigation, claims and/or arbitration, whether as plaintiff or defendant, which might and adversely affect our business or financial position, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect our business or financial position, in the 12 months immediately preceding the date of this Prospectus.

(ii) Contingent liabilities

As at the LPD, our Directors confirm that there are no contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our Group's business, financial results and financial position.

12.6 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the FYEs Under Review are as follows:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Trade receivables turnover period (days) (1)	34	29	23	25
Trade payables turnover period (days) (2)	3	4	3	2
Inventories turnover (days) (3)	8	9	7	6
Current ratio (times) (4)	16.24	11.80	4.76	3.30
Gearing ratio (times) (5)	-	-	-	-

Notes:

(1) Computed based on average of opening and closing trade receivables as at the respective financial year end divided by total revenue for the respective financial year end and multiplied by 365 days for each financial year:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Opening trade receivables (RM'000)	3,559	4,384	4,947	4,931
Closing trade receivables (RM'000)	4,384	4,947	4,931	6,055
Average trade receivables (RM'000)	3,972	4,666	4,939	5,493
Revenue (RM'000)	42,574	59,742	78,236	79,583
Trade receivables turnover period (days)	34	29	23	25

(2) Computed based on average of opening and closing trade payables as at the respective financial year end divided by total cost of sales for the respective financial year end and multiplied by 365 days for each financial year:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Opening trade payables (RM'000)	289	317	881	294
Closing trade payables (RM'000)	317	881	294	785
Average trade payables (RM'000)	303	599	588	540
Cost of sales (RM'000)	37,142	51,751	66,251	66,852
Trade payables turnover period (days) (6)	3	4	3	2

(3) Computed based on the average inventories as at the respective financial year end divided by purchases for the respective financial year end and multiplied by 365 days for each financial year:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Opening inventories (RM'000)	780	914	1,611	1,029
Closing inventories (RM'000)	914	1,611	1,029	1,206
Average inventories (RM'000)	847	1,263	1,320	1,118
Purchases (RM'000)	36,381	51,045	65,394	66,142

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Inventories turnover period (days)	8	9	7	6

(4) Computed based on current assets over current liabilities as at the respective financial year end.

(5) Computed based on the total borrowings over total equity as at the respective financial year end.

(6) Our trade payables turnover period was shorter than our trade receivables turnover period. We are of the view that this does not affect the sufficiency of our working capital as our working capital requirements were financed by our cash and bank balances during the FYEs Under Review.

The purchases for the past FYEs Under Review were made using internally generated funds. Cash from operating activities generate sufficient positive cash flow to maintain and support working capital as well as the growth of our operations.

Premised on the above, there is sufficient working capital for our operations.

12.6.1 Trade receivables

Our Group's trade receivable ageing analysis as at 31 March 2024 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade receivables as at 31 March 2024 (RM'000)	4,410	1,390	168	23	64	**6,055**
Proportion of total trade receivables (%)	72.83	22.96	2.77	0.38	1.06	100.00
Subsequent collections up to the LPD (RM'000)	(4,366)	(1,376)	(168)	(23)	(30)	(5,963)
Trade receivables after subsequent collections (RM'000)	44	14	-	-	34	92
Proportion of trade receivables after subsequent collections (%)	47.83	15.22	-	-	36.95	100.00

All our Group's trade receivables are classified as current assets. The normal credit terms granted by our Group is 30 days from the date of invoice. Our Group managed the credit risk through credit limit and credit monitoring procedures.

Our credit terms to customers are assessed and approved on an individual customer basis taking into consideration various factors such as relationship with the customer, payment history and customer's creditworthiness.

We use ageing analysis to monitor the credit quality of our trade receivables. In addition, our management assesses our trade receivables individually as to their aging condition and collectability. Among the factors considered in determining whether to provide for impairment losses include, subsequent collections, any past provisions and/or impairments made and/or letter(s) of demand issued as well as the current industry and economic conditions. Our management may take necessary actions which include entering into negotiations with the customers to recover any amounts that are long outstanding or in dispute.

Our trade receivables turnover periods for FYE 2021, FYE 2022, FYE 2023 and FYE 2024 were 34 days, 29 days, 23 days and 25 days, respectively.

Our Group's trade receivables turnover period stood at 34 days in FYE 2021, mainly due to our Group's customers taking longer time to make payments during the COVID-19 pandemic period.

