

6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR COMPANY

Our Company was incorporated in Malaysia under the Companies Act 1965 on 10 August 2004 as a private company limited by shares under the name of Detik Merdu Sdn Bhd and is deemed registered under the Act. On 7 January 2021, we changed our name to MKH Global Plantation Sdn Bhd. Subsequently, on 1 October 2021, we further changed our name to MKH Oil Palm (East Kalimantan) Sdn Bhd. On 11 August 2022, our Company was converted into a public company limited by shares and assumed our present name.

Our Company's principal activities are investment holding and management services. Through our subsidiaries, we are principally involved in the cultivation of oil palm and production and sale of CPO and PK. The principal activities of our subsidiaries are set out in Section 6.4.

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

As at LPD, our issued share capital is RM250.82 million comprising 803,590,845 Shares. The movements in our share capital since the date of our incorporation are set out below:

(a) Ordinary shares

Date of allotment	No. of Shares allotted	Consideration/ Type of issue	Cumulative share capital	
			RM	No. of Shares
10 August 2004	2	RM2/ Subscriber's shares	2	2
16 August 2006	99,998	RM99,998/ Cash	100,000	100,000
28 September 2018	26,561,050	RM26,561,050/ Otherwise than cash	26,661,050	26,661,050
28 September 2018	38,950	RM38,950/ Cash	26,700,000	26,700,000
23 September 2019	4,685	RM4,685/ Cash	26,704,685	26,704,685
23 September 2019	35,963,315	RM35,963,315/ Otherwise than cash	62,668,000	62,668,000
30 June 2021	47,800,000	Nil/ Redemption and conversion of 478,000 RCPS by way of a fresh issue	110,468,000	110,468,000
26 September 2023	-	(RM30,000,000)/ Capital reduction	80,468,000	110,468,000
29 November 2023	552,340,000	Nil/ Share Split	80,468,000	662,808,000
20 December 2023	44,227,859	RM53,515,709/ Allotment of shares pursuant to the Acquisition of PT MKH	133,983,709	707,035,859

6. INFORMATION ON OUR GROUP (Cont'd)

Date of allotment	No. of Shares allotted	Consideration/ Type of issue	Cumulative share capital	
			RM	No. of Shares
20 December 2023	23,028,035	RM27,863,922/ Allotment of shares pursuant to the Acquisition of PT SPS	161,847,631	730,063,894
11 January 2024	52,463,315	RM63,480,612/ Allotment of shares pursuant to the Capitalisation ⁽¹⁾	225,328,243	782,527,209
11 January 2024	21,063,636	RM25,487,000/ Allotment of shares pursuant to the Capitalisation ⁽²⁾	250,815,243	803,590,845

Notes:

- (1) The Shares were allotted by way of capitalising the entire amount owing by our Company to Metro Kajang (Oversea) of RM63,480,612 pursuant to the Capitalisation. Please refer to Section 6.2.4 for further details of the Capitalisation.
- (2) The Shares were allotted by way of capitalising RM25,487,000, being part of the amount owing by our Company to MKH Plantation of RM55,487,000 pursuant to the Capitalisation. Please refer to Section 6.2.4 for further details of the Capitalisation.

(b) RCPS

Date of allotment	No. of RCPS allotted/ (redeemed)	Consideration/ Type of issue	Cumulative share capital
			RM
27 May 2011	420,000	RM42,000,000/ Cash	42,000,000
1 July 2013	58,000	RM5,800,000/ Cash	47,800,000
30 June 2021	(478,000)	Nil/ Redemption and conversion of RCPS	-

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

Upon completion of our IPO, our enlarged share capital will increase to RM387.22 million comprising 1,023,590,845 Shares.

6. INFORMATION ON OUR GROUP (Cont'd)

6.2 PRE-IPO REORGANISATION

In preparation for our Listing, we have undertaken the Pre-IPO Reorganisation comprising the Share Split, Acquisition of PT MKH, Acquisition of PT SPS and Capitalisation.

Details of the Pre-IPO Reorganisation undertaken by our Group are as follows:

6.2.1 Share Split

Our Company had on 29 November 2023 undertaken a subdivision of every 1 existing MKHOP Share into 6 new MKHOP Shares.

Upon completion of the Share Split, the resultant number of MKHOP Shares in the issued share capital of our Company is as follows:

	<u>No. of MKHOP Shares</u>	<u>Issued share capital</u>
		RM
Existing	110,468,000	80,468,000
Issued under the Share Split	552,340,000	-
	662,808,000	80,468,000

The Share Split had not resulted in any change to our Company's cumulative value of issued share capital.

6.2.2 Acquisition of PT MKH

On 29 March 2023, our Company entered into a conditional share sale agreement with Metro Kajang (Oversea) and PT Hikmat to acquire a total of 27,634 ordinary shares in PT MKH representing 5.7% equity interest for a total purchase consideration of RM53.5 million which was satisfied via the issuance of 44,227,859 new MKHOP Shares (after the Share Split) to the vendors at an issue price of RM1.21 each ("PT MKH SSA").

Details of the vendors and the number of MKHOP Shares issued to the vendors are set out below:

<u>Vendor of PT MKH</u>	Shareholdings in PT MKH		<u>Purchase consideration</u>	<u>No. of MKHOP Shares issued</u>
	<u>No. of shares acquired</u>	<u>% of share capital</u>		
			RM	
Metro Kajang (Oversea)	3,248	0.7	6,290,410	5,198,686
PT Hikmat	24,386	5.0	47,225,299	39,029,173
	27,634	5.7	53,515,709	44,227,859

The purchase consideration for the Acquisition of PT MKH of RM53.5 million was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration the revalued NA of PT MKH (as detailed below) as it more accurately represents the carrying value of PT MKH's plantation assets after taking into consideration their market value. The issue price of RM1.21 per MKHOP Share is based on the revalued NA per share of MKHOP after accounting for the aforementioned revaluation, with a discount of approximately 10.8%.

	RM
Audited NA of PT MKH as at 30 September 2022	279,716,825
Add: Net revaluation surplus ⁽¹⁾	664,789,159
Revalued NA of PT MKH	944,505,984

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

(1) The net revaluation surplus was arrived at as follows:

	RM
Market value of PT MKH's oil palm plantation, palm oil mill and CPO bulking station with jetty as at 21 December 2022 based on the valuation reports	1,097,830,000
Less: NBV of PT MKH's oil palm plantation, palm oil mill and CPO bulking station with jetty as at 30 September 2022	245,536,206
Less: Deferred tax liabilities (at 22.0%)	187,504,635
Net revaluation surplus	664,789,159

The Acquisition of PT MKH was completed on 20 December 2023 and PT MKH became our wholly-owned subsidiary. Further, pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, PT MKH is required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT MKH, where its number of shareholders reduces below 2. As such, upon completion of the Acquisition of PT MKH and before the implementation of the IPO, MKHOP has transferred 1 ordinary share it owns in PT MKH to Hala Maju. Hala Maju remains as the shareholder of the 1 ordinary share in PT MKH to comply with Paragraph 1 of Article 7 the Indonesian Company Law.

6.2.3 Acquisition of PT SPS

On 29 March 2023, our Company entered into a conditional share sale agreement with MKH Plantation, Ivakijaya and PT Hikmat to acquire a total of 9,300 ordinary shares in PT SPS representing the entire equity interest for a total purchase consideration of RM27.9 million which was satisfied via the issuance of 23,028,035 new MKHOP Shares (after the Share Split) to the vendors at an issue price of RM1.21 each ("**PT SPS SSA**"). The issue price of RM1.21 per MKHOP Share was arrived at on the same basis as that of the Acquisition of PT MKH.

Details of the vendors and the number of MKHOP Shares issued to the vendors are set out below:

Vendor of PT SPS	Shareholdings in PT SPS		Purchase consideration	No. of MKHOP Shares issued
	No. of shares acquired	% of share capital		
			RM	
MKH Plantation	6,975	75.0	20,897,942	17,271,026
Ivakijaya	1,860	20.0	5,572,784	4,605,607
PT Hikmat	465	5.0	1,393,196	1,151,402
	9,300	100.0	27,863,922	23,028,035

6. INFORMATION ON OUR GROUP (Cont'd)

The purchase consideration for the Acquisition of PT SPS of RM27.9 million was arrived at on a "willing-buyer willing-seller" basis and after taking into consideration the revalued NA of PT SPS (as detailed below) as it more accurately represents the carrying value of PT SPS' plantation assets after taking into consideration their market value. The issue price of RM1.21 per MKHOP Share is based on the revalued NA per share of MKHOP after accounting for the aforementioned revaluation, with a discount of approximately 10.8%.

	RM
Audited net liabilities of PT SPS as at 30 September 2022 ⁽¹⁾	(9,668,871)
Add: Net revaluation surplus ⁽²⁾	37,532,793
Revalued NA of PT SPS	27,863,922

Notes:

(1) Notwithstanding the net liabilities position of PT SPS, our Board is of the view that the plantation assets of PT SPS, which are located adjacent to the plantation land owned by PT MKH, forms part of the entire plantation operations of our Group in East Kalimantan, Indonesia, and will continue to generate returns to our Group after our Listing.

(2) The net revaluation surplus was arrived at as follows:

	RM
Market value of PT SPS' oil palm plantation as at 21 December 2022 based on the valuation report	104,450,000
Less: NBV of PT SPS' oil palm plantation as at 30 September 2022	56,331,034
Less: Deferred tax liabilities (at 22.0%)	10,586,173
Net revaluation surplus	37,532,793

The Acquisition of PT SPS was completed on 20 December 2023 and PT SPS became a wholly-owned subsidiary of our Company. Further, pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, PT SPS is required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT SPS, where its number of shareholders reduces below 2. As such, upon completion of the Acquisition of PT SPS and before the implementation of the IPO, MKHOP has transferred 1 ordinary share it owns in PT SPS to Hala Maju. Hala Maju remains as the shareholder of the 1 ordinary share in PT SPS to comply with Paragraph 1 of Article 7 of the Indonesian Company Law.

6.2.4 Capitalisation

We have undertaken the Capitalisation whereby:

- (a) PT MKH novated an amount owing to Metro Kajang (Oversea) of RM54,966,141 to our Company ("**PT MKH Debt Novation**");
- (b) PT SPS novated an amount owing to MKH Plantation of RM55,487,000 to our Company ("**PT SPS Debt Novation**");
- (c) Our Company capitalised the entire amount owing by our Company to Metro Kajang (Oversea) of RM8,514,471 as at 30 September 2022;
- (d) Our Company capitalised the entire amount owing by our Company to Metro Kajang (Oversea) pursuant to PT MKH Debt Novation, being RM54,966,141 as at 30 September 2022; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (e) Our Company capitalised RM25,487,000, being part of the entire amount owing by our Company to MKH Plantation pursuant to PT SPS Debt Novation, i.e. RM55,487,000 as at 30 September 2022.

Details of the number of MKHOP Shares issued to Metro Kajang (Oversea) and MKH Plantation, based on the issue price of RM1.21 per MKHOP Share, pursuant to the Capitalisation are set out below:

	Amount owing as at 30 September 2022	Amount capitalised	No. of MKHOP Shares issued	Balance amount owing
	RM	RM		RM
Metro Kajang (Oversea)	63,480,612	63,480,612	52,463,315	-
MKH Plantation	55,487,000	25,487,000	21,063,636	30,000,000
	118,967,612	88,967,612	73,526,951	30,000,000

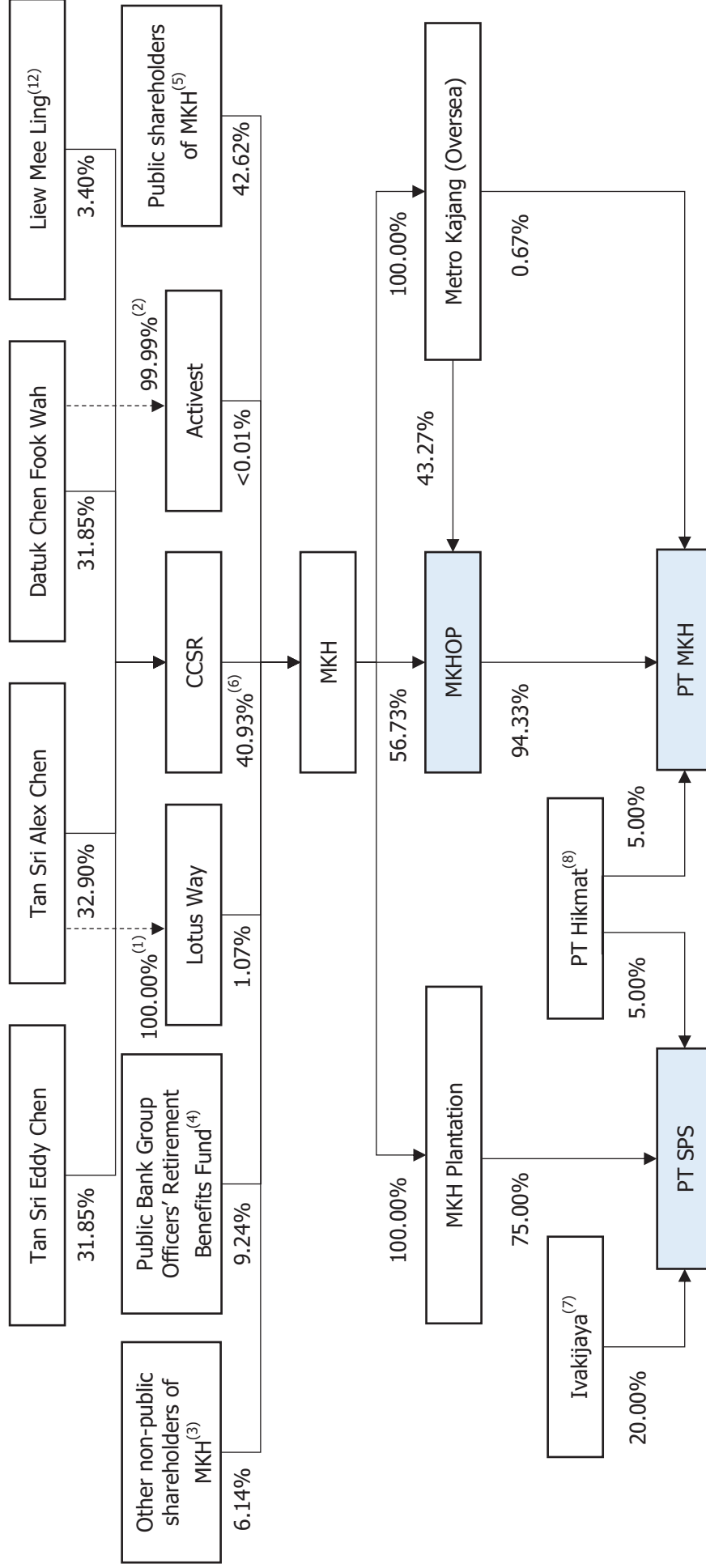
The balance amount owing by our Company to MKH Plantation after the Capitalisation of RM30.0 million will be repaid by our Company from the proceeds to be raised from our Public Issue as disclosed in Section 4.9.1(g).

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6. INFORMATION ON OUR GROUP (Cont'd)