Our Group's trade receivables turnover period decreased to 29 days in FYE 2022 and 23 days in FYE 2023, due to our Group's efforts to follow up closely on collections and better collections from our customers. Our Group undertakes various measures but not limited to closely following up with customers by sending monthly debtors' statement and payment reminders to the customers to accelerate incoming collections.

Our trade receivables turnover periods for FYE 2023 and FYE 2024 were 23 days and 25 days, respectively which were within our credit period. Our Group continued to undertake various measures including following up with customers by sending monthly debtors' statement and payment reminders to them.

Meanwhile, our bad debts written off were not significant, amounted to approximately RM7,000, approximately RM14,000 and approximately RM5,000 in FYE 2021, FYE 2022 and FYE 2023, respectively. For the FYE 2024, we had no bad debts written off. There was no provision for impairment required for the remaining trade receivables during the FYEs Under Review.

As at the LPD, RM5.96 million or 98.48% of our Group's total trade receivables outstanding as at 31 March 2024 have been collected. As at the LPD, the outstanding trade receivables that are more than 90 days of RM0.03 million are from 2 trade receivables where our customers are paying progressively. Our management is of view that the abovementioned outstanding trade receivables are recoverable.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis, and when appropriate, provides for specific / individual impairment of these trade receivables. Our management is of the view that the trade receivables are recoverable, there is no provision for impairment required after taking into consideration our Group's relationship with our customers as well as efforts made to improve collection with various credit control measures to reduce the potential exposure on credit risk.

12.6.2 Trade payables

Our Group's trade payables ageing analysis as at 31 March 2024 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade payables as at 31 March 2024 (RM'000)	776	9	-			785
Proportion of total trade payables (%)	98.85	1.15	-	-	-	100.00
Subsequent payment up to the LPD (RM'000)	(776)	(9)	-	-	-	(785)
Net trade payables after subsequent payment as at LPD (RM'000)	-	-	-	-	-	-
Proportion of trade payables after subsequent payment as at LPD (%)	-	-	-	-	-	-

All our Group's trade payables are classified as current liabilities. The normal credit terms granted by suppliers is 30 days from the date of the purchase invoice. However, some suppliers of RBD palm olein oil may require us to make payment prior to taking delivery of RBD palm olein oil while others require us to make payment within a week from the date we receive the RBD palm olein oil.

Our trade payables turnover period for FYE 2021, FYE 2022, FYE 2023 and FYE 2024 of 3 days, 4 days, 3 days and 2 days, respectively were within the credit period granted by our suppliers.

As at the LPD, all of our total trade payables outstanding as at 31 March 2024 have been paid.

During the FYEs Under Review up to the LPD, we did not have any disputes in respect of our trade payables and there were no legal proceedings to demand payment that had been initiated by our suppliers against us.

12.6.3 Inventories turnover

Our inventories mainly consist of RBD palm olein oil, packaging materials (such as polybags, bottles, tin cans and jerry cans) for repackaging, marketing and distribution of RBD palm olein oil products segment; and third-party products for trading (under trading of third-party products segment).

Our Group practices first-in-first-out basis in computing the cost of inventories. The costs of inventories include invoiced value of goods purchased and expenditure incurred for acquiring inventories.

Our inventory turnover days vary year to year according to the sales anticipation and market price of RBD palm olein oil.

The inventory turnover days increased from 8 days for FYE 2021 to 9 days for FYE 2022, decreased to 7 days for FYE 2023 and subsequently decreased to 6 days for FYE 2024, mainly due to our practice of not keeping inventories for more than 7 days. Additionally, our Group enters into short term sales contracts (of 1 to 3 months) with suppliers to purchase the RBD palm olein oil in predetermined price and quantity.

For RBD palm olein oil, our procurement department will review our inventory level and arrange for delivery of RBD palm olein oil on a daily basis. For packing materials, our procurement department conducts a monthly internal meeting to, among others, review our inventory level and inventory ageing.

Approval is required from our Directors / senior management for procurement of inventories and any impairment on slow moving inventories. During FYEs Under Review, there was no impairment on slow moving inventories.

12.6.4 Current ratio

The table below sets forth a summary of our Group's current ratio for the FYEs Under Review:

	As at 31 March			
	2021	**2022**	**2023**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	13,336	17,924	20,786	17,158
Current liabilities	821	1,519	4,367	5,207
Net current assets	12,515	16,405	16,419	11,951
Current ratio (times) (1)	16.24	11.80	4.76	3.30

Note:
(1) Current ratio is calculated based on current assets over current liabilities.

As at 31 March 2022, our Group's current ratio was 11.80 times, which was lower compared to 16.24 times as at 31 March 2021, mainly due to higher trade and other payables as at 31 March 2022 of collectively RM1.33 million as compared to RM0.62 million as at 31 March 2021.

As at 31 March 2023, our Group's current ratio was 4.76 times, which was lower compared to 11.80 times as at 31 March 2022, mainly due to payment of outstanding amount of RM3.00 million in relation to the dividend declared in respect of FYE 2023 on 17 July 2023.

As at 31 March 2024, our Group's current ratio was 3.30 times, which was lower compared to 4.76 times as at 31 March 2023, mainly due to amount owing to our Directors of RM3.45 million, being the outstanding balance owing by our Group for the acquisition of Factory No. 11 from our Directors. Such outstanding balance was fully settled on 16 May 2024.

Overall, our current ratio was more than 1 time (i.e. our current assets were in excess of our current liabilities) during the FYEs Under Review. This indicates that our Group is able to meet our current obligations – our current assets such as inventories and trade receivables, which can be readily converted to cash, together with our cash and bank balance (including fixed deposits with licensed bank) are sufficient to meet immediate current liabilities.

12.6.5 Gearing ratio

During the FYEs Under Review, our Group does not have any outstanding bank borrowings which were interest-bearing. Hence, our gearing ratio for FYEs Under Review was nil.

We excluded lease liabilities as part of the borrowings. This was because our lease liabilities represented the financial obligation to pay rentals on our rented premises.

For illustrative purposes, assuming the lease liabilities as borrowings and the gearing ratio for the FYEs Under Review would be as follows:

		As at 31 March			
		2021	**2022**	**2023**	**2024**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Lease liabilities	[A]	476	319	167	135
Total equity	[B]	16,713	19,955	19,964	26,293
Gearing ratio (times)	[A] / [B]	0.03	0.02	0.01	0.01

12.7 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the material accounting policies of our Group, see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus. The Accountants' Report does not contain any audit qualification for the FYEs Under Review.

12.8 TREND ANALYSIS

As at LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, unusual or infrequent events or transactions, uncertainties or any significant economic changes that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in Sections 7.2 to 7.4, 7.16, 9 and 12.3 to 12.6 of this Prospectus;

(ii) material commitment for capital expenditure, as set out in Section 12.5.5 of this Prospectus;

(iii) known trends, demands, commitments or events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 9 and 12.3 to 12.6 of this Prospectus; and

(iv) known events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources as set out in Sections 7.16, 9 and 12.3 to 12.6 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the RBD palm olein oil market in Malaysia as set out in Section 8 of this Prospectus, our competitive strengths as set out in Section 7.5 of this Prospectus and our business strategies and future plans as set out in Section 7.22 of this Prospectus.

12.9 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our products based on purchase orders received.

12.10 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Our Group's business operations and financial conditions have been and will continue to be affected by internal and external factors including, but not limited to, the following:

(i) We may be adversely affected if we are unable to source RBD palm olein oil in sufficient quantities and/or at acceptable prices

We source RBD palm olein oil from 4 suppliers in Malaysia. Accordingly, the availability of RBD palm olein oil required for our business at commercially acceptable prices are critical to our ability to maintain our GP margins and to deliver products promptly and reliably to our customers. If we are unable to obtain the volume of RBD palm olein oil required for our operations in sufficient quantities or at prices commercially acceptable to us, our business operations and financial performance may be adversely affected.

Please refer to the risk factor in Section 9.1.1 of this Prospectus for further details.

(ii) We may face disruptions in our packaging facility and business operations

We have 14 packaging lines to repackage our products in various packaging sizes and types, including polybags, jerry cans, tin cans, bottles and IBCs. This being the case, we depend on the continued operation of our packaging lines. Our packaging lines may be susceptible to unanticipated breakdowns or damages. To minimise such risks, our Group has scheduled regular maintenance for our packaging lines prior to operational usage on a daily basis, and conducts calibration on our packaging lines on an annual basis.