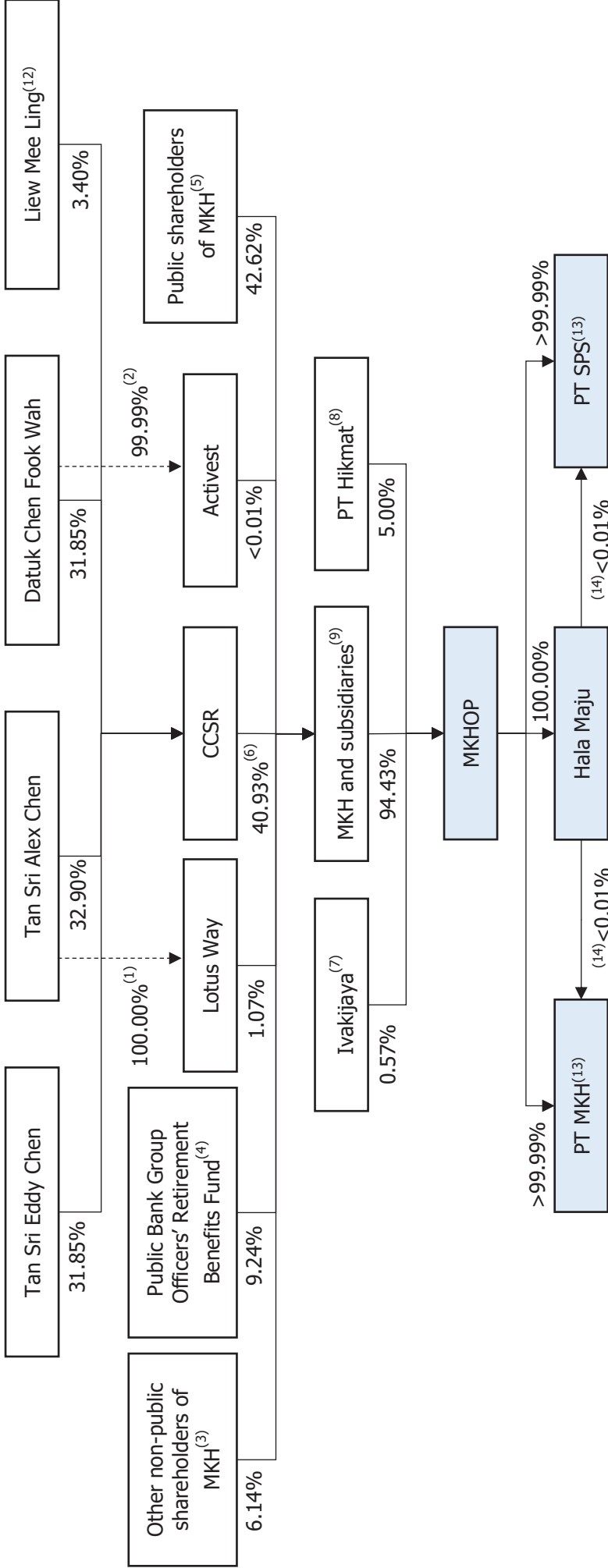
6.3 GROUP STRUCTURE

Before the Pre-IPO Reorganisation



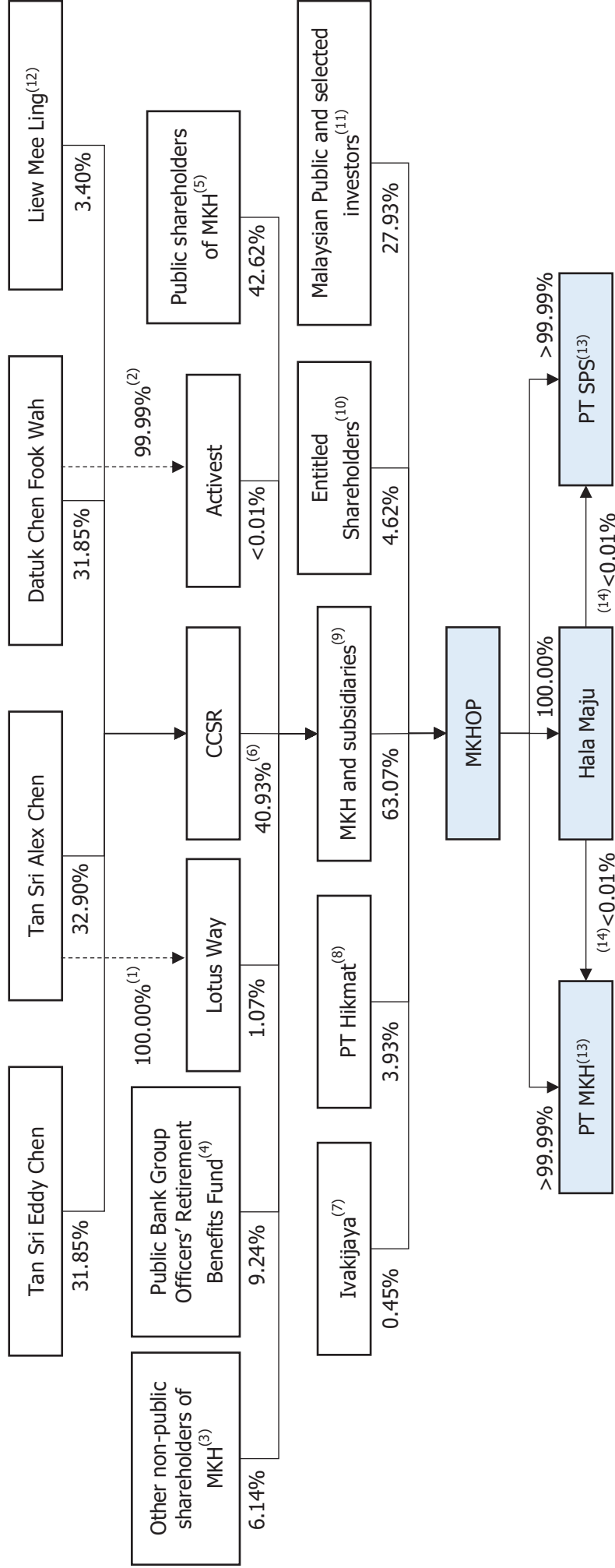
6. INFORMATION ON OUR GROUP (Cont'd)

After the Pre-IPO Reorganisation but before the Distribution and our IPO



6. INFORMATION ON OUR GROUP (Cont'd)

After the Distribution and our IPO



6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) As at LPD, Lotus Way is wholly-owned by Tan Sri Dato' Alex Chen (L) Foundation and the ultimate beneficial owner of Lotus Way is Tan Sri Alex Chen, holding the entire equity interest in Tan Sri Dato' Alex Chen (L) Foundation.
- (2) As at LPD, the ultimate beneficial owner of Activest is Datuk Chen Fook Wah, holding approximately 99.99% equity interest in Activest. The remaining equity interest (< 0.01%) in Activest is held by Chen Wei Serrn, son of Datuk Chen Fook Wah.
- (3) Other non-public shareholders of MKH collectively holding 6.14% equity interest in MKH which include the following:
 - (i) Tan Sri Alex Chen's direct equity interest in MKH (0.05%) and AllianceGroup Nominees (Tempatan) Sdn Bhd for Tan Sri Alex Chen (1.84%);
 - (ii) Tan Sri Eddy Chen's direct equity interest in MKH (1.84%) and AllianceGroup Nominees (Tempatan) Sdn Bhd for Liberty Alliance (M) Sdn Bhd (1.54%). The direct substantial shareholder of Liberty Alliance (M) Sdn Bhd is Tan Sri Eddy Chen (99.99%) where the remaining shareholders are Puan Sri Datin Tan Sou Yee (<0.01%), spouse of Tan Sri Eddy Chen, Chen Wei Jia (<0.01%), Chen Yunn Li (<0.01%) and Chen Yunn Shin (<0.01%), all 3 of them are daughters of Tan Sri Eddy Chen;
 - (iii) Datuk Chen Fook Wah's direct equity interest (0.03%) and indirect equity interest held through RHB Nominees (Tempatan) Sdn Bhd (0.11%) in MKH;
 - (iv) Direct equity interests in MKH of Directors of MKH's subsidiaries companies (0.73%); and
 - (v) Other shareholders holding less than 100 ordinary shares in MKH (<0.01%).
- (4) Public Bank Group Officers' Retirement Benefits Fund holds 9.24% equity interest in MKH through its interests in Public Investment Nominees (Tempatan) Sdn Bhd. The ultimate beneficiaries of the fund are the eligible employees of the Public Bank Berhad group of companies.
- (5) As at LPD, being the latest date of the Record of Depositors of MKH, MKH has 6,215 shareholders, of which 5,566 shareholders collectively holding approximately 42.62% equity interest in MKH are public shareholders. Other than CCSR and Public Bank Group Officers' Retirement Benefits Fund, there is no other direct substantial shareholder of MKH.

6. INFORMATION ON OUR GROUP (Cont'd)

- (6) Including CCSR's direct equity interest in MKH (9.85%) and equity interests collectively held by nominee companies (31.08%) namely, HLB Nominees (Tempatan) Sdn Bhd, RHB Capital Nominees (Tempatan) Sdn Bhd, AllianceGroup Nominees (Tempatan) Sdn Bhd, UOBM Nominees (Tempatan) Sdn Bhd, Kenanga Nominees (Tempatan) Sdn Bhd and Amsec Nominees (Tempatan) Sdn Bhd (AmBank (M) Berhad). The ultimate beneficial owners of CCSR are Tan Sri Alex Chen, Tan Sri Eddy Chen and Datuk Chen Fook Wah, collectively holding 96.60% equity interest in CCSR.
- (7) As at LPD, the shareholders of Ivakijaya are Ong Khek Gee (50.00%) and Shamsol Anuar bin Rohani @ Rosani (50.00%). Ong Khek Ghee is the Commissioner of PT SPS and his responsibilities as a member of the Board of Commissioner in PT SPS include, amongst others, examining PT SPS' books and records, providing recommendations and receiving explanations to/from the board of directors of PT SPS, and approving the board of directors of PT SPS to obtain, assign, sell or transfer assets of PT SPS. Save for their equity interests in our Company through Ivakijaya after completion of the Acquisition of PT SPS as well as the role of Ong Khek Ghee as the Commissioner of PT SPS, both Ong Khek Ghee and Shamsol Anuar bin Rohani @ Rosani do not hold any role in our Group.
- (8) As at LPD, the shareholders of PT Hikmat are Taufik Nugraha (50.00%) and Indria Gunawan Leman (50.00%).
- (9) The equity interest of 63.07% in our Company is held by MKH (28.68%) and its wholly-owned subsidiaries, namely Metro Kajang (Oversea) (30.65%) and MKH Plantation (3.74%).
- (10) Entitled Shareholder(s) that participate in the Distribution excluding public shareholders of MKH.
- (11) Including Entitled Shareholder(s) which are public shareholders of MKH that will collectively hold 3.44% equity interest in the Company after the Distribution.
- (12) Liew Mee Ling does not hold any role in our Group and is not a person connected to our Directors and/or substantial shareholders. Hence, she is not deemed interested in our Group as at LPD and after our Listing.
- (13) Pursuant to Paragraph 5 of Article 7 of the Indonesian Company Law, both PT MKH and PT SPS are required to have a minimum of 2 shareholders within 6 months upon completion of the Acquisition of PT MKH and Acquisition of PT SPS respectively, where the number of shareholders in both PT MKH and PT SPS reduces below 2. As such, upon completion of the Acquisition of PT MKH and Acquisition of PT SPS and before the implementation of our IPO, MKHOP has transferred 1 ordinary share it owns in both PT MKH and PT SPS to Hala Maju. Hala Maju remains as the shareholder of the 1 ordinary share in both PT MKH and PT SPS to comply with Paragraph 1 of Article 7 of the Indonesian Company Law. Please refer to Sections 6.2.2 and 6.2.3 for further details on the Acquisition of PT MKH and Acquisition of PT SPS.
- (14) Represents 1 ordinary share in each PT MKH and PT SPS held by Hala Maju.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4 SUBSIDIARIES

Details of our subsidiaries as at LPD are summarised as follows:

Company/ Registration number	Date/ Place of incorporation	Principal place of business	Issued share capital IDR / RM	Effective equity interest %	Principal activities
PT MKH/ 8120014280519	9 September 2005/ Indonesia	Indonesia	IDR243,860,000,000	100.00	Oil palm plantation, crude oil palm industry and CPKO industry
PT SPS/ 8120019071063	20 October 2004/ Indonesia	Indonesia	IDR9,300,000,000	100.00	Oil palm plantation
Hala Maju/ 202301043241 (1537157-X)	1 November Malaysia	2023/ Malaysia	RM1	100.00	Activities of holding companies

Details of the share capital of our subsidiaries are set out in Section 16.2.

As at LPD, we do not have any associated company.

6.4.1 PT MKH

PT MKH was incorporated in Republic of Indonesia on 9 September 2005 as a private limited company based on Deed No. 52 dated 9 September 2005, made before Achmad Dahlan, Sarjana Hukum ("S.H."); Notary in Samarinda, Indonesia which has been approved by the Minister of Law and Human Rights ("MOLHR") by virtue of Decree of the MOLHR No. C-29498HT.01.01.TH.2005 dated 25 October 2005. PT MKH was established under the name of PT Khaleda Agroprima Malindo and subsequently assumed its present name on 9 November 2015. PT MKH is principally involved in oil palm plantation, crude oil palm industry and CPKO industry.

As at LPD, PT MKH is our wholly-owned subsidiary and PT MKH does not have any subsidiary or associated company.

Please refer to Section 16.2.1 for share capital of PT MKH as at LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2 PT SPS

PT SPS was incorporated in Republic of Indonesia on 20 October 2004 as a private limited company based on Deed No. 205 dated 20 October 2004, made before Achmad Dahlan, S.H., Notary in Samarinda, Indonesia which has been approved by the MOLHR by virtue of Decree of the MOLHR No. C-08391HT.01.01.TH.2005 dated 30 March 2005. PT SPS is principally involved in oil palm plantation.

As at LPD, PT SPS is our wholly-owned subsidiary and PT SPS does not have any subsidiary or associated company.

Please refer to Section 16.2.2 for share capital of PT SPS as at LPD.

6.4.3 Hala Maju

Hala Maju was incorporated in Malaysia on 1 November 2023 as a private company limited by shares under the Act. Hala Maju is principally involved in the activities of holding companies.

As at LPD, Hala Maju is our wholly-owned subsidiary and Hala Maju does not have any subsidiary or associated company.

Please refer to Section 16.2.3 for share capital of Hala Maju as at LPD.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.5 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts in the ordinary course of business) entered into by our Group for FYE 2020 to 2023 and up to LPD:

(a) Land/Building Lease Agreement

This agreement was entered into on 8 January 2021 between PT MKH and PT Profesional Telekomunikasi Indonesia ("**Protelindo**"), under which PT MKH leases a part of a plot of land under a HGU measuring approximately 270 sq m located at Jalan Seguntung Estate, Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province and access right to such part of the plot of land ("**Leased Premise**") to Protelindo. The Leased Premise will be used by Protelindo to build and operate telecommunication towers, supporting foundations including facilities and other related equipment for use by telecommunication companies ("**Tower User**"), and Protelindo is granted with an exclusive right over the Leased Premise and is fully entitled to utilize and control the Leased Premise to carry out its business activities. The telecommunication tower enables mobiles telecommunication coverage in our plantation estate.

This agreement is valid for an initial period of 10 years, but valid retroactively from 27 May 2014 until 26 May 2024 ("**Initial Term**") and will be automatically renewed for 10 years ("**First Renewal Term**"), each based on Protelindo's discretion.

The lease fee for the Initial Term is IDR79,444,444 ("**Initial Term Lease Fee**") for any number of the Tower Users installed or to be installed at the Leased Premise. For the First Renewal Term, the lease fee would be adjusted with a 15%-increment, i.e., IDR91,361,111 ("**First Renewal Lease Fee**") for any number of the Tower Users installed or to be installed at the Leased Premise.

Issues pertaining to this agreement such as non-inclusion of land leasing as one of the objectives and purposes of PT MKH under its articles of association, and unavailability of land leasing-related licences for PT MKH (due to size of the land leased to Protelindo being insignificant, and leasing is not the main business activity of PT MKH nor is PT MKH generating any material income from the said lease), have been addressed by PT MKH through a statement letter confirming that the Initial Term Lease Fee was charged only as necessary to reimburse costs incurred by PT MKH to enable the use of the Leased Premise by Protelindo (i.e., for supply of electricity to the Leased Premise to energise the telecommunication towers erected thereon during the Initial Term). PT MKH will not bear any profit from the Initial Term Lease Fee pursuant to the Agreement during the Initial Term.

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(b) Plasma Agreements

The Plasma Programme obligation essentially refers to the facilitation of construction of community plantation for a certain percentage of the total area of land (total area granted to the respective companies in their plantation business licences).

As part of the legal obligations under the law, under the Plasma Programme, our Group is required to develop a total of 2,226.0 Ha of plantation land for plantation development and management for the local cooperatives. In this respect, PT MKH and PT SPS have fulfilled the requirement and entered into plasma agreements, among others, with local cooperatives as follows:

Plasma Programme requirement			Plantation cooperative involved	Agreement no. (as listed below)
Fulfilled by	Land size (Ha)	Location		
PT MKH	⁽¹⁾ 1,200	Desa Sedulang	Sawit Sendowan	(i)
	⁽¹⁾ 406	Desa Puan Cepak	Sawit Sendowan	(1)(c)-
PT SPS	⁽¹⁾ 300	Desa Sedulang	Sawit Sendowan	(i)
	⁽²⁾ 320	Desa Puan Cepak	Sawit Seguntung Jaya	(iii)
	2,226			

Notes:

(1) Pursuant to the Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 on Guidelines on Plantation Business Licence of Cultivation as amended lastly by the Regulation of the Indonesian Minister of Agriculture No. 21/Permentan/KB.410/6/2017, any oil palm plantation company which obtained its IUP prior to 28 February 2007 and has implemented *Perusahaan Inti Rakyat* (PIR) Plantation Scheme, PIR with transmigration scheme or PIR with Credit Facility for Cooperation (*Kredit Koperasi Primer untuk Anggota*) or any other core-plasma cooperation is not required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. In view that PT MKH obtained its IUP on 15 November 2005, PT MKH was not required to comply with the aforementioned obligations as it was not stated in the Plantation Business Licence of Cultivation (IUP) of PT MKH. Nevertheless, PT MKH and PT SPS have collaborated with Sawit Sendowan Plantation Cooperative pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program in the following manner:

- (a) a total of 1,200.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT MKH to develop and manage;
- (b) a total of 300.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT SPS to develop and manage; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (c) a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop and manage. There was no agreement entered into with Sawit Sendowan Plantation Cooperative in this respect as Sawit Sendowan Plantation Cooperative was unable to identify sufficient land for plasma plantation under Desa Puan Cepak. Thereafter, on 24 December 2012, PT MKH had entered into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion and agreement between PT MKH and the local farmers. For clarity, the entry into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative is in accordance with the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.
- (2) In view that PT SPS obtained its IUP on 19 October 2009, PT SPS was required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. Based on the principal agreement entered into with Sawit Seguntung Jaya Plantation Cooperative in September 2016, PT SPS was required to develop and manage approximately 320 Ha plantation area based on the planted area of 1,567 Ha at that point in time.

Following the rehabilitation and planting activities by PT SPS, the total planted area of PT SPS' plantation estate has increased to 1,996.4 Ha as at LPD. Pursuant thereto, the relevant supplemental agreement or addendum to the principal agreement in respect of the abovementioned Plasma Programme obligations shall be entered into between PT SPS and Sawit Seguntung Jaya Plantation Cooperative upon the issuance of IUP, which is expected to be obtained by 3rd quarter of 2023, for Sawit Seguntung Jaya Plantation Cooperative, whereby PT SPS shall be required to develop and manage a total of approximately 400 Ha of land (i.e. 320 Ha (already assigned to PT SPS) and 80 Ha (to be assigned to PT SPS)) being the plantation area to be assigned based on the Plasma Programme requirement of at least 20% of total planted area of approximately 1,996.4 Ha by Sawit Seguntung Jaya Plantation Cooperative.

PT MKH and PT SPS have entered into the following plasma agreements to set out the cooperation terms with the respective partnering plantation cooperatives as listed above. For avoidance of doubt, a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program. However, 182.8 Ha of the said land was deemed unsuitable for planting. As such, 182.8 Ha of land owned by PT SPS has been earmarked for transfer to the cooperative for fulfilment of PT MKH's obligation pursuant to the agreement (v) below. For clarity, the plasma obligations in relation to the remaining land area not addressed by the transfer of the 182.8 Ha plantation land is addressed pursuant to the Cooperation Agreement for Plasma Plantation Development dated 24 December 2012, which was entered into between PT MKH and Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion between PT MKH and the local farmers.

6. INFORMATION ON OUR GROUP (Cont'd)

- (i) Tripartite Agreement with Sawit Sendowan Plantation Cooperative and PT Anugerah Urea Sakti on 27 September 2010.

Under this agreement, Sawit Sendowan Plantation Cooperative is referred to as the "**First Party**", PT MKH and PT SPS are collectively referred to as the "**Second Party**", and PT Anugerah Urea Sakti is referred to as the "**Third Party**".

The scope of the agreement is a cooperation between the First Party and the Second Party with a partnership pattern in development and management of oil palm plantation at plasma plantation owned by the First Party, located at Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province, in the area of 1,500 Ha ("**First Party's Plasma Plantation**"), with the division of obligations between PT MKH and PT SPS based on land area and number of patriarchs. The Third Party was also appointed under the agreement to carry out development and management of plantation with a partnership pattern at the First Party's Plasma Plantation pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program for joint development under the Plasma Programme for Sawit Sendowan Plantation Cooperative.

The obligations of the Second Party and Third Party are differentiated based on the following:

- (a) the Second Party's obligations are (i) to conduct observation at the First Party's Plasma Plantation location or the Third Party's office to obtain, examine and make copies and summaries of notes and reports prepared and maintain by the Third Party for monitoring purpose; and (ii) to place its employees in the implementation of development and management of the First Party's Plasma Plantation for monitoring purposes; and
- (b) the Third Party's obligations are to carry out development and management of the First Party's Plasma Plantation, which include: (i) land clearing; (ii) nursery; (iii) cover cropping; (iv) oil palm planting; (v) maintenance of immature plants and mature plants; (vi) construction and maintenance of road infrastructure, bridges, channels and guardrails; (vii) harvesting and transportation; and (viii) land certification for oil palm plantation with partnership pattern in the form of right of ownership in the name of the First Party. The Third Party advances the development and management costs (including the cost for the palm oil FFB processing plant, if any), which will then be repaid by the First Party from the production of the First Party's Plasma Plantation as stipulated under this agreement.

Net income from the proceeds of sales of FFB will be applied in accordance with this agreement (settlement of the First Party's obligations to the bank, deduction by costs borne by the First Party to perform its obligations under the agreement), with a management fee of 5% for the Third Party, and the balance thereof will be distributed to its members (the First Party is a cooperative with members).

This agreement is valid until 1 December 2038 and may be extended by the parties. For avoidance of doubt, the appointment of Third Party under this agreement was terminated in December 2012 as the Third Party did not carry out the management and maintenance of the First Party's Plasma Plantation in a proper manner. The First Party and Second Party were not obliged to compensate the Third Party in any form as such termination was due to the Third Party's non-performance of its obligations in accordance with the terms and conditions of this agreement.

6. INFORMATION ON OUR GROUP (Cont'd)

Thereafter, the Second Party continued to undertake the development and management of the First Party's Plasma Plantation as the terms of this agreement was still binding for the First Party and Second Party where the Second Party assumed the obligations and rights of the Third Party as stipulated in the agreement. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

- (ii) Cooperation Agreement for Plasma Plantation Development between Sedulang Village Unit of Sawit Sendowan Plantation Cooperative with PT MKH and PT SPS with Plasma Core Partnership Pattern on 22 May 2017.

Under this agreement, Sedulang Village Unit of Sawit Sendowan Plantation Cooperative is referred to as the "**First Party**", PT MKH and PT SPS are collectively referred to as the "**Second Party**".

The scope of this agreement is the development and management of oil palm plantation by the Second Party over the land owned by farmers who are members of the First Party at Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province in the area of 1,500 Ha. Further, this agreement re-confirms the Second Party's status as a Pioneer, Financier, and Guarantor of the First Party's plasma plantation.

The obligations of the Second Party are differentiated based on the periods (immature plants or mature plants). Additional obligations of the Second Party include, amongst others: (i) during immature plants period: prioritising members of the First Party for work opportunities if workers are required to develop the plantation; (ii) during mature plants period where credit facilities from the credit facility provider have not been repaid: purchasing all production of the First Party which standards are based on the ripe fruit standards determined by the Second Party and which price is based on the terms determined by the government; and (iii) during mature plants period where credit facilities from the credit facility provider has been repaid: delivering the sales proceeds of the FFB to the First Party upon deduction of relevant costs such as maintenance cost, replanting cost, harvesting and transportation costs, land clearing cost, nursery and planting costs. The aforementioned costs relating to the Plasma Programme which are borne by the Group shall be repaid through deduction of proceeds from sale of FFB pursuant to the Plasma Programme.

The costs for management and maintenance of oil palm plantation shall be in accordance with the plafond of the plasma plantation development costs stipulated by the Directorate General of Plantation on the maximum unit cost for oil palm plantation development, or agreed between the parties. If the plafond of plantation development costs from the bank is not sufficient, the Second Party is authorised to seek for credit facility providers to cover the shortfall. The proceeds of the sale of palm oil from the First Party's plasma plantation including bailout fund/credit facility from other party are kept in a joint account between the parties.

For clarity, the abovementioned credit facility refers to the financing (which is used as working capital) granted to Sedulang Village Unit of Sawit Sendowan Plantation Cooperative by the credit facility provider.

This agreement is valid insofar the Second Party's core land still exists.

6. INFORMATION ON OUR GROUP (Cont'd)

- (iii) Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 20 September 2016 as amended by first addendum to Plasma Plantation Cooperation Agreement between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 9 July 2018 on 20 September 2016 (for the initial agreement) and on 9 July 2018 (for the first addendum).

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT SPS is referred to as the "**Second Party**". PT MKH is not a party to this agreement.

The scope of this agreement is the establishment of a partnership between the parties to build/develop and manage a plot of land for an oil palm plasma plantation with a partnership pattern of 320 Ha, which is located at Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province ("**Cooperative Land**"). The forms of work in this agreement include: (i) oil palm plantation development; (ii) plantation maintenance during immature new crops and mature crops period; (iii) harvesting of FFB; and (iv) marketing of FFB.

Under this agreement, the First Party delivers the rights of development and management of the Cooperative Land, entirely to the Second Party. The development and management activities include: (i) land clearing, nursery and planting; (ii) plant care/ maintenance during immature crops period and mature crops period; (iii) harvest and transport; and (iv) funding, payment of credit instalments and loan interests. In addition to developing and managing the Cooperative Land, the Second Party is also obliged to purchase all FFB production of the First Party which price is guided by the provisions contained in the Regulation of the Minister of Agriculture regarding the Guidelines for Determining the Purchase Price for FFB for Plantation Production issued by the Plantation Office of East Kalimantan Province. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under this agreement, as well as the relevant taxes related to the Cooperative Land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

This agreement is valid for 1 cycle in accordance with technical standards for oil palm cultivation as of the execution of the agreement by the parties, and may be extended for 1 cycle in accordance with technical standards for oil palm cultivation, unless there is cancellation by the Second Party, which will be conveyed to the First Party within 2 years prior to the expiration of the agreement. PT SPS has clarified in writing that 1 cycle herein shall mean 30 years, and the commencement date is 20 September 2016.

6. INFORMATION ON OUR GROUP (Cont'd)

- (iv) Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT MKH with the Plasma Core Partnership Pattern dated 24 December 2012.

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT MKH is referred to as the "**Second Party**".

The scope of this agreement is the establishment of a partnership between the parties to build/develop and manage a plot of land for an oil palm plasma plantation with a partnership pattern for a total of ±197 family heads with 2 Ha of land for each family head or a total of ±394 Ha, in the area of Puan Cepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province. Notwithstanding that ±394 Ha has been determined based on the family heads under this agreement, PT MKH has agreed to continue with the development and management of land area (i.e. 406.0 Ha) which was assigned to PT MKH pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.

The forms of work in this agreement include: (i) oil palm plantation development; (ii) plantation maintenance during immature new crops and mature crops period; (iii) harvesting of FFB; (iv) creation and maintenance of facilities and infrastructure; and (v) land certification for oil palm plantation with partnership pattern in the form of right of ownership in the name of the First Party.

Under this agreement, the First Party delivers the rights of development and management of the plasma plantation land, entirely to the Second Party. The development and management activities include: (i) land clearing, nursery and planting; (ii) plant care / maintenance during immature crops period and mature crops period; (iii) harvest and transport; and (iv) funding, payment of credit instalments and loan interests. In addition to developing and managing the plasma plantation land, the Second Party is also obliged to purchase all FFB production of the First Party which price is guided by the provisions contained in the Regulation of the Minister of Agriculture regarding the Guidelines for Determining the Purchase Price for FFB for Plantation Production issued by the Plantation Office of East Kalimantan Province. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under this agreement, as well as the relevant taxes related to the plasma plantation land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost) during immature and mature plants period.

This agreement is valid for 1 planting cycle (30 years) and can be extended for 1 planting cycle by the parties. Either party shall notify the other party of the intention to extend this agreement 2 years before the expiration of the agreement.

6. INFORMATION ON OUR GROUP (Cont'd)

- (v) Cooperation Agreement for the Development and Management of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT MKH on a grant land with an area of 182.8 Ha with Plasma Core Partnership Pattern on 18 January 2022.

Under this agreement, Sawit Seguntung Jaya Plantation Cooperative is referred to as the "**First Party**", PT MKH is referred to as the "**Second Party**". PT SPS is not a party to this agreement.

The scope of this agreement is a cooperation between the parties in the development and management of a plot of land of palm oil plantation with partnership pattern in the area of ± 182.8 Ha on a grant land. Works under this agreement include: (i) management of mature plants; (ii) development and management of plantation during immature plants period; (iii) harvest of FFB; (iv) sales of FFB to the Second Party; and (v) return of plant investment costs on grant area from palm acid oil sales proceeds and FFB sales.

Under this agreement, the First Party grants the Second Party with full authority to develop and manage mature and immature plants on the cooperative's land and to carry out the following activities: (i) relinquishment of land, nursery, and planting; (ii) maintenance of plants during immature and mature periods; and (iii) harvest and transportation. In addition to developing and managing the cooperative's land during the period of this agreement, the Second Party is also obliged to purchase FFB of the First Party, which price is based on the guidelines under the Ministry of Agriculture regulation on Guidelines on Stipulation of Purchase Price of FFB Produced by Planters. The remaining net income from the production of FFB shall be delivered by the Second Party to the First Party on a monthly basis.

Additional obligations of the Second Party include, amongst others: (i) providing palm oil FFB processing plant; and (ii) arranging and planning for replanting fund reserves.

The First Party bears the development and management costs (including the cost for the palm oil FFB processing plant, if any) as stipulated under the agreement, as well as the relevant taxes related to the cooperative's land. The Second Party is entitled to a management fee of 5% (charged against the estate maintenance cost). Other than the management fee of 5%, the Second Party does not earn any revenue from the Plasma Programme.

This agreement is valid for 1 crop cycle (± 30 years) and may subsequently be extended and renewed for 1 cycle (± 30 years) insofar the HGU of the Second Party exists, unless there is cancellation from the Second Party, which will be notified to the First Party at the latest within 1 year prior to the expiration of the agreement.

For FYE 2020 to 2023, our Group received a total of management fees of RM0.2 million, RM0.3 million, RM0.3 million and RM0.4 million respectively under the Plasma Programme.

6. INFORMATION ON OUR GROUP (Cont'd)

- (c) PT MKH SSA, which was completed on 20 December 2023;
- (d) PT SPS SSA, which was completed on 20 December 2023;
- (e) Novation agreement dated 9 January 2024 between our Company, PT MKH and Metro Kajang (Oversea) pursuant to the PT MKH Debt Novation, which was completed on 9 January 2024;
- (f) Novation agreement dated 9 January 2024 between our Company, PT SPS and MKH Plantation pursuant to the PT SPS Debt Novation, which was completed on 9 January 2024; and
- (g) Underwriting Agreement dated 21 February 2024 between our Company and Joint Underwriters for the underwriting of 51,209,800 Issue Shares for an underwriting commission of 2.5% of the IPO Price multiplied by the number of Issue Shares underwritten.

6.6 PUBLIC TAKE-OVERS

During the last financial year and the current financial year up to LPD, there were:

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

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6. INFORMATION ON OUR GROUP (Cont'd)

6.7 MAJOR APPROVALS AND LICENCES

As at LPD, there are no major approvals, major licences and permits issued to our Group in order for us to carry out our operations other than those disclosed below:

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(a)	MKHOP/ Majlis Perbandaran Kajang	15 July 2023/ 14 July 2024	Licence for trade, business and industry for our Company	Nil	Complied
(b)	PT MKH/ Ministry of Investment/ Investment Coordinating Board via the Online Single Submission ("OSS") – Risk Based Assessment ("OSS-RBA")	1 December 2018 (latest amendment on 29 October 2023)/ It is valid as long as PT MKH carries its business activities	Business Identification Number (<i>Normor Induk Berusaha</i>) For evidence that the company has been registered in the OSS-RBA as a pre- requisite for application of business/operational licences Please refer to Section 6.10(g) for the applicable laws and regulations	Nil	Complied
(c)	PT MKH/ Tax Service Office of Pratama Tenggarong	No effective date or date of issue is stated/ No expiration date is stated ⁽⁶⁾	Taxpayer Identification Number (<i>Normor Pokok Wajib Pajak, "NPWP"</i>) – Head Office This licence serves as evidence that PT MKH has been registered as a taxpayer for the office located at Puan Cepak Village, Sabintulung Muara Kaman, Kutai Kartanegara Regency, East Kalimantan	Nil	Complied

Please refer to Section 6.10(q) for the
applicable laws and regulations

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(d)	PT MKH/ Tax Service Office of Balikpapan	No effective date or date of issue is stated/ No expiration date is stated ⁽⁶⁾	NPWP of Branch Office This licence serves as evidence that PT MKH has been registered as a taxpayer for the office located at Jalan Juanda, Ruko Juanda No. 30 RT 07, Air Hitam, Samarinda Ulu, Samarinda City, East Kalimantan (branch office)	Nil	Complied
(e)	PT MKH/ Tax Service Office of Balikpapan	6 April 2016/ No expiration date is stated ⁽⁶⁾	Please refer to Section 6.10(q) for the applicable laws and regulations Taxable Entrepreneur Confirmation Letter (<i>Surat Pengukuhan Pengusaha Kena Pajak</i>) This licence serves as evidence that PT MKH has been registered as a taxable entrepreneur Please refer to Section 6.10(q) for the applicable laws and regulations	Nil	Complied
(f)	PT MKH/ OSS system	9 August 2016/ No expiration date is stated ⁽⁶⁾	Plantation Business Licence This licence serves as evidence that PT MKH has obtained a business licence for Standard Classification of Indonesian Business Fields (<i>Klasifikasi Baku Lapangan Usaha Indonesia</i> , " KBLI ") 01262 (Palm Oil Plantation) prior to the enactment of the OSS system and has registered such licence to the old version of the OSS system Please refer to Section 6.10(a) for the applicable laws and regulations	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(g)	PT MKH/ OSS-RBA	Unverified certificate issuance date: 9 August 2016 (KBLI 10431) and 30 October 2023 (KBLI 10432) / Pending issuance of verified standard certificate via the OSS-RBA	Unverified Standard Certificate for KBLI 10431 (Crude Oil Palm Industry) and KBLI 10432 (Crude Oil Palm Kernel Industry) For operating in oil palm industry (our PK crushing mill and palm oil mill) Please refer to Section 6.10(c) for the applicable laws and regulations	Nil	The mandatory technical verification, a new requirement under the OSS-RBA which came into effect on 2 February 2021, has been carried out on 5 January 2023, following the Company's application for the verification of the standard certificate for KBLI 10431 (Crude Oil Palm Industry) since 2022. Based on the assessment by the verification team from the Directorate General of Agro-Industry of the Ministry of Industry, PT MKH has fulfilled all of the requirements in the industrial sector and is ready to commence the production activities. As a follow-up, PT MKH has uploaded these documents to the OSS-RBA to obtain a verified standard certificate for KBLI 10431 (Crude Oil Palm Industry). The technical verification for KBLI 10432 (Crude Oil Palm Kernel Industry) has yet to be verified and/or assessed by the Directorate General of Agro-Industry of the Ministry of Industry as at LPD (new), and such assessment and technical verification on PT MKH's PK crushing facility are expected to be conducted in 2 nd quarter 2024. Upon completion of such assessment and technical verification, an application for the verification of the standard certificate for KBLI 10432 (Crude Oil Palm Kernel Industry) will be submitted to the Directorate General of Agro- Industry of the Ministry of Industry.