Please refer to the risk factor in Section 9.1.2 of this Prospectus for further details.

(iii) Our business operations and financial performance may be adversely affected should there be a failure in renewing our licences

Our RBD palm olein oil repackaging, marketing and distribution business is subject to the Control of Supplies Regulations 1961 and Malaysian Palm Oil Board (Licensing) Regulations 2005. As at the LPD, we have obtained the necessary licences to carry out our business operations, which details are set out in Section 7.18 of this Prospectus.

However, our business operations could be disrupted should we fail to renew these permits and licences in a timely manner. If there are changes in the aforementioned regulations which result in stricter compliance requirements, our business operations may need to incur additional operating costs to put in place the necessary processes to comply with the new standards/ requirements.

In the event such additional costs cannot be passed on to our customers, we will have to absorb the additional costs incurred, which in turn, would adversely impact the profitability of our business.

Please refer to the risk factor in Section 9.1.3 of this Prospectus for further details.

(iv) Our financial performance may be impacted should we lose our registration status under COSS or should our allocated quota under COSS be reduced while the COSS is still on-going

As at the LPD, our Group has obtained a quota to supply up to 700 MT of subsidised RBD palm olein cooking oil per month under COSS. Although there is no expiry period stated for the COSS and we are able to sell the RBD palm olein cooking oil products under COSS for as long as the COSS is implemented, there is no assurance that KPDN, who is the authority responsible for approving our registration status and allocated quota, would not cancel or revoke this registration status or reduce our allocated quota under COSS.

The quota granted to our Group may be cancelled, revoked or reduced by KPDN at any time without any reason. Although our Group has not had our registration status under COSS revoked since we were registered under COSS in 2007 or had our current allocated quota under COSS reduced since 2016, there is no assurance that this may not occur in the future.

Please refer to the risk factor in Section 9.1.4 of this Prospectus for further details.

(v) We depend on our ability to secure new contracts and customers

We do not enter into long-term contracts with our customers due to the potential volatility of CPO and RBD palm olein oil prices. The maximum contract period that we have with our customers is for 6 months during the FYEs Under Review.

The absence of long-term contracts poses a risk of losing our existing customers, which would impact our financial performance. As such, we are dependent on our ability to secure new contracts with our existing customers, as well as secure new customers.

Please refer to the risk factor in Section 9.1.5 of this Prospectus for further details.

(vi) We are dependent on our key management for the continuing success of our Group

The continuing success of our business is dependent on the leadership abilities and the experiences of our key management personnel, namely Wong Hing Ngiap (Managing Director), Wong Hin Loong (Executive Director), Choo Wai Yeen (Chief Operating Officer), Dee Bee Lian (Chief Financial Officer) as well as Woi Chee Keong (Factory Manager).

The loss of services from any of our key management personnel without any suitable or prompt replacement may cause an adverse effect on our business operations and financial performance.

Please refer to the risk factor in Section 9.1.6 of this Prospectus for further details.

(vii) We are presently dependent on a single product, RBD palm olein oil

We are primarily involved in the repackaging, marketing and distribution of RBD palm olein oil. If we are unable to expand our product range to include high oleic soybean oil (as stated in Section 7.22(i) of this Prospectus) to reduce reliance on RBD palm olein oil products, we will continue to be dependent on RBD palm olein oil products as a single product for our Group. Therefore, our financial performance is dependent upon the continued demand for RBD palm olein oil, and any challenges and/or decline faced in the RBD palm olein oil industry may adversely impact our Group's business operations and financial performance. If other types of cooking oil are priced lower and the demand for RBD palm olein cooking oil is reduced because of the changes in consumer preferences, or increased popularity of other types of edible oil as substitutes, this may adversely affect our financial performance.

Please refer to the risk factor in Section 9.1.7 of this Prospectus for further details.

(viii) We may not be able to successfully execute our business strategies and future plans

Our Group plans to expand our product range to include high oleic soybean oil as well as grow our sales to other states in Malaysia.