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(h)	PT MKH/ Kutai Kartanegara Regent	15 November 2005/ 15 November 2035 (30 years as of 15 November 2005)	Plantation Business Licence of Cultivation (<i>Izin Usaha Budidaya Perkebunan</i> , "IUP- B") No. 503/08/SK-DISBUN KUKAR/XI/2005 as amended lastly by Approval of Kutai Kartanegara Regent No. P- 009/DPMP TSP/BID.IV.1/525.26/IUPPerub/ XI/2019	Nil	Complied
(i)	PT MKH/ Kutai Kartanegara Regent	2 July 2012/ It is valid as long as PT MKH carries its business activities	This licence serves as the plantation business licence for cultivation of PT MKH issued by the local authority (before the OSS licensing regime) Please refer to Section 6.10(a) for the applicable laws and regulations Plantation Business Licence for Processing (<i>Izin Usaha Perkebunan untuk Pengolahan</i> , "IUP-P") No. 525/04/IUP-P/DPK.IV/2012 as amended lastly by Approval of Kutai Kartanegara Regent No. 525.26/006/IUPP/BID.I/VIII/2016/BP2T	Nil	Complied
			This licence serves as the business licence for processing of palm oil FFB by PT MKH issued by the local authority (before the OSS licensing regime)		

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(j)	PT MKH/ Directorate General of Sea Transport of the Ministry of Transportation	21 June 2017/ 21 June 2027 (10 years as of 21 June 2017)	<p>Please refer to Sections 6.10(a), Section 6.10(b), and 6.10(j) for the applicable laws and regulations</p> <p>Licence to Operate an Own Interest Terminal (<i>Terminal Untuk Kepentingan Sendiri, "TUKS"</i>)</p> <p>This licence is granted for PT MKH to operate a TUKS to support PT MKH's business activities in plantation sector</p>	Nil	Complied
(k)	PT MKH/ Ministry Investment/ Investment Coordinating Board via OSS- RBA	21 October 2023/ 20 June 2027	<p>Please refer to Section 6.10(r) for the applicable laws and regulations</p> <p>Verified Standard Certificate / Business Licensing to Support Business Activities (PB-UMKU) for operation of TUKS to support KBLI 10431 (Crude Oil Palm Industry)</p> <p>For operating in oil palm industry (our jetty operations)</p> <p>Please refer to Section 6.10(c) for the applicable laws and regulations</p>	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(l)	PT MKH/ PT SGS Indonesia	12 August 2020/ 11 August 2025	ISPO Certificate This certificate is a testament to PT MKH's sustainable plantation practices and ability to produce sustainable palm oil issued by an independent auditor agency Please refer to Section 6.10(k) for the applicable laws and regulations	Nil	Complied
(m)	PT MKH/ Head of Capital Investment Agency and One Door Integrated Services of East Kalimantan Province	23 June 2021/ 23 June 2024 (3 years as of 23 June 2021)	Groundwater Utilisation Permit (<i>Surat Izin Pengusahaan Air Tanah, "SIPA"</i>) for 5 Wells with different licence number These licences are granted for the utilisation of groundwater by PT MKH Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations	Nil	Complied
(n)	PT MKH/ Minister of Public Works and Housing	12 February 2024/ 12 February 2029 (5 years as of 12 February 2024)	Water Resources Exploitation Licence This licence is granted for the utilisation of surface water in Mahakam and Seguntung River Please refer to Sections 6.10.(d) and 6.10(e) for the applicable laws and regulations	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(o)	PT MKH/ Kutai Kartanegara Regent	24 September 2008/ The validity period is similar to the validity period of PT MKH's business licence	Environmental Feasibility of Palm Oil Plantation of PT MKH in Puan Cepak Village dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency based on Decree No. KAKK/26/AMDAL/KELAPASAWIT/2008 as amended lastly by Decree of Kutai Kartanegara Regent No. 73 of 2016	Nil	PT MKH is in the midst of renewing its environmental licence due to the expiry of Hazardous Toxic Waste ("B3") licence. Please refer to the notes of the B3 licence below
(p)	PT MKH/ Kutai Kartanegara Regent	22 December 2015/ The validity period is similar to the validity period of PT MKH's business licence	This licence serves as the environmental licence for the palm oil plantation business activities Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations Environmental Feasibility of Palm Oil Mills of PT MKH at 90 tons within an area of 137a kata. 43.33 hectares in Puan Cepak Village dan Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency based on Decree No. KAKK/27/KOMPEDAL-KUKAR/XII/2015 as amended lastly by Decree of Kutai Kartanegara Regent No. 74 of 2016	Nil	PT MKH is in the midst of renewing its environmental licence due to the expiry of B3 licence. Please refer to the notes of the B3 licence below
			This licence serves as the environmental licence for the palm oil mills of PT MKH		
			Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations		

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(q)	PT MKH/ Kutai Kartanegara Regent	N/A ⁽¹⁾	B3 Waste Storage and Management-related Licences For the storage of waste in the oil palm plantation Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations	Nil	PT MKH has obtained several permits of utilisation of B3 for the B3 Storage which have already expired. PT MKH is currently in the process of obtaining the Technical Details for B3 Storage ⁽²⁾ which are applicable as the licence for B3 storage/management upon the issuance of Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law. In relation to this matter, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency which states that the existing B3 licence of PT MKH and PT SPS remains valid until the environmental documents ⁽³⁾ of PT MKH are adjusted, and the B3 licence will be covered under the adjusted environmental documents ⁽⁴⁾ . PT MKH is in the midst of renewing and adjusting the environmental documents. On 15 December 2023, PT MKH has obtained approval from Directorate General of Management of Environmental Pollution and Damage on its Emission Technical Details. PT MKH is still in the process of applying for the approval on its Domestic Waste Technical Details and Technical Details for B3 Storage ⁽⁵⁾

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(r)	PT SPS/ Ministry of Investment/ Investment Coordinating Board via the OSS-RBA	16 October 2018, amended on 8 July 2022/ It is valid as long as PT SPS carries its business activities	Business Identification Number (<i>Nomor Induk Berusaha</i>) For evidence that the company has been registered in the OSS-RBA as a pre-require for application of business/operational licences Please refer to Section 6.10(g) for the applicable laws and regulations	Nil	Complied
(s)	PT SPS/ Tax Service Office of Pratama Tenggarong	N/A/ No expiration date is stated ⁽⁶⁾	NPWP This licence serves as evidence that PT SPS has been registered as a taxpayer for the office located at Jalan A. Yani No. 30 RT 10, Melayu, Tenggarong, Kutai Kartanegara Regency, East Kalimantan Please refer to Section 6.10(q) for the applicable laws and regulations	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(t)	PT SPS/ Tax Service Office of Pratama Tenggarong	N/A/ No expiration date is stated ⁽⁶⁾	NPWP of Branch Office This licence serves as evidence that PT SPS has been registered as a taxpayer for the office located at Jalan A. Yani No. 30 RT 10, Melayu, Tenggarong, Kutai Kartanegara Regency, East Kalimantan. According to the confirmation of PT SPS, this NPWP is the NPWP for PT SPS' branch office	Nil	Complied
(u)	PT SPS/ Tax Service Office of Pratama Tenggarong	6 January 2016/ No expiration date is stated ⁽⁶⁾	Please refer to Section 6.10(q) for the applicable laws and regulations Taxable Entrepreneur Confirmation Letter (<i>Surat Pengukuhan Pengusaha Kena Pajak</i>) This licence serves as evidence that PT SPS has been registered as a taxable entrepreneur Please refer to Section 6.10(q) for the applicable laws and regulations	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(v)	PT SPS/ OSS system	4 May 2006/ No expiration date is stated ⁽⁶⁾	Plantation Business Licence This licence serves as evidence that PT SPS has obtained a business licence for KBLI 01262 (Palm Oil Plantation) prior to the enactment of the OSS system and has registered such licence to the old version of the OSS system	Nil	Complied
(w)	PT SPS/ Kutai Kartanegara Regent	19 October 2009/ 19 October 2039 (30 years as of 19 October 2009)	Please refer to Section 6.10(a) for the applicable laws and regulations IUP-B based on Decree No. 503/22/SK-DISBUN KUKAR/V/2006 as amended lastly by Decree of Kutai Kartanegara Regent No. 503/48/SK-DISBUN KUKAR/X/2009	Nil	Complied
(x)	PT SPS/ Head of Capital Investment Agency and One Door Integrated Services of East Kalimantan Province	14 January 2022/ 14 January 2025 (3 years as of 14 January 2022)	This licence serves as the plantation business licence for cultivation of PT SPS Please refer to Section 6.10(a) for the applicable laws and regulations This licence is granted for the utilisation of groundwater for the well located in Sedulang Village, Muara Kaman District, Kutai Kartanegara Regency Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations	Nil	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry		Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(y)	PT SPS/ PT Global Inspeksi Sertifikasi	27 July 2022/ 26 July 2027		ISPO Certificate This certificate is a testament to PT SPS' sustainable plantation practices and ability to produce sustainable palm oil issued by an independent auditor agency Please refer to Section 6.10(k) for the applicable laws and regulations	Nil	Complied
(z)	PT SPS/ Kutai Kartanegara Regent	30 March 2009/ No expiration date is stated ⁽⁶⁾		Approval of the Environmental Management Efforts and Environmental Monitoring Efforts (<i>Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup, "UKL-UPL"</i>) This approval serves as evidence that the Environmental Agency of Kutai Kartanegara has approved the UKL-UPL documents submitted by PT SPS Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations	Nil	PT SPS is in the midst of renewing its environmental licence due to the expiry of B3 licence. Please refer to the notes of the B3 licence below

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee/ Issuing authority	Effective date or date of issue/ Date of expiry	Nature of approval/licences	Equity and/or major conditions imposed	Compliance status
(aa)	PT SPS/ Kutai Kartanegara Regent	N/A ⁽¹⁾	B3 Waste Storage and Management-related Licences For the storage of waste in the oil palm plantation Please refer to Sections 6.10(d) and 6.10(e) for the applicable laws and regulations	Nil	PT SPS has obtained several permits of utilisation of B3 for the B3 Storage which have already expired. PT SPS is currently in the process of obtaining the Technical Details for B3 Storage ⁽²⁾ which are applicable as the licence for B3 storage/management upon the issuance of Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law. In relation to this matter, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency which states that the existing B3 licence of PT MKH and PT SPS remains valid until the environmental documents ⁽³⁾ of PT SPS are adjusted, and the B3 licence will be covered under the adjusted environmental documents ⁽⁴⁾ . PT SPS is in the midst of renewing and adjusting the environmental document. On 21 November 2023, Technical Details of PT SPS has been verified and validated by the Directorate General of Management of Environmental Pollution and Damage and currently awaits for the approval ⁽⁵⁾

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) Due to the change in the regulatory regime, neither PT MKH nor PT SPS was able to renew their respective B3 licences. However, based on the letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency, the existing B3 licences of PT MKH and PT SPS remain valid until the environmental documents of PT SPS and PT MKH are adjusted. PT SPS and PT MKH are in the process of adjusting their respective environmental licences. Please refer to note (5) below on the details of application status. Hence, the validity period of the respective B3 licences are not applicable due to its temporary validity at this juncture.
 - (2) Technical Details (*Rincian Teknis*) for B3 Storage, which is a new term under the current regulation, refer to documents that provide the details of the management of B3 by the B3 Storage licence holder such as name, source, characteristic and amount produced of B3. Technical Details for B3 Storage have been integrated with the Environmental Approval following the enactment of GR 22/2021 (as defined herein) that are being obtained by PT MKH and PT SPS as set out in Note (3) below.
 - (3) The environmental documents refer to the "Environmental Approval (*Persetujuan Lingkungan*)" document which is a new term under the current regulation. In 2020, the Indonesian Government issued Law No. 11 of 2020 on Job Creation as further replaced by the Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("**Omnibus Law**"). The Omnibus Law contains major changes to a myriad of regulations, including the environmental law which was previously stipulated in Law No. 32 of 2009 on Protection and Management of the Environment. The Omnibus Law attempts to simplify the existing permits for carrying out activities or businesses that have an impact on the environment. Following the Omnibus Law, the Government also issued Government Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management which was enacted on 2 February 2021 ("**GR 22/2021**") that introduces the term Environment Approval (*Persetujuan Lingkungan*) to distinguish it from the previous environmental licensing regime. GR 22/2021 stipulates that the environment licences and documents issued before GR 22/2021 was enacted shall remain valid.
- GR 22/2021 also stipulates that a B3 waste producer must obtain a Technical Details for B3 storage as integrated with the Environmental Approval (if the B3 waste is produced by activity or activities subject to an Environmental Impact Analysis Document (*Analisis Mengenai Dampak Lingkungan* – "**AMDAL**") or Environmental Management and Monitoring Efforts Report (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup* – "**UKL-UPL**") (such as PT MKH and PT SPS), or by a government institution that produces B3 waste). Therefore, although PT MKH and PT SPS' environmental licences remain valid after the issuance of the Omnibus Law and GR 22/2021, as their respective B3 licences have already expired in 2021, PT MKH and PT SPS were unable to renew their B3 licences due to the change in licensing regime. Consequently, as B3-related licences under the current regime are integrated into an Environmental Approval, PT MKH and PT SPS need to adjust their existing environmental licences to an Environmental Approval, which will also cover the B3 licence under the new regulatory regime in the form of Technical Details for B3. In this regard, Technical Details for B3 and the Environmental Approval, both of which are being applied by PT MKH and PT SPS, are collectively referred to as the "adjusted environmental documents". Please refer to note (5) below on the details of application status. As at LPD, PT MKH and PT SPS have not received any notice of non-compliance from the relevant authorities in relation to their B3 licences. Further, there was no mandatory timeframe imposed by the relevant authorities for PT MKH and PT SPS to comply with the new licensing regime.

6. INFORMATION ON OUR GROUP (Cont'd)

In light of the above, PT MKH and PT SPS are in the midst of renewing and adjusting the environmental licence/documents. For this purpose, PT MKH and PT SPS had on 3 October 2022 appointed an environmental consultant to coordinate, prepare and submit the relevant applications to Environmental and Forestry Agency of Kutai Kartanegara Regency, on their behalf. The environmental licence/documents are expected to be renewed and adjusted by 2nd quarter of 2024. For avoidance of doubt, there is no deadline specified by the Environmental and Forestry Agency of Kutai Kartanegara to complete the renewal and adjustment of the environmental licence/documents of PT MKH and PT SPS.

(4) PT MKH and PT SPS are currently liaising closely with the local authorities on this matter. In this regard, PT MKH and PT SPS have obtained a letter dated 26 September 2022 issued by the Environmental and Forestry Agency of Kutai Kartanegara Regency, which states that the existing B3 licences of PT MKH and PT SPS remain valid until the environmental documents of PT MKH and PT SPS are adjusted. Based on PT MKH and PT SPS' consultation with the Environmental and Forestry Agency of Kutai Kartanegara Regency, it is interpreted that the existing B3 licences (which have already expired) will be deemed valid until the adjustments to their existing environmental licence are completed. Once the adjustment is complete, the B3 licence will be covered under the Environmental Approval. Please refer to Note (2) above for further details on the Environmental Approval.

(5) According to letters dated 3 January 2024 and 4 March 2024 from PT MKH's environmental consultant, PT MKH has received approval from the Directorate General of Management of Environmental Pollution and Damage for its Emission Technical Details. PT MKH is in the process of obtaining approval for its Domestic Waste Technical Details and Technical Details for B3 Storage. These approvals are essential prerequisites for the application to amend the Environmental Licence.

According to letters dated 3 January 2024 and 4 March 2024 from PT SPS' environmental consultant, the Technical Details of PT SPS have been verified and validated by the Directorate General of Management of Environmental Pollution and Damage. PT SPS currently awaits the approval. Once the approval is obtained, PT SPS will proceed to apply for the amendment to the Environmental Licence.

The environmental consultant is currently working closely with the Indonesian Government to speed up the process of Environmental Licence of PT MKH and PT SPS' application.





(6) The licence/approval shall be valid indefinitely provided that our Group continues our business activities and complies with the prevailing laws and regulations.

Save for item (g), namely verified standard certificate for KBLI 10431 (Crude Oil Palm Industry) which is expected to be obtained by 3rd quarter of 2024 as well as for KBLI 10432 (Crude Oil Palm Kernel Industry) (as set out in Section 6.10(c)), our Group has the necessary government approvals, authorisations, licences, permits or approvals of any nature whatsoever which are required under any law, decree or regulation to carry on our business and operations, namely IUP-B and IUP-P as disclosed under items (h), (i) and (w) above, and such approvals, authorisations, licences or permits are still valid and the same has not been revoked or threatened to be revoked. Save as disclosed under items (g), (h), (i) and (w) above, our Group is not dependent on any major licences, permits and approvals for our business operations.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8 TRADEMARKS

Save as disclosed below, our Company does not own any trademarks as at LPD:







Trademark	Registered owner	Trademark No.	Class/Description	Status	Place of registration	Validity period
	PT MKH	IDM000450150	29/ Palm kernel oil for food, cooking oil, palm oil for food	Registered	Indonesia	19 April 2022 to 20 June 2032
	PT MKH	IDM000450156	31/ Oil palm trees, plant seeds, fresh fruit bunches or oil palm fruit	Registered	Indonesia	19 April 2022 to 20 June 2032
	PT MKH	IDM000456551	35/ Business administration, office functions, management consulting and corporate organisation, business management	Registered	Indonesia	19 April 2022 to 20 June 2032
	PT MKH	IDM000456549	44/ Oil palm plantation services, nurseries, distribution of fertilizers and agricultural chemicals from the air and on the ground	Registered	Indonesia	19 April 2022 to 20 June 2032

6. INFORMATION ON OUR GROUP (Cont'd)




In addition, MKH has agreed to assign the following trademarks in the colour green to our Group, and our Group has entered into a Deed of Assignment dated 12 June 2023 with MKH ("DoA"), whereby MKH as the assignor and registered proprietor of the trademarks, has:

- (i) assigned to MKHOP as the assignee, all the property, rights, titles and interests in the trademarks set forth in the DoA in Malaysia; and
- (ii) consented to MKHOP registering the trademarks in MKHOP's name with the Registrar of Trademarks.

The consideration paid to MKH in relation to the DoA is RM10. As at LPD, the following applications for the registration of the trademarks in MKHOP's name with the Registrar of Trademarks have been submitted, which are expected to be completed by 3rd quarter of 2024:

No	Trademark	Application no. / Place of application	Status	Class / Description of Trademark	
(a)		TM2023021977 / Malaysia	Pending	Class 29 / Edible oils and fats; cooking oils; palm oil for food, palm kernel oil for food; all included in class 29	
(b)		TM2023021984 / Malaysia	Pending		
(c)		TM2023021992 / Malaysia	Pending		
(d)		TM2023021979 / Malaysia	Pending		
(e)		TM2023021987 / Malaysia	Pending		Class 31 / Grains and agricultural, horticultural and forestry products not included in other classes; trees; fresh fruits; oil palm trees, oil palm fruits, oil palm seeds; all included in class 31
(f)		TM2023022008 / Malaysia	Pending		

6. INFORMATION ON OUR GROUP (Cont'd)

No	Trademark	Application no. / Place of application	Status	Class / Description of Trademark
(g)		TM2023021981 Malaysia	Pending	Class 40 / Processing of oil; extraction of crude palm oil and palm kernel; refining of crude oil; all included in class 40
(h)		TM2023021989 Malaysia	Pending	
(i)		TM2023022010 Malaysia	Pending	

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9 PROPERTY, PLANT AND EQUIPMENT

6.9.1 Properties owned by our Group

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

No.	Registered owner/ Title/ Location	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	(1) Built-up area Land area/ sq m	(2) Date of purchase	Encumbrance	Audited NBV as at 30 September 2023 RM'000	(3) Market value as at 21 December 2022 RM'000	(3) Market value as at 13 October 2023 RM'000
(a)	PT MKH/ HGU No. 8, Puancepak dan Sedulang/ Puancepak Sedulang Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan Province	Oil palm plantation, office building, CPO mill and estate quarter/ Oil palm plantation/ Leasehold of 35 years expiring on 12 September 2042 (with an unexpired term of lease of 19 years) with an option to renew for a further period of 25 years and generally can be further renewed for another period of 35 years upon fulfilment of conditions	159,425,909 sq m/ 379,473 sq m	21 September 2007	First mortgage in favour of OCBC AI-Amin Bank Berhad			
(b)	PT MKH/ HGB No. 6, Sebulu Ilir/ Sebulu District, Kutai Kartanegara Regency, East Kalimantan	Jetty facilities building/ Jetty housing/ Leasehold of 20 years expiring on 28 December 2030 (with an unexpired term of lease of 7 years) with an option to renew for a further period of 20 years upon fulfilment of conditions	1,028 sq m/ Nil	30 December 2010	Nil	223,930	1,097,830	1,109,700
(c)	PT MKH/ HGU Certificate No. 6, 7 & 8, Sebulu Ilir/ Sebulu District, Kutai Kartanegara Regency, East Kalimantan	Jetty and ancillary facilities building/ CPO bulking station/ Leasehold of 20 years expiring on 25 January 2031 (with an unexpired term of lease of 8 years) with an option to renew for a further period of 20 years upon fulfilment of conditions	48,450 sq m/ 1,020 sq m	23 February 2011	Nil			

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered owner/ Title/ Location	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	(1) Built-up area	Land area/ Built-up area	(2) Date of purchase	Encumbrance	Audited NBV as at 30 September 2023 RM'000	(3) Market value as at 21 December 2022 RM'000	(3) Market value as at 13 October 2023 RM'000
(d)	PT SPS/ HGU Certificate No. 138 & 139, Puancepak/ Puancepak Village, Muara Kaman District, Kutai Kartanegara Regency, East Kalimantan	Oil palm plantation and estate quarter/ Oil palm plantation/ Leasehold of 35 years expiring on 25 April 2045 (with an unexpired term of lease of 22 years) with an option to renew for a further period of 25 years and generally can be further renewed for another period of 35 years upon fulfilment of conditions	24,454,900 sq m/ 10,242 sq m		6 April 2010	Nil	52,687	104,450	110,800

Notes:

- (1) Refers to only building and estate quarter.
- (2) Being the date of the HGB or HGU as applicable.
- (3) The properties as listed above have been valued by our Independent Valuer vide its valuation reports dated 20 February 2023. Our Independent Valuer has also inspected the above properties from 18 December 2022 to 21 December 2022, and adopted 21 December 2022 as the material date of valuation for the updated valuation certificates. In addition, our Independent Valuer has re-inspected the above properties from 11 October 2023 to 13 October 2023, and adopted 13 October 2023 as the material date of valuation for the updated valuation certificates. Please refer to Section 15 for the valuation certificates from our Independent Valuer for the details of the valuation of the above properties.

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

6. INFORMATION ON OUR GROUP (Cont'd)

6.9.2 Properties rented by our Group

The summary of material property rented by our Group as at LPD is set out below:

No.	Postal address	Landlord/ Tenant	Description/ Existing use	Built-up area	Date of completion and compliance	Period of tenancy/ Rental per annum
(a)	G-02 & G-03, Ground Floor Wisma MKH Jalan Semenyih 43300 Kajang Selangor	Laju Jaya Sdn Bhd/ MKHOP	Office units used as headquarters/ Business premise	510.88 sq m	22 May 1995	1 October 2023 to 30 September 2024 (with an option to renew)/ RM296,954

As at LPD, we have not encountered any difficulty in renewing the tenancy of the abovementioned rented property.

6.9.3 Acquisition of properties

We have not acquired nor entered into any agreements to acquire any properties during FYE 2020 to 2023 and up to LPD.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9.4 Material machinery

Details of our Group's material machinery are as follows:

Cultivation of oil palm

Machinery and equipment	Function	Fully depreciated units	With NBV	Average life span⁽¹⁾ years	Average age years	NBV as at 30 September 2023 RM'000
Powered wheelbarrow	To collect FFB from fields to the collection points	-	130	8	3	7,647
Farm ATV	To collect FFB from fields to the collection points	-	242	8	2	2,654
Utility vehicle	To be used by our employees for general transport	50	55	8	6	4,720
Excavator	To be used for road and drainage maintenance	29	6	8	(2)8	2,823
Backhoe loader	To be used for road and drainage maintenance	4	4	8	6	763
Motor grader	To be used for road and drainage maintenance	5	1	8	(2)9	419
Truck	To transport FFB from the collection points to our palm oil mill	59	6	8	(2)11	421
Compactor	To be used for road maintenance	6	4	8	7	803
Wheel loader	To clear FFB from the loading ramps in our palm oil mill	1	2	8	(2)6	455
Farm UTV	To collect FFB from fields to the collection points	-	13	8	5	178
Forklift	To move objects within our palm oil mill	-	1	8	3	50
Prime mover	To perform heavy duty transport (i.e. transport of other vehicles such as compactors)	1	-	8	(2)12	-
Total						20,933

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) Average lifespan of the machinery and equipment for cultivation of oil palm is computed based on the average lifespan of 8 years, which is consistent with the computation of depreciation for equipment adopted by our Group's accounting policy.
- (2) These machinery and equipment are still fit for use although their average age has exceeded the average life span and/or are fully depreciated as we continuously conduct inspection and maintenance of our machinery and equipment, and replace the parts and components to extend their lifespans. Our policy is to use our machinery and equipment for at least the duration of their estimated useful life. We will continue to utilise these fully depreciated machinery and equipment for our cultivation of oil palm as the conditions of these machinery and equipment remained intact. Thereafter, we would consider the ongoing cost of maintenance and repair relative to the costs and benefits of replacing these machinery and equipment.

Palm oil milling

Machinery and equipment	Function	Fully depreciated units	With NBV	Average lifespan years	Average age years	NBV as at 30 September 2023 RM'000
FFB reception	To weigh trucks prior to and after unloading FFB					
FFB sterilisation	To sterilise FFB and weaken the stalk of FFB					
FFB threshing	To separate fruitlets from bunches					
Pressing and oil extraction	To mash fruitlets and press out oil and waste water from mashed fruitlets					
Oil clarification	To separate oil from waste water and dirt, and to clarify oil prior to storage					
PK recovery	To recover palm nuts from mesocarp fibre, and thereafter polish, dry and crack the palm nuts to recover PK	-	153	15 to 20	(1)9 to 11	26,081
EFB pressing	To extract EFB liquor					
Stream and electricity generation	To produce steam for sterilisation process and pressing and oil extract process as well as to channel into turbines for electricity generation					
POME treatment	To treat POME prior to discharging for land application and selling the residue (i.e. sludge oil) to external customers					

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

- (1) None of our key machinery and equipment have exceeded the average useful lifespan. Our machinery and equipment that were installed during the initial setup of our palm oil mill have an average age of 10 years whereas the newly-added machinery and equipment have an average age of 8 years.

The placement of the machinery and equipment in our palm oil mill were designed and installed as a whole for our palm oil milling activities, namely the production of CPO and extraction of PK as disclosed in Section 7.4.2. We have purchased new production and extraction equipment subsequent to the initial setup of our palm oil mill and we continuously conduct inspection and maintenance of our machinery and equipment in each processing station for our palm oil milling activities and undertake certain repair works and replacement of parts and components to extend their lifespans. The disposal policy for our key machinery and equipment typically takes into consideration the following:

- (a) estimated useful life of the machinery and equipment;
- (b) cost of maintenance and repair; and
- (c) cost and benefits of replacement.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.9.5 Material capital expenditures and divestitures****(a) Material capital expenditures**

Save for the expenditures disclosed below, there were no other capital expenditures made by us for FYE 2020 to 2023 and up to LPD:

Capital expenditures	At cost				1 October
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	2023 up to
	RM'000	RM'000	RM'000	RM'000	LPD
					RM'000
Buildings	-	-	3	-	-
Motor vehicles	-	127	(1)1,599	(2)3,731	144
Plant and machinery ⁽³⁾	4,220	3,546	8,702	7,350	2,828
Furniture, fittings and office equipment	333	499	(4)1,865	914	216
Bearer plants	-	-	-	-	-
Plantation infrastructure	-	39	-	-	-
Under construction ⁽⁵⁾	4,853	5,871	3,943	16,515	10,506
	9,406	10,082	16,112	28,510	13,694

Notes:

- (1) Relates to purchase of 25 units of motor vehicles for usage in our plantation estates, of which 10 units of motor vehicles were for replacement purpose and 15 units of motorcycles were purchased for our estate workers.
- (2) Relates to purchase of 14 units of dump truck and 5 units of CPO truck for usage in our plantations estates and 2 units of passenger vehicle for usage at our headquarter in Kajang, Malaysia.
- (3) Relates mainly to the purchase of the following plant and machinery:
- (i) farm ATVs, powered wheelbarrows, backhoe loader, hydraulic lifting arms, forklift, compactor, trucks, excavators, trailers for our oil palm cultivation and harvesting activities;
 - (ii) FFB cages, EFB press, conveyors, decanter, generation set, super heater for our palm oil milling activities; and
 - (iii) hydraulic pump for our jetty operations.

We increased investment in plant and machinery for FYE 2022 as we needed more mechanical assistance to enhance productivity especially during periods of heavy weather, which impedes the productivity of our workers. For FYE 2023, the investment in plant and machinery was related to the continuous enhancement of its productivity.

- (4) Relates to purchase of computer and office equipment and renovation cost incurred for setting up the new office units currently being used as our headquarters in Kajang, Malaysia.
- (5) Relates to mainly bearer plants planting costs and capital work-in-progress. Our capital work-in-progress comprised expenditures on building, plant and machinery and facilities which are under construction, of which will be reclassified to the respective asset categories when the said assets are ready for use. In FYE 2023, it mainly comprised work-in progress for PK crushing plant, staff housing quarter and boiler.

6. INFORMATION ON OUR GROUP (Cont'd)

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures are mainly driven by our business growth as well as for replacement purposes.

(b) Material capital divestitures

We do not have any material capital divestitures for FYE 2020 to 2023 and up to LPD.

As at LPD, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1 and the material capital commitment as set out in Section 12.7, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6.9.6 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO to finance the capital expenditure as set out in Section 4.9.1, our Group does not have any other immediate plans to construct, expand and improve our facilities as at LPD.

6.10 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS

Our oil palm plantation business in Indonesia is governed by various number of prevailing laws, regulations, and decree, which the following are material to our operations. They relate essentially to: requisite licenses, land titles, certificates, approvals and confirmations to be obtained (items (a) to (g), (i), (k), (n), (o) and (r)), as well as the requisite compliance of laws and regulations on manpower, health, social responsibility, intellectual property, and taxation (items (h), (j), (l), (m), (p) and (q)). In this respect, our Group does not have any non-compliances with regards to such laws and regulations.

(a) Law No. 39 of 2014 on Plantation as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("Plantation Law")

The Plantation Law aims to improve and strengthen the national plantation industry and, at the same time, protect the customary societies, empower local farmers, and realise the environment-friendly plantation businesses. The Plantation Law provides that a plantation business can be conducted in Indonesia either by farmers (*pekebun*) (an Indonesian citizen farmer that operates a plantation business within a specific scale set by the Minister of Agriculture), or companies (a plantation company that is owned by Indonesian citizen or legal entity established under Indonesian laws and domiciled in Indonesia that operates plantation businesses within a specific scale set by the Minister of Agriculture). In addition, the Plantation Law also regulates other important issues such as plantation industry's master plan, types of plantation business, land use, licensing, investment in the plantation industry, protection and development of seeds, protection and empowerment of customary societies and local farmers, environmental protection, and commodity prices.

6. INFORMATION ON OUR GROUP (Cont'd)

The Plantation Law stipulates that any person who unauthorizedly (i) cultivates, uses, occupies, and/or possesses any plantation area, (ii) cultivates, uses, occupies, and/or possesses land of the communities or *Hak Ulayat* of the indigenous people with the aim for plantation business, (iii) cuts plants within the plantation area, and/or (iv) harvest and/or collects plantation product, is subject to imprisonment of at most 4 years or a fine of at most Rp4,000,000,000. Also, any plantation business undertakings who clear and/or cultivates the plantation by using fire, is subject to imprisonment of at most 10 years or a fine of at most Rp10,000,000,000. Where the above criminal offenses are perpetrated by an official upon instruction or a person that is authorized to be in charge of the plantation area ex officio, such an official shall be sentenced to the sentence under the Plantation Law increased by $\frac{1}{3}$.

PT MKH and PT SPS have obtained the required plantation business licence as the basis to carry out their business activities in palm oil plantation.

(b) Law No. 5 of 1960 ("Agrarian Law")

Under the Agrarian Law, Republic of Indonesia holds the ultimate title for land in Indonesia, and the highest title for land ownership right (*Hak Milik* ("HM")) made available only for Indonesian citizens. In order to establish a plantation business, a company must obtain the relevant rights over a land. The land titles that are most relevant, in the case of a plantation business, are HGU, HGB and Land Use Right (*Hak Pakai* or "HP"). However, if the land is part of the development of an Indonesian company's plantation (this includes a Foreign Investment Company (*perusahaan penanaman modal asing*)), only the HGU title may be used for such purpose.

Subject to the fulfillment of relevant obligations and operations of a plantation in accordance with the prevailing regulations, the HGU is usually granted for a maximum period of 35 years and can be extended for an additional maximum period of 25 years. A holder of the HGU can also renew the HGU title for a subsequent period of 35 years after the term of the extension expires.

The basic provisions concerning land in Indonesia are regulated under the Agrarian Law. However, the land rights in Indonesia are further regulated under Government Regulation No. 18 of 2021 concerning Management Rights, Land Rights, Flat Units and Land Registration, along with a number of new provisions governing various land rights and land registration procedures.

In addition, land rights are also stipulated under the Ministry of Agrarian Affairs and Spatial Planning / Head of National Land Agency No. 18 of 2021 on Procedures for Determining Right to Manage and Land Rights ("**MOA Regulation No. 18/2021**"). MOA Regulation No. 18/2021 was issued on 29 April 2021. It generally provides the procedures for applying and granting land rights (*hak atas tanah*), including Rights to Cultivate (*Hak Guna Usaha*). Rights to cultivate are granted for agricultural (including plantation), animal husbandry and fishery/fishpond business activities.

PT MKH and PT SPS have obtained the relevant land titles in the form of HGU and HGB.

(c) Law No. 3 of 2014 on Industrial Affairs as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("Industrial Law")

Industrial sector in Indonesia is generally stipulated under the Industrial Law. As an implementing regulation, the Government has issued Government Regulation No. 28 of 2021 on the Industrial Sector as amended by Government Regulation No. 46 of 2023 ("**GR 28/2021**"). Overall, the following key areas are addressed by GR 28/2021: (a) supervision of industrial undertakings and industrial estate operators; (b) access to and utilisation of raw materials; (c) application of the Indonesian National Standards (SNI), technical specifications and procedural guidelines; and (d) strategic industries.

6. INFORMATION ON OUR GROUP (Cont'd)

Failure to comply with the requirement for industrial business undertakings under GR 28/2021 may lead to administrative sanction in the form of (i) written warning, (ii) administrative fines, (iii) temporary closing of business, (iv) suspension of business licence, and/or (v) revocation of business licence.

In relation to the licence in the industrial sector, PT MKH is currently in the process of obtaining the verified standard certificate as required under the current licensing regime. As a part of the process, the mandatory technical verification, a requirement under the OSS-RBA which came into effect on 2 February 2021, has been carried out on 5 January 2023, following the Company's application for the verification of the standard certificate for KBLI 10431 (Crude Oil Palm Industry) since 2022. Based on the assessment by the verification team from the Directorate General of Agro-Industry of the Ministry of Industry, PT MKH has fulfilled all of the requirements in the industrial sector and is ready to commence the production activities. As a follow-up, PT MKH has uploaded these documents to the OSS-RBA to obtain a verified standard certificate for KBLI 10431 (Crude Oil Palm Industry) and it is expected to be obtained by 3rd quarter of 2024. The technical verification for KBLI 10432 (Crude Oil Palm Kernel Industry) has yet to be verified and/or assessed by the Directorate General of Agro-Industry of the Ministry of Industry as at LPD, and such assessment and technical verification on PT MKH's PK crushing facility are expected to be conducted in 2nd quarter of 2024. Upon completion of such assessment and technical verification, an application for the verification of the standard certificate for KBLI 10432 (Crude Oil Palm Kernel Industry) will be submitted to the Directorate General of Agro-Industry of the Ministry of Industry.

PT MKH was informed by the Ministry of Industry that SIINas system (Ministry of Industry's online system) that should be used for the application of technical verification of the Standard Certificate is still under integration process with the OSS-RBA and thus, it still cannot be used at this point of time. There is no penalty or sanction stipulated under GR 28/2021 pertaining to the aforementioned issue. To date, PT MKH has never received any notice of non-compliance, warning letters or sanctions in relation to this issue.