The future growth of our Group and the successful development of our future business strategies are dependent on, amongst others, the timely and cost-effective for the rebuilding of Factory No. 9, the ability of our key management personnel together with our business development and marketing department to expand our customer reach in Perak, Negeri Sembilan, Melaka and Pahang, our ability to venture into the repackaging, marketing and distribution of high oleic soybean oil business and our ability to market our products to potential and existing customers. There can be no assurance that we will be able to successfully implement our business strategies and future plans.

Please refer to the risk factor in Section 9.1.8 of this Prospectus for further details.

(ix) We are exposed to volatility in prices and availability of materials and supplies

We are susceptible to the risk of price fluctuation of RBD palm olein oil products, which is dependent on prices of the raw material, i.e. CPO. As CPO is a major commodity, its pricing is volatile and dependent on global supply and demand factors, including but not limited to, weather conditions such as flooding or dry spells, global economic conditions, inflationary pressure, and new policies or regulations. If there is a significant increase in the cost of raw materials, our GP margins and financial conditions may be adversely affected.

Please refer to the risk factor in Section 9.2.1 of this Prospectus for further details.

(x) We may face competition from other players involved in the repackaging, marketing and distribution of RBD palm olein oil products

Our Group competes with industry players involved in the repackaging, marketing and distribution of RBD palm olein oil products. They may compete with us in terms of branding, pricing and ability to deliver in a timely manner.

Some of our competitors may have longer operating history, better financial capability, stronger marketing abilities (which may lead to stronger brand recognition) and larger customer base. As a result, customers may be more inclined to purchase the product of our competitors. While we compete based on the quality of our products and good track record, there is no assurance that we will be able to compete effectively with existing or new competitors in the future.

Please refer to the risk factor in Section 9.2.2 of this Prospectus for further details.

(xi) Impact of inflation

Our financial performance for the FYEs Under Review was not materially affected by the impact of inflation. However, there can be no assurance that future inflation will not have an impact on our business and financial performance.

(xii) Impact of interest rates

For the FYEs Under Review, our financial performance was not affected by the fluctuations of interest rates. Hence, there is no sensitivity analysis on our PAT to changes in interest rates. Please refer to Note 26(b)(iii) in the Accountants' Report set out in Section 13 of this Prospectus.

(xiii) Impact of Government, economic, fiscal and monetary policies

Our Group's business is subject to the risks relating to Government, economic, fiscal or monetary policies. Any unfavourable changes in the Government's policies, changes in the economic conditions or fiscal or monetary policies may materially affect our operations in Malaysia. Further details are set out in Section 9.2.3 of this Prospectus.

During the FYEs Under Review, we have not experienced any adverse political, regulatory or economic developments that have had a direct impact on our business operations, financial performance and prospects of our Group save for the impact of the COVID-19 pandemic as disclosed in Section 7.16 of this Prospectus.

12.11 SIGNIFICANT CHANGES

There are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2024 and up to the LPD.

12.12 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy. However, it is our Board's intention to recommend dividends to allow our shareholders to participate in the profits of our Group. Our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

Save for compliance with the solvency requirement under the Act, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) the level of cash and level of indebtedness;

(ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(iii) our expected results of operations and future level of operations; and

(iv) our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive).

There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Our Board may from time to time approve or recommend a dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) our Company is, or would after the payment, be unable to pay our liabilities as they become due; or

(ii) the realisable value of our Company's assets would thereby be less than our liabilities.

Dividends declared and paid by our subsidiaries, during FYEs Under Review were as follows:

	Audited			
	FYE 2021	**FYE 2022**	**FYE 2023**	**FYE 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends declared and paid	3,000 [(1)]	20 [(2)]	6,020 [(3)]	-

Notes:

(1) RM3.00 million was declared by SCEO on 4 September 2020 and paid on 7 September 2020.

(2) RM20,000 was declared by SCSM on 20 April 2021 and paid on 28 April 2021.

(3) RM6.02 million was declared in 3 tranches:

(i) RM20,000 was declared by SCSM on 20 April 2022 and paid on 26 April 2022;
(ii) RM3.0 million was declared by SCEO on 27 October 2022 and paid on 15 November 2022; and
(iii) RM3.0 million was declared by SCEO on 9 March 2023 and paid on 17 July 2023.

The dividends paid are funded via internally generated funds.

Subsequent to the FYE 2024 and up to the LPD, no dividend has been declared, made or paid by our Group to our shareholders. Our Company does not intend to declare any dividend prior to our Listing.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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