(d) Law No. 32 of 2009 on Environmental Protection and Management as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("Environmental Law")

Environmental protection in Indonesia is governed by various laws, regulations, and decrees, including the Environmental Law and its implementing regulations, which, among others, are GR No. 22/2021 and Minister of Environment and Forestry Regulation No. 4 of 2021 ("**Regulation No. 4/2021**"). In conjunction with GR No. 22/2021, the Environmental Law stipulates that all business sectors that are required to obtain an AMDAL or UKL/UPL as a pre-requisite for companies to obtain their business licensing (*perizinan berusaha*). These regulations introduce the term Environment Approval (*Persetujuan Lingkungan*) to distinguish it from the previous environmental licensing regime. The Environment Approval is integrated with the business licensing so business undertakings are now no longer required to obtain a standalone Environment Licence. As consequence to the integration of Environment Approval with business licensing, administrative sanction under GR No. 22/2021 will be imposed directly on the company's business licensing, leading to suspension or cessation of the company's business activities as a whole and fines.

6. INFORMATION ON OUR GROUP (Cont'd)

Under Regulation No. 4/2021, crude oil palm industry (KBLI 10431) and crude oil palm kernel industry (KBLI 10432) with an aggregate land area 10.0 Ha or more require an AMDAL, and if the aggregate land area is between 1.0 Ha to 10.0 Ha, UKL/UPL will be needed. If such company owns crude palm oil processing that is integrated with the crude oil palm industry (KBLI 10431) and crude oil palm kernel industry (KBLI 10432), an AMDAL will be required as well. The same goes for oil palm plantation activity (KBLI 01262) which requires an AMDAL.

PT MKH and PT SPS are in the midst of applying for the Environmental Approval. For further details on this matter, please refer to our notes in Section 6.7.

(e) Minister of Environment and Forestry Regulation No. 5 of 2021 on Procedure for Issuing Technical Approval and Operational Feasibility Letter in the Field of Environmental Pollution Control ("Regulation No. 5/2021")

In order to carry out the mandate regulated in GR No. 22/2021, the Minister of Environment and Forestry has issued Regulation No. 5/2021, which outlines the various requirements and procedures for the issuance of technical approvals and operational feasibility letter ("**SLO**") for the following activities:

- (i) Wastewater disposal and/or utilisation, which encompass the following:
 - (aa) disposal of wastewater into surface water bodies, certain formations or seas; and
 - (bb) utilisation of wastewater within certain formations or for applications to soil; and
- (ii) Releases of emissions

The securing of technical approvals and SLO are mandatory in relation to the implementation of the abovementioned activities by any businesses and/or through activities for which the following documents are required:

- (aa) Environmental Impact Analyses (Analisis Mengenai Dampak Lingkungan – "**AMDAL**"); or
- (bb) Environmental Management Efforts and Environmental Monitoring Efforts (Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup – "**UKL-UPL**").

It is important to note that based on Environmental Law, any person who intentionally commits a violation (wrongdoing) that causes the excess of the ambient limit of the standard of air quality, water quality, seawater quality, or the standard criteria of environmental damage, shall be punished with imprisonment of minimum 3 years and maximum 10 years and a fine of at least Rp3,000,000,000 at most Rp10,000,000,000. In case the violation as cited above (i) causes injury and/or hazard to human health, the person shall be punished with imprisonment for a minimum of 4 years and a maximum of 12 years and a fine of at least Rp4,000,000,000 and at most Rp12,000,000,000, or (ii) causes serious injury and/or death, the person shall be punished with imprisonment for a minimum of 5 years and a maximum of 15 years and a fine of at least Rp5,000,000,000 and at most Rp15,000,000,000.

PT MKH and PT SPS are in the midst of applying for the Environmental Approval. For further details on this matter, please refer to our notes in Section 6.7.

6. INFORMATION ON OUR GROUP (Cont'd)

(f) Minister of Agrarian/Head of National Land Agency Regulation No. 13 of 2021 on the Implementation of the Accordance of Space Utilisation Activities and the Synchronization of Space Utilisation Programs ("Regulation No. 13/2021")

This regulation aims to implement the provisions of Article 146 paragraph (1) Government Regulation Number 21 of 2021 concerning Spatial Planning ("**GR No. 21 of 2021**"). Basically, Regulation No. 13/2021 stipulates the details of the processes involved in the issuance of Accordance of Space Utilisation Activities (Konfirmasi Kesesuaian Kegiatan Pemanfaatan Ruang or "**KKPR**") for business activities, KKPR for non-business activities, and KKPR for national strategic activities, as well as the implementation of the Synchronization of Space Utilisation Programs (Sinkronisasi Program Pemanfaatan Ruang or "**SPPR**"). KKPR will be conducted through OSS-RBA.

Failure to obtain the relevant KKPR, the business undertakings may not be able obtain the required business licensing allowing it to engage in its business activities.

PT MKH and PT SPS have obtained this KKPR and complied with the requirements.

(g) Law No. 25 of 2007 on Investment, as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("Investment Law")

The Investment Law is aimed to promote domestic and foreign investment in Indonesia by granting several incentives to the investors, including but not limited to provisions of tax and financial incentives, immigration facilities for foreign workers and assistance in the licensing for imports. Furthermore, the Investment Law provides that all business sectors are open for foreign investment, except for the business sector that is determined as closed for foreign investors, or the business sector that is reserved to the Government of Republic Indonesia.

In this regard, the President of the Republic of Indonesia has issued the Government Regulation No. 5 of 2021 regarding The Organization of Risk-Based Business Licensing, as partially revoked by Government Regulation No. 11 of 2023 on Measured Fishing ("**GR No. 5/2021**") and Presidential Regulation No. 10 of 2021 on Investment Business Fields, as amended by Presidential Regulation No. 49 of 2021 ("**PR No. 10/2021**"). PR No. 10/2021 is issued with the objective to further enhance investment activities in Indonesia and enhance the competitiveness of the national economy in the face of the ASEAN Economic Community and the dynamics of economic globalisation, while enhancing the protection of various strategic sectors of the national companies and the micro, small and medium enterprises, and cooperatives ("**UMKMK**"), as well as enhancing the collaboration between foreign investors and UMKMK.

PR No. 10/2021 stipulates that generally, every business field is open for foreign investment, except for the business field that is determined as closed for foreign investment, or the business field that is reserved for the government of Republic Indonesia. Since the agricultural business is not included under GR No. 5/2021 and PR No. 10/2021 does and their annexes, under the new regime, palm oil plantation sector is 100% open for foreign investment, provided that the foreign investor fulfils all the obligations set out under GR No. 5/2021 and PR No. 10/2021.

6. INFORMATION ON OUR GROUP (Cont'd)

After the enactment of GR No. 5/2021, every business in Indonesia will be carried out based on their risks through the OSS-RBA, a system operated by OSS under the Indonesian Investment Coordinating Board/Ministry of Investment (*Badan Koordinasi Penanaman Modal/Kementerian Investasi* or "BKPM").

PT MKH and PT SPS have obtained the licences issued by the OSS-RBA, save for the verified standard certificate which is expected to be obtained by the 3rd quarter of 2024. For further details on this matter, please refer to Section 6.7.

(h) Law No. 13 of 2003 on Manpower as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law ("Manpower Law")

Generally, Indonesian employment law is governed by Manpower Law. The government has issued government regulations to implement the Manpower Law, namely:

- Government Regulation No. 35 of 2021, dated 2 February 2021, regarding Fixed-Term Employment Contracts, Outsourcing, Work and Rest Time, and Termination of the Work Relationship; and
- Government Regulation No. 36 of 2021, dated 2 February 2021, regarding Salary, as amended by Government Regulation No. 51 of 2023.

The two other main laws and regulations are:

- Law No. 2/2004, dated 14 January 2004, regarding industrial relations dispute settlement; and
- Law No. 21/2000, dated 4 August 2000, regarding labor unions.

In addition to the above laws, employers and employees are also subject to company regulations (or work rules) or a collective labor agreement (CLA), if applicable, as well as the express provisions of the employment agreement between the employer and the employee. There is also prohibition to perform child labor (child means every person who is under the age of 18). Any employer who performs child labor is subject to a criminal sanction in for of imprisonment for a minimum of 2 years and a maximum of 5 years and/or a fine of a minimum of Rp200,000,000 and a maximum of Rp500,000,000.

PT MKH and PT SPS have complied with the Manpower Law provisions, including but not limited to the minimum wage requirements, social security requirements, and reporting requirements.

(i) Minister of Agriculture Regulation No. 98/PERMENTAN/OT.140/ 9/2013 as amended by Minister of Agriculture Regulations No. 29/PERMENTAN/KB.410/5/2016 Tahun 2016 and No. 21/Permentan/KB.410/6/2017 on Guidelines for Plantation Permits ("Regulation No. 98/2013")

Regulation No. 98/2013 aims to improve the regulatory framework for plantation business licensing governed by the previous Minister of Agriculture Regulation No. 26/Permentan/OT.140/2007. Regulation No. 98/2013 contains the guidelines for the licensing of plantation business, plasma programme, and limitation of an overall cap of 100,000 Ha on the aggregate area of palm plantation concessions within Indonesia that may be vested in a single company or in a group.

6. INFORMATION ON OUR GROUP (Cont'd)

Under Regulation No. 98/2013, there are 3 types of plantation businesses; i.e. cultivation business, crops/product processing business and plantation services business. A plantation company which has obtained a plantation business permit must submit an annual report regarding its business development, at least, once a year to the issuer of plantation business licence and the Minister of Agriculture. Failure to comply with such reporting obligation, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of the Plantation Business Licence.

PT MKH and PT SPS have obtained the required plantation business licence. For further details on this matter, please refer to Section 6.7.

(j) Minister of Agriculture Regulation No. 18 Year 2021 on Plantation Development Facilitation for Surrounding Community ("MOA Regulation 18/2021")

Any plantation companies which have obtained Plantation Business Licence of Cultivation, Plantation Business Licence of Processing and Plantation Business Licence of Cultivation and Processing ("**Integrated IUP**") are subject to several obligations, among other things:

- (i) facilitating the development of community plantation along with the construction of company's plantation; and
- (ii) having a partnership with farmers, employees, and community.

The Plantation Development Facilitation for Surrounding Community 's obligation may be carried out through the following schemes:

- (a) credit scheme;
- (b) profit sharing scheme;
- (c) other financing scheme as agreed by the parties; and/or
- (d) other partnership schemes.

Failure to comply with above obligation, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of the Integrated IUP.

PT MKH and PT SPS have complied with these requirements. For further details on this matter, please refer to Section 6.5.

6. INFORMATION ON OUR GROUP (Cont'd)**(k) Regulation of the President of The Republic of Indonesia No. 44 of 2020 on Indonesian Sustainable Palm-Oil Certification System ("Regulation No. 44/2020")**

Pursuant to Regulation No. 44/2020, Indonesian Sustainable Palm Oil Certification System ("**ISPO Certification**") is a palm plantation business system that is economically, socially, and environmentally feasible, based on the Indonesian applicable laws and regulations. ISPO Certification is regulated to ensure that the palm plantation companies and palm plantation business consistently complies with the ISPO Certification's principles and criteria, in order to produce palm oil sustainably. The implementation of ISPO can be mandatory or voluntary, depending on the nature of each palm plantation company or business. ISPO Certificate is issued upon engagement from a certification institution (lembaga sertifikasi) to conduct the certification assessment based on ISPO Certification's principles and criteria. A certification institution (lembaga sertifikasi) is an independent institution that has obtained the recognition from the ISPO Commission and has been accredited by the National Accreditation Committee (Komite Akreditasi Nasional) for quality management system and environmental management system. In the event of an absence of an ISPO Certificate, the Indonesian government may impose administrative sanctions in the form of warning letters up to the revocation of Plantation Business Permit (Izin Usaha Perkebunan).

PT MKH and PT SPS have obtained the ISPO certificate respectively.

(l) Law No. 17 of 2023 on Health ("Health Law")

The Health Law stipulates that every individual is entitled to a healthy environment for good health. The Indonesian government is responsible to plan, regulate, perform, develop, and supervise the implementation of distributed and affordable health measures through public services. The Indonesian government and the public are also required to guarantee the availability of healthy environment, which includes housing, working place, recreational area and public facilities. The Health Law stipulates that healthy environment shall be free from, among others, liquid wastes, dangerous chemical substances, and polluted water. Business entities are required to guarantee the health of their employees by way of prevention, improvement, medication, recovery measures as well as bearing their employees' health care costs in accordance with the laws and regulations.

PT MKH and PT SPS have complied with the Health Law requirements and have applied a healthy environment within PT MKH and PT SPS' area.

(m) Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility ("GR No. 47/2012")

GR No. 47/2012 was enforced in order to impose a mandatory CSR regime for "natural resource-based" and "natural resource-related" companies as mandated by Article 74 of the Company Law. Under GR No. 47/2012, a company's director is responsible to implement the company's CSR activities and required to prepare an annual CSR operation plan, including an annual CSR budget plan. Such annual operation and budget plans must be prepared based on the "appropriateness and reasonableness" described as the financial capacity of the company having regard to the risks that give rise to the social and environmental responsibilities that must be borne by the company, subject to the obligations of the company as set out in the legislation governing the company's business operations. Therefore, the higher the company's profit and the greater the impact of its operation to the environment, the more resources the company must allocate for its CSR activities.

6. INFORMATION ON OUR GROUP (Cont'd)

PT MKH and PT SPS are in compliance with the requirements under GR No. 47/2012. Please refer to Section 6.11 for the CSR activities carried out by PT MKH and PT SPS.

(n) Government Regulation No. 20 of 2021 on The Control over Abandoned Areas and Lands ("GR No. 20/2021")

Pursuant to GR No. 20/2021, a person or legal entity which owns or possesses any kind of land rights (HM, HGU, HGB, HP or Right to Manage (Hak Pengelolaan)) must use their land according to their respective purposes in accordance with the social function of the land. The landowner must also report the utilisation of their land from time to time. The Head of Agency (the government or local authority that issued the licence/concession/business licensing) will conduct evaluation of abandoned area to ensure that the landowner utilise their land. In the event that the evaluation result shows that the land is abandoned or not utilized, the Head of Agency convey a written warning to the landowner. If after the third warning letter the land is still not utilised, the Head of the Agency stipulate such land as an abandoned land, followed by the revocation of the landowner's business licensing and/or the land will become an area that is controlled directly by the state (dikuasai langsung oleh negara).

PT MKH and PT SPS has respectively obtained the relevant land titles in the form of HGB and HGU, and thus, PT MKH and PT SPS have controlled over abandoned areas.

(o) Regulation of the Minister for Agrarian and Spatial Affairs/Head of National Land Agency No. 21 of 2020 on The Handling and Settlement of Land Dispute ("Regulation No. 21/2020")

Regulation No. 21/2020 provides provisions regarding all land-related cases, conflict, dispute settlements, supervision and management and legal aid and protection. In general, in order to handle and resolve land disputes and conflicts, as well as cases related to land, the Minister of Agrarian Affairs and Spatial Planning/Head of the National Land Agency will receive any complaints originating from the following parties: (i) Individuals or community members; (ii) Community groups; (iii) Legal entity; (iv) Government agencies; and (v) Ministry technical units, regional offices of the National Land Agency and land offices. The settlement of the dispute can also be conducted through mediation and through traditional institution (lembaga adat) based on local culture (kearifan lokal).

PT MKH and PT SPS has respectively obtained the relevant land titles in the form of HGB and HGU and does not have any dispute related to the land.

(p) Intellectual Property Rights Laws and Regulations

The types and regulation of Intellectual Property Rights in Indonesia are Copyright by Law No. 28 of 2014, Patent by Law No. 13 of 2016 as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law, Trademarks and Geographical Indications by Law No. 20 of 2016 as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law, Industrial Design by Law No. 31 of 2000, Integrated Circuit Layout Design by Law No. 32 of 2000, Trade Secrets by Law No. 30 of 2000, and Plant Variety Protection by Law No. 29 of 2000 as amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law.

PT MKH and PT SPS have entered into licence agreement on the trademarks with our Company and have complied with the Intellectual Property Rights Laws and Regulations.

6. INFORMATION ON OUR GROUP (Cont'd)

(q) Taxation Laws and Regulations

According to Law No. 6 of 1983 concerning General Provisions and Tax Procedures as lastly amended by Law No. 6 of 2023 on the Ratification of Government Regulation in lieu of Law No. 2 of 2022 on Job Creation as a Law and DGT Regulation No. PER-04/PJ/2020 Technical Instructions for Implementation of Administration of Taxpayer Identification Number, Electronic Certificate, and Confirmation of Taxable Entrepreneur, every taxpayer which has fulfilled the subjective and objective requirements according to taxation laws and regulation, shall register to the relevant Tax Service Office whose working area covers the domicile and project location of the taxpayer.

Whoever deliberately fails to apply to be given a taxpayer registration number which may cause losses to the state's revenue shall be punished by imprisonment for a minimum of 6 months and maximum of 6 years and by fine for a minimum of 2 times the amount of unpaid or underpaid tax and maximum of 4 times the amount of unpaid or underpaid tax.

PT MKH and PT SPS have respectively obtained a taxpayer registration number and comply with the taxation laws and regulations.

(r) Own Interest Terminal Laws and Regulations

Own Interest Terminal (Terminal Untuk Kepentingan Sendiri, "TUKS") is regulated under Regulation of the Minister of Transportation No. PM 52 of 2021 on Special Terminals and Private (Own Interest) Terminals. Business entities may construct and operate own interest terminals in order to support certain activities within the relevant ports' work authority areas (*daerah lingkungan kerja* – "DLKr") and interest authority areas (*daerah lingkungan kepentingan* – "DLKp").

In terms of the management of TUKS, Regulation 20/2017 required said management to be carried out based on cooperation with port operators and upon the securing of approvals from the Director-General or from the relevant governors or regents/mayors, depending on the locations of terminals. Said approvals were granted for ten-year periods and could be extended upon the fulfilment of certain requirements.

PT MKH currently operates a TUKS to support its main business activity and has obtained the required license to operate a TUKS.

As at LPD, PT MKH and PT SPS are in the midst of applying for the Environmental Approval which covers the B3 licence under the new regulatory regime in the form of Technical Details for B3 (as stated in items (d) and (e) above) and PT MKH is in the midst of obtaining the verified standard certificate (as stated in item (c) above). Please refer to Section 6.7 for further details on the Environmental Approval and verified standard certificate including the status and processes of application. As at LPD, our Group is in compliance with the governing laws, regulations, rules or requirements relating to our business.

6. INFORMATION ON OUR GROUP (Cont'd)

6.11 ENVIRONMENT, SOCIAL AND GOVERNANCE PRACTICES

Our Group is committed to act responsibly in its business operations, including to its business stakeholders, its employees and the local community around its plantation estates. As an oil palm plantation group, our Group is exposed to risks related to environmental, health and safety issues in the oil palm industry in Indonesia, hence our Group implements sustainability practices across all facets of its businesses. With this in place, our environment, social and governance practices strives to be in-line with the Sustainability Reporting Guide issued by Bursa Securities, which seeks to help Main Market and ACE Market listed companies to embed sustainability in their operations. Moving forward, our Group shall endeavour towards ensuring that our environment, social and governance practices are disclosed to our various stakeholders in a detailed manner (including disclosures on our Group's management of material sustainability matters) via the preparation of Sustainability Statements in line with Bursa Securities' Sustainability Reporting Guide, of which our Group has appointed PricewaterhouseCoopers Risk Services Sdn Bhd in August 2023. Our Group is in the midst of adopting the sustainability practices as recommended to our Board based on the developed framework on environment, social and governance. Our Group's operations are guided by the following practices, principles, policies and processes to ensure the sustainability of its business:

6.11.1 Environmental practices

Our Group is committed to preserve a healthy ecosystem at its plantation estates via good estate management/plantation practices, including:

- (a) adoption of zero-burning policy during land clearing and putting up various signboards on environment preservation and wildlife protection as a constant reminder to our Group's plantation workers as they carry out their daily duties;
- (b) installation of an integrated drainage system across our Group's plantation estates as part of its water management practices as well as to maintain the moisture level of soil to promote growth of oil palm trees;
- (c) reduction of the application of agrochemicals through the use of natural alternatives such as planting of beneficial plants to combat pests, as well as introduction of barn owls for pest control in our Group's plantation estates;
- (d) treatment of POME which are accumulated from palm oil milling process and used for land application in our Group's plantation estates;
- (e) generation of electricity for domestic consumption in certain parts of our Group's plantation estates by using by-products produced during palm oil milling, i.e. PK shell and mesocarp fibre as fuel for the boiler to generate steam for the electricity turbine;
- (f) reuse of by-products from our Group's palm oil milling process, i.e. EFB and decanter cake, as fertilisers for its plantation estates;
- (g) reduce the usage of plastic and shrink wrap, as well as recycle of dry waste such as plastic, shrink wrap and cartons by selling them to recycling companies for alternative uses; and
- (h) adoption of no child labour and no discrimination policies where our Group commits to protect children's and workers' welfare.

As at LPD, our Group has not experienced any environmental issues at our plantation estates.

6. INFORMATION ON OUR GROUP (Cont'd)

6.11.2 Health, safety and social

Our Group places strong emphasis on ensuring the well-being of its workers. Our Group has established a Safety and Health Committee to develop in-house occupational health and safety rules, review the policies and ensure that all employees are in a safe working environment. Initiatives undertaken by our Group to ensure the health, safety and well-being of its employees include:

- (a) building and provision of infrastructure and facilities such as ATMs, mini market, staff quarters, recreational facilities and prayer facilities to improve the livelihood and living convenience of our Group's workers and the local community;
- (b) availability of a 24-hour clinic with medical personnel on duty and essential medical equipment to address the medical needs of the community;
- (c) implementation of health programme and regular fogging to prevent dengue;
- (d) equipping our Group's workers with the necessary safety and protection equipment for work, such as face masks, rubber boots and gloves;
- (e) regular cleaning activities to ensure the cleanliness and hygiene of workplace and living quarters; and
- (f) imposition of infection control measures during the COVID-19 pandemic, to protect our Group's employees against potential COVID-19 infection.

Further, our Group has also received several appreciations/awards in recognition of its emphasis on the health, safety and well-being of its employees, as follows:

Year	Appreciation / award	Awarding body
2020	Appreciation on the implementation of prevention and control programme on HIV and AIDs at workplace (Gold standard)	Governor of East Kalimantan
2021	Appreciation on the implementation of prevention and control programme on HIV and AIDs at workplace (Platinum standard)	Governor of East Kalimantan
2021	Appreciation on the prevention of COVID-19 at workplace (Gold standard)	Governor of East Kalimantan
2022	Appreciation on the prevention of COVID-19 at workplace (Platinum standard)	Ministry of Manpower of the Republic of Indonesia

As an oil palm group in Indonesia, our Group is obligated to participate in the Plasma Programme initiated by the Government of Indonesia to facilitate the development of community plantation and to establish cooperation between plantation companies and community members in the village to improve the wellbeing of underprivileged communities and reduce socio-economic disparities.

6. INFORMATION ON OUR GROUP (Cont'd)

As part of our Group's CSR initiatives, our Group has also established a pre-school, a primary school and junior secondary school (from Grade 7 to Grade 9) to provide education to the children of our estate workers. Further, as our Group is concerned with community needs and the front-liners since the COVID-19 pandemic outbreak, our Group donated more than 100,000 pieces of face masks to the Provincial Government of Kutai Kartanegara and communities near our plantation estates. Our Group also donated oxygen regulators to Kutai Kartanegara Health Office (Dinas Kesehatan Kutai Kartanegara) for the welfare of the patients.

Additionally, our Group organised blood donation drives to encourage blood donation and conducted fogging activities at the surrounding community and staff quarters to prevent dengue.

6.11.3 Governance

Our Group recognises the importance of promoting good corporate governance to ensure long term sustainability, growth and delivering value. As such, our Group is committed to uphold the highest standards of corporate governance and ethical conduct in accordance with the principles and practices of corporate governance as set out in the MCCG.

PT MKH obtained its ISPO certification since 4 April 2017 while PT SPS obtained the ISPO certification (with a 5-year certification) from PT Global Inspeksi Sertifikasi, an accredited certification body of ISPO on 27 July 2022. Our Group has met the criteria under the ISPO certification including but not limited to environmental management and monitoring, social and community responsibility, sustainable business development as well as the technical guidelines for oil palm cultivation and processing where our Group conform to good agricultural practices.

6.12 EMPLOYEES

The breakdown of our employees as at 30 September 2023 and LPD are as follows:

Department/ Business function	Permanent		Contractual		Total
	Local ⁽¹⁾	Foreign ⁽²⁾	Local ⁽¹⁾	Foreign ⁽²⁾	
As at 30 September 2023					
Director	-	2	-	-	2
Key management	-	4	-	-	4
Administrative, finance and information technology	90	13	6	-	109
Field audit/R&D	29	-	5	-	34
General workers ⁽³⁾	1,934	2	331	-	2,267
Harvesters	1,033	-	364	-	1,397
Support ⁽⁴⁾	321	1	30	-	352
Palm oil milling	171	1	10	-	182
Jetty	30	-	-	-	30
Purchasing	12	1	1	-	14
Logistics	14	-	-	-	14
Total	3,634	24	747	-	4,405

6. INFORMATION ON OUR GROUP (Cont'd)

Department/ Business function	Permanent		Contractual		Total
	Local ⁽¹⁾	Foreign ⁽²⁾	Local ⁽¹⁾	Foreign ⁽²⁾	
As at LPD					
Director	-	2	-	-	2
Key senior management	-	4	-	-	4
Administrative and IT	58	10	6	-	74
Audit and finance	33	4	5	-	42
Field audit/R&D	32	-	1	-	33
General workers ⁽³⁾	2,029	2	295	-	2,326
Harvesters	1,183	-	292	-	1,475
Support ⁽⁴⁾	330	2	16	-	348
Palm oil milling	178	1	3	-	182
Jetty	30	-	-	-	30
Purchasing	13	1	1	-	15
Logistics	13	-	1	-	14
Total	3,899	26	620	-	4,545

Notes:

- (1) Refers to Indonesian employees.
- (2) Refers to non-Indonesian employees i.e. Malaysian employees.
- (3) Comprises general workers that carry out planting, chemical spraying, application of fertilisers, general maintenance and other labour works.
- (4) Comprises support personnel in human resources and general affairs; health, safety and environment; ISPO compliance; geographic information system; land business development and quality management system.

As at LPD, our Group has a total workforce of 4,545 employees of which 3,925 are permanent employees and 620 are contractual employees. None of our employees are member of any union nor have there been any major industrial disputes in the past.

For information purposes, our Group had on 31 March 2023 terminated the management services agreement entered into with MKH Resources for the provision of internal audit, human resources and administration and IT to our Group.

In this respect, Chen Wei Chyong, our Executive Director, was appointed to oversee our Group's IT, human resource and administration functions, which were set up in April 2023, where she is supported by 42 personnel, of which 5 are local employees and 37 are Indonesian employees, with respective functional expertise. Our Group has set up an internal audit function to plan and execute the annual audit plans, subject to review and evaluation of our Audit and Risk Management Committee, as well as to provide assurance that our business and operations are carried out in accordance with our Group's relevant policies and procedures. In October 2023, we have recruited an internal audit manager which possess knowledge in internal audit and established our internal audit system.

All foreign employees (i.e. Malaysian employees) employed by us have valid working permits and are not in breach of any immigration laws.

7. BUSINESS OVERVIEW

7.1 HISTORY OF OUR GROUP

The history of our Group can be traced back to 19 November 2004 when our parent company, MKH acquired the entire equity interest in our Company as a shelf company. Between 2006 and 2019, there were 3 allotments of shares of our Company to MKH, and MKH remained as the sole shareholder of our Company. Apart from these allotments, in 2011 and 2013, there was an allotment of RCPS each year to Metro Kajang (Oversea), which were all redeemed and converted to ordinary shares in 2021 and resulted in Metro Kajang (Oversea) owning 43.27% equity interest and MKH owning the remaining 56.73% equity interest in our Company.

The acquisition of our subsidiaries and changes in shareholdings, as well as the history and development of our Group and business operations since 2008 are as follows:

Incorporation/acquisition of our subsidiaries and changes in shareholdings

As part of MKH's plan to venture into oil palm plantation business, on 18 January 2008, our Company acquired the entire equity interest in SJL Utama Pte Ltd ("**SJL**"), a company incorporated in Labuan, Malaysia which had a 94.998%-owned subsidiary named PT MKH, with the remaining equity interests held by PT Khaleda Anugerah Utama ("**PT Khaleda**") (4.998%), Ong Khek Gee (0.002%) and Juhni Mirza (0.002%). PT MKH owned approximately 15,942.6 Ha of plantation land located in East Kalimantan, Indonesia. Before the acquisition of the entire equity interest in SJL, our Company had remained dormant since the acquisition by MKH.

On 1 July 2009, our Company acquired 94.998% equity interest in PT MKH from SJL, resulting in PT MKH becoming our directly-owned subsidiary. This was in preparation of the cessation of SJL's business to streamline the corporate structure of MKH, whereby SJL was subsequently struck off from the register of Labuan Financial Services Authority with effect from 15 November 2011. On the same date, another subsidiary under MKH, namely Metro Kajang (Oversea), acquired 0.002% equity interest in PT MKH from Ong Khek Gee.

Between 2015 and 2018, PT MKH undertook 3 allotments of shares to its shareholders, namely PT Khaleda, Juhni Mirza and Metro Kajang (Oversea); and on 7 February 2018, Juhni Mirza disposed his entire equity interest to PT Khaleda; which resulted in Metro Kajang (Oversea) owning 0.67% equity interest, PT Khaleda owning 5.00% equity interest, and our Company owning the remaining 94.33% equity interest in PT MKH.

On 27 March 2017, as part of our expansion plans, MKH Plantation, a wholly-owned subsidiary of MKH, acquired 75.00% equity interest in PT SPS, with the remaining equity interest held by Ivakijaya (20.00%) and PT Khaleda (5.00%). PT SPS owned approximately 2,445.5 Ha of plantation land located adjacent to the plantation land owned by PT MKH.

In 2021 and 2022, PT Khaleda transferred all of its equity interest in PT MKH (5.00%) to PT Hikmat, resulting in PT Hikmat owning 5.00% equity interest, Metro Kajang (Oversea) owning 0.67% equity interest, and our Company owning the remaining 94.33% equity interest in PT MKH. Over the same period, PT Khaleda transferred all of its equity interest in PT SPS (5.00%) to PT Hikmat, resulting in PT Hikmat owning 5.00% equity interest, Ivakijaya owning 20.00% equity interest, and MKH Plantation owning the remaining 75.00% equity interest in PT SPS.

As part of the Pre-IPO Reorganisation and in preparation for our Listing, our Company has undertaken the Acquisition of PT MKH and Acquisition of PT SPS to acquire the remaining 5.67% equity interest in PT MKH that are owned by PT Hikmat (5.00%) and Metro Kajang (Oversea) (0.67%); as well as the entire equity interest in PT SPS that are owned by PT Hikmat (5.00%), Ivakijaya (20.00%), and MKH Plantation (75.00%). The Acquisition of PT MKH and the Acquisition of PT SPS were completed on 20 December 2023, and PT MKH and PT SPS became our wholly-owned subsidiaries.

7. BUSINESS OVERVIEW (Cont'd)

History and development of our Group and business operations

Upon the acquisition of SJL in 2008, we purchased oil palm seedlings from third party suppliers and commenced the cultivation of seedlings by setting up a nursery on the plantation land. By end of 2008, we had planted oil palms on approximately 20.0% of the total plantation land; and by end of 2009, we had planted oil palms on approximately 55.0% of the total plantation land. By end of 2010, approximately 90.0% of the plantation land was planted with oil palms.

In January 2011, we began to harvest FFB and commenced sale of FFB to third party palm oil mills. In October 2011, we completed the construction of a palm oil mill with a processing capacity of 60 MT FFB per hour, on the plantation estate owned by PT MKH, to commence the processing of FFB harvested from our plantation estate to produce CPO and extract PK. With this, we ceased selling FFB to third party palm oil mills as we began processing all FFB harvested from our plantation estate in our palm oil mill, except during periods where our palm oil mill undergoes annual major maintenance.

With the aim to increase the operational capacity of our palm oil mill as part of our expansion plan and to meet our rising FFB production, in July 2014, we upgraded our palm oil mill to a capacity of 90 MT FFB per hour.

Upon the acquisition of PT SPS in 2017, the total area of our oil palm plantation land increased to 18,388.1 Ha. At the point of acquisition, approximately 70.0% of the plantation land of PT SPS was already planted with oil palms.

On 4 April 2017, PT MKH obtained the ISPO certification from PT SGS Indonesia, an accredited certification body of ISPO as a testament to the sustainability of our plantation practices and in recognition of our compliance with the relevant laws and regulations in Indonesia. On 27 July 2022, PT SPS obtained the ISPO certification from PT Global Inspeksi Sertifikasi, an accredited certification body of ISPO. Please refer to Section 7.1.1 for further details of the certifications and awards obtained by our Group.

As our oil palms began entering the prime mature stage with peak FFB harvest, we recognised the importance of enhancing the productivity in our plantation estates. In 2018, we purchased and commissioned over 100 units of powered wheelbarrows to replace some of our conventional wheelbarrows for the collection of FFB, thus increasing our in-field mobility and operational efficiency in FFB collection. Further, we began implementing more mechanisation processes and adopted more technology to enhance the productivity and efficiency of FFB collection in our plantation estates. Please refer to Section 7.7 for further details of the technology adopted by our Group.

In October 2018, our Group began to undertake the building materials trading business in Malaysia, together with another subsidiary under MKH, namely MKH Building Materials Sdn Bhd. Subsequently in 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

7.1.1 Certification and awards

Our Group adopts plantation practices that focus on the efficiency of our plantation management and quality of our crop. Among the areas of our plantation practices include field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment management. The adoption of these plantation practices has improved FFB yields in our plantation estates as well as OER and KER in our palm oil mill. It helps to ensure the quality of our products. Please refer to Section 7.4.1 for further details of the plantation practices adopted by our Group.

7. BUSINESS OVERVIEW (Cont'd)

As a testament to the quality of our products and the efficiency of our plantation practices, our Group was awarded with the following certifications and awards:

Certifications

Certification	Processing facility / scope	Certification body/ awarding body	Date first awarded	Current validity period
ISPO	Compliance with the ISPO certification system of the plantation estate and palm oil mill owned and operated by PT MKH	PT SGS Indonesia	4 April 2017	11 August 2025
ISPO	Compliance with the ISPO certification system of the plantation estate owned and operated by PT SPS	PT Inspeksi Sertifikasi Global	27 July 2022	26 July 2027
Company performance rating assessment programme in environmental management (PROPER) – Blue (2015 to 2020) and Green (2021 to 2023)	Conformance to the requirements in efforts carried out to control pollution and/or damage to the environment carried out by PT MKH	Governor of East Kalimantan	5 June 2015	⁽¹⁾ N/A

Note:

- ⁽¹⁾ This is a yearly assessment conducted by the Governor of East Kalimantan on our level of conformance to the requirements in controlling pollution and/or damage to the environment. These certificates are usually issued to our Group in the middle of every calendar year upon the completion of assessments.

This assessment comprises 5 ranks, i.e. from black being the lowest rank, to red, blue, green and gold being the highest rank. Our Group received a Blue rank from 2015 to 2020, and a Green rank from 2021 to 2023. This demonstrates our continuous and enhanced efforts in preserving the environment as part of our business operations.

As mandated by the Indonesian Government, ISPO certification is a mandatory certification scheme for all oil palm growers in Indonesia, with the aim to improve sustainable practices and reduce greenhouse gas emissions in the Indonesian oil palm industry. The scheme is based on relevant prevailing Indonesian laws and regulations which aims to facilitate compliance by palm oil producers as detailed in Section 6.10. To obtain the ISPO certification, we are evaluated and audited by accredited certification bodies of ISPO, from all aspects of the abovementioned plantation practices. Further, we are reviewed regularly by our customers (i.e. downstream refineries and PK crushing mills) based on the scope of ISPO assessment criteria as part of their audit process. In the event that our Group does not meet the ISPO assessment criteria during our customers' audit process, the customers may not purchase CPO and/or PK from us until we meet their ISPO assessment criteria, or may request for higher discount when they purchase CPO and/or PK from us.

7. BUSINESS OVERVIEW (Cont'd)**Awards**

Year	Award	Awarding body
2019	Zero Work Accident Award	Ministry of Manpower of the Republic of Indonesia
2019	Zero Accident Award	Governor of East Kalimantan
2020	Gold Award for Best Foreign Owned Plantation Company	Provincial Government of Kutai Kartanegara, Indonesia
2020	Zero Accident Award	Governor of East Kalimantan
2021	Zero Accident Award	Governor of East Kalimantan
2022	First Class Plantation (Excellence)	Plantation office of Kutai Kartanegara, Indonesia
2022	Zero Accident Award	Governor of East Kalimantan

7.2 DESCRIPTION OF OUR BUSINESS

We are an upstream oil palm plantation group and our operations are based in East Kalimantan, Indonesia. Through our subsidiaries, we are principally involved in:

- (a) cultivation of oil palm; and
- (b) production and sale of CPO and PK.

As at LPD, our Group owns 2 oil palm plantation estates, 1 palm oil mill and 1 jetty located in East Kalimantan, Indonesia. The harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK for onward sales to our customers.

Our principal activities, business model and products are further detailed in the ensuing sections.

7.2.1 Cultivation of oil palm

Through our subsidiaries, we cultivate oil palm and harvest FFB on 2 plantation estates owned by our Group located in East Kalimantan, Indonesia. These 2 plantation estates have a total plantation land area of 18,205.3 Ha, comprising 17,008.8 Ha of planted area and 1,196.5 Ha of unplanted area as at LPD, with details as follows:

	PT MKH	PT SPS	Total
	Ha		
Total planted area	15,012.4	1,996.4	17,008.8
Unplanted area for other purposes (e.g. palm oil mill, management office, housing, nursery, roads, drains, canals)	930.2	266.3	1,196.5
Total land area	15,942.6	(1)2,262.7	18,205.3

7. BUSINESS OVERVIEW (Cont'd)**Note:**

- (1) 182.8 Ha of the plantation land area owned by PT SPS has been earmarked for transfer in the form of HGU to Sawit Seguntung Jaya Plantation Cooperative, Puan Cepak Village. The transfer of the plantation land area was to fulfill the obligation of PT MKH under the Plasma Programme whereby PT MKH is obligated to amongst others, provide the plantation facilities and assist in the management of the plantation land. Please refer to Section 6.5(b)(v) for further details of the transfer of plantation land area measuring 182.8 Ha.

Under Plantation Law and MOA Regulation No. 18/2021 (as respectively defined in Section 6.10), the Indonesian Government requires oil palm plantation companies to develop and manage new plantations under the Plasma Programme for local cooperatives which comprise local farmers. Under the Plasma Programme, our Group is required to provide a total of 2,226.0 Ha of plantation land (1,606.0 Ha under PT MKH and 620.0 Ha of plantation land under PT SPS) for plantation development and management for the local cooperatives. To fulfil this requirement, PT MKH and PT SPS have entered into several agreements, among others, Cooperation Agreement for Development of Plasma Plantation between Sawit Seguntung Jaya Plantation Cooperative and PT SPS with the Plasma Core Partnership Pattern dated 20 September 2016 as amended by the first addendum dated 9 July 2018. As at LPD, our Group has fully fulfilled the Plasma Programme requirement, where 1,906.0 Ha of plantation land provided to the local cooperatives have been planted with oil palm, and the remaining 320.0 Ha of plantation land provided to the local cooperatives are yet to be planted as they are pending the issuance of IUP to commence planting. The following table illustrates the Plasma Programme requirement as fulfilled by PT MKH and PT SPS respectively:

Plasma Programme requirement			Plantation cooperative involved
Fulfilled	Land size (Ha)	Location	
PT MKH	(1)1,200	Desa Sedulang	Sawit Sendowan
	(1)406	Desa Puan Cepak	Sawit Sendowan
PT SPS	(1)300	Desa Sedulang	Sawit Sendowan
	(2)320	Desa Puan Cepak	Sawit Seguntung Jaya
	2,226		

Notes:

- (1) Pursuant to the Regulation of the Indonesian Minister of Agriculture No. 98/Permentan/OT.140/9/2013 on Guidelines on Plantation Business Licence of Cultivation as amended lastly by the Regulation of the Indonesian Minister of Agriculture No. 21/Permentan/KB.410/6/2017, any oil palm plantation company which obtained its IUP prior to 28 February 2007 and has implemented *Perusahaan Inti Rakyat* (PIR) Plantation Scheme, PIR with transmigration scheme or PIR with Credit Facility for Cooperation (*Kredit Koperasi Primer untuk Anggota*) or any other core-plasma cooperation is not required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. In view that PT MKH obtained its IUP on 15 November 2005, PT MKH was not required to comply with the aforementioned obligations as it was not stated in the Plantation Business Licence of Cultivation (IUP) of PT MKH. Nevertheless, PT MKH and PT SPS have collaborated with Sawit Sendowan Plantation Cooperative pursuant to the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program in the following manner:

- (a) a total of 1,200.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT MKH to develop and manage;

7. BUSINESS OVERVIEW (Cont'd)

- (b) a total of 300.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Sedulang has been assigned to PT SPS to develop and manage; and
 - (c) a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop and manage. There was no agreement entered into with Sawit Sendowan Plantation Cooperative in this respect. However, on 24 December 2012, PT MKH had entered into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion and agreement between PT MKH and the local farmers. For clarity, the entry into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative is in accordance with the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.
- (2) In view that PT SPS obtained its IUP on 19 October 2009, PT SPS was required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. Based on the principal agreement entered into with Sawit Seguntung Jaya Plantation Cooperative in September 2016, PT SPS was required to develop and manage approximately 320 Ha plantation area based on the planted area of 1,567 Ha at that point in time.

Following the rehabilitation and planting activities by PT SPS, the total planted area of PT SPS' plantation estate has increased to 1,996.4 Ha as at LPD. Pursuant thereto, the relevant supplemental agreement or addendum to the principal agreement in respect of the abovementioned Plasma Programme obligations shall be entered into between PT SPS and Sawit Seguntung Jaya Plantation Cooperative upon the issuance of IUP, which is expected to be obtained by 2nd quarter of 2024, for Sawit Seguntung Jaya Plantation Cooperative, whereby PT SPS shall be required to develop and manage a total of approximately 400 Ha of land (i.e. 320 Ha (already assigned to PT SPS) and 80 Ha (to be assigned to PT SPS)) being the plantation area to be assigned based on the Plasma Programme requirement of at least 20% of total planted area of approximately 1,996.4 Ha by Sawit Seguntung Jaya Plantation Cooperative.

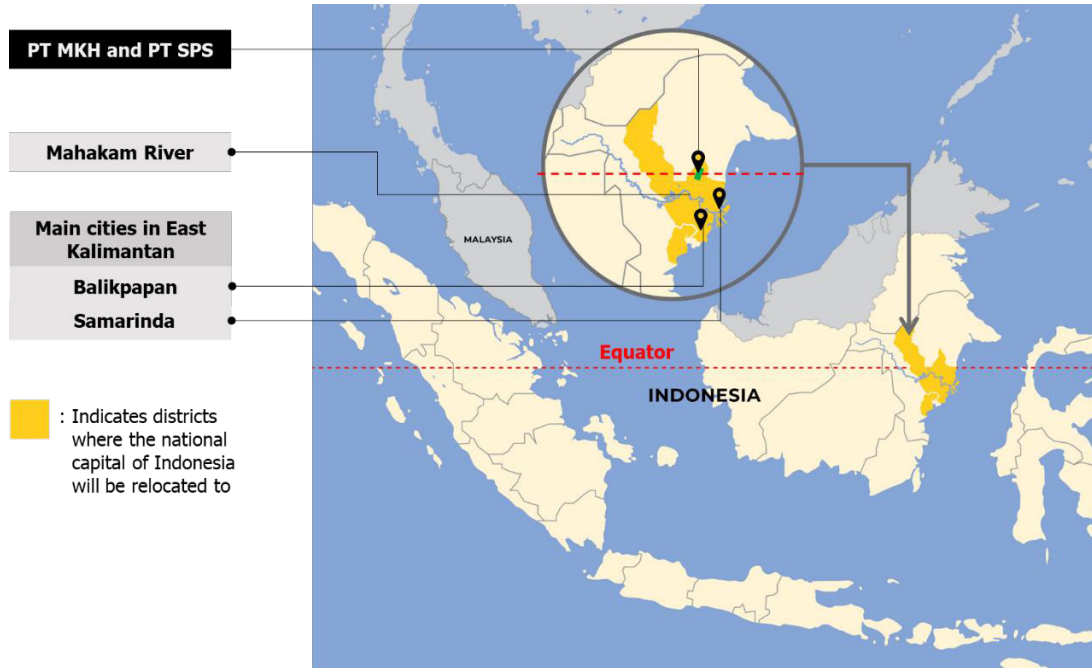
Please refer to Section 6.5(b) for the further details on the agreements entered into with the plantation cooperatives.

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7. BUSINESS OVERVIEW (Cont'd)

Location and land profile of our oil palm plantation estates

Our oil palm plantation estates owned and managed by PT MKH and PT SPS are adjacent to each other and are located in East Kalimantan, Indonesia as shown in the map below:



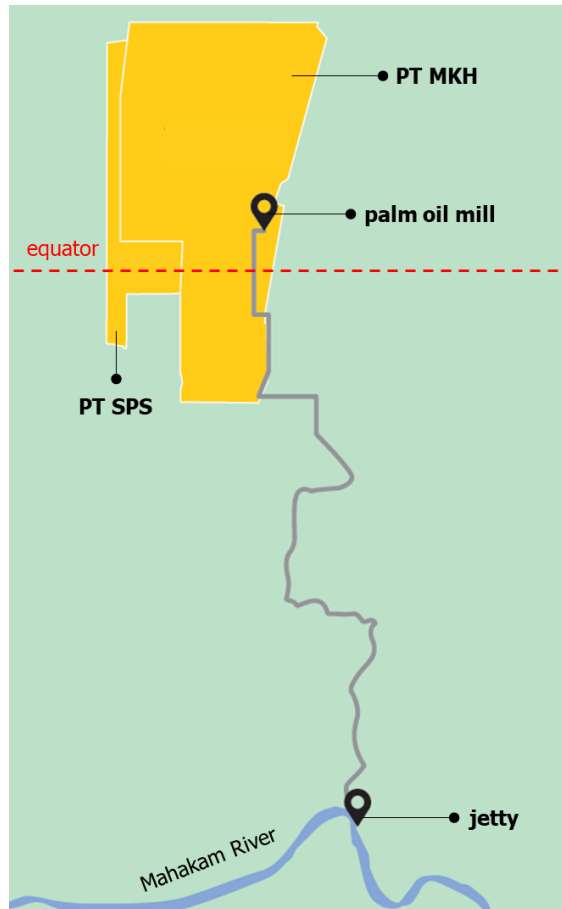
Our palm oil mill is located within the central region of our plantation estate managed by PT MKH. Our plantation estates and palm oil mill are located at approximately 90km from Samarinda, the capital of East Kalimantan; and 200km from Balikpapan, the financial centre of Kalimantan. Further, our plantation estates and palm oil mill are located within Kutai Kartanegara and 270km from North Penajam Paser, which are the 2 districts where the national capital of Indonesia will be relocated to.

Geographically, our plantation estates are situated along the equator, which are areas with adequate levels of rainfall and direct sunshine, making them ideal for oil palm growth. All the terrain of our oil palm planted areas are generally flat to gently undulating with the whole of the land below 50 metre AMSL, whereby most of the elevations are between 15 metre and 30 metre AMSL and higher, and up to 40 metre AMSL near the eastern boundary. This eases our operations, including planting, upkeep and maintenance as well as harvesting and evacuation of FFB, as it does not require our workers to ascend steep slopes, or to operate our machinery and vehicles such as powered wheelbarrows, farm ATVs and UTVs, and trucks across steep slopes, to carry out these activities which are more time- and energy- consuming; thus, contributing to our productivity.

Our plantation estates are equipped with an integrated drainage system which comprises a network of canals and drains spanning across our estates as well as water control equipment such as pumps, stoppers and water gates, for water management purposes. It helps to divert excess rainwater to a lake nearby to minimise the risks of flood; as well as to maintain the moisture level of soil. We have a private jetty owned and operated by our Group, which is located approximately 48km away from our plantation estates. The private jetty is a river jetty along the Mahakam River which eases the logistics management as we are able to transport our CPO and PK via the jetty to other river ports along the Mahakam River for onward delivery to our customers, through third party providers appointed by our customers.

7. BUSINESS OVERVIEW (Cont'd)

The layout of our plantation estates as well as the location of our palm oil mill and jetty are shown in the map below:



The illustrations of our plantation estates, palm oil mill and jetty are shown below:



Plantation estates

7. BUSINESS OVERVIEW (Cont'd)



Palm oil mill



Jetty

In terms of soil profile, our plantation estates are located on both mineral soil land and peat soil land, with breakdown as follows:

Soil type	PT MKH		PT SPS		Total	
	Total planted area Ha	%	Total planted area Ha	%	Total planted area Ha	%
Mineral	8,433.8	56.2	235.7	11.8	8,669.5	51.0
Peat	6,578.6	43.8	1,760.7	88.2	8,339.3	49.0
	15,012.4	100.0	1,996.4	100.0	17,008.8	100.0

7. BUSINESS OVERVIEW (Cont'd)

As at LPD, 51.0% of our oil palms planted area are on mineral soil land, and the remaining 49.0% of our oil palms planted area are on peat soil land. The different types of soil land do not affect our plantation activities, growing conditions of our oil palms, nor our FFB yield.

Age profile of our oil palm

Oil palms start to mature from around the 4th year after planting and typically reach their peak production period from around the 10th year until approximately the 20th year. We classify our young mature oil palms as those aged between the 4th year and 9th year, and our prime mature oil palms as those that aged between the 10th year and 20th year. In general, young mature oil palms can produce approximately 16MT of FFB per Ha per year; and prime mature oil palms can produce over 25MT of FFB per Ha per year.

The age profile of our oil palm as at LPD is depicted as follows:

Age Profile	PT MKH		PT SPS		Total	
	Ha	%	Ha	%	Ha	%
Immature (0 to 3 years)	-	-	-	-	-	-
Young mature (4 to 6 years)	-	-	865.3	43.3	865.3	5.1
(7 to 9 years)	-	-	589.0	29.5	589.0	3.5
	-	-	276.3	13.8	276.3	1.6
Prime mature (10 to 12 years)	15,012.4	100.0	1,131.1	56.7	16,143.5	94.9
(13 to 16 years)	-	-	824.3	41.3	824.3	4.8
(17 to 20 years)	15,012.4	100.0	306.8	15.4	15,319.2	90.1
Old (21 to 25 years)	-	-	-	-	-	-
Replanting (>25 years)	-	-	-	-	-	-
Total	15,012.4	100.0	1,996.4	100.0	17,008.8	100.0

As at LPD, a majority of our oil palms (i.e. 16,143.5 Ha, or 94.9% of our total planted area) were prime mature oil palms that are in their peak production years, while the remaining were young mature oil palms (i.e. 865.3 Ha, or 5.1% of our total planted area) which will soon be entering peak production. As at LPD, none of our oil palms are immature oil palms aged 3 years and below, old oil palms aged between 21 and 25 years, or older than 25 years which are due for replanting. When our oil palms reach old stage at the age of around 22 years, we will commence replanting on a staggered basis, which includes cultivation of oil palm seedlings for about 9 to 12 months and field planting. Please refer to Section 7.4.1 for further details on our planting process of oil palms.

Nevertheless, our replanting efforts may not only involve oil palms that are older than 25 years, as replanting, or known as infilling, may be carried out as and when required to replace unhealthy oil palms, in order to maintain the number of oil palms per Ha (i.e. 136 to 145 oil palms per Ha) and our FFB yield.

In preparation for the infilling which may be required from time to time and supply of oil palm seedlings to local cooperatives under our Plasma Programme, we are continuously involved in the cultivation of oil palm seedlings. As at LPD, we have an oil palm nursery measuring 10.4 Ha in our plantation estate owned by PT MKH. Our seedlings mature at age between 9 and 12 months and will be transplanted to our plantation estates. The matured seedlings in our oil palm nursery will be prioritised for field planting in our plantation estates, however the seedlings may be sold to local cooperatives under our Plasma Programme.

7. BUSINESS OVERVIEW (Cont'd)**FFB yields**

In our plantation estates, harvested FFB are transported to our palm oil mill where processing takes place for the production of CPO and extraction of PK. As FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield, we transport the harvested FFB to our palm oil mill within 24 hours for processing. Please refer to Section 7.2.2 for further details on the production of CPO and PK.

With all oil palms at its prime mature stage, plantation estates managed by PT MKH recorded average FFB yields at 29.9MT per Ha, 27.9MT per Ha, 24.2MT per Ha and 25.8MT per Ha in FYE 2020 to 2023 respectively. On the other hand, our FFB yields in the plantation estate managed by PT SPS stood at 22.7MT per Ha, 14.7MT per Ha, 13.5MT per Ha and 11.1MT per Ha in FYE 2020 to 2023, respectively.

A summary of our FFB yield profile is shown below:

	Average FFB yield per Ha⁽¹⁾			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	MT			
PT MKH	29.9	27.9	24.2	25.8
PT SPS	22.7	14.7	13.5	11.1
Overall Group	29.3	(2)26.7	(2)23.2	(2)24.1

Notes:

- (1) Represents the FFB yield in our plantation estates owned and managed by PT MKH and PT SPS. This does not include FFB yield for the plantations of the local cooperatives under the Plasma Programme.
- (2) Lower FFB yield in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and 2022. The average monthly rainfall recorded in our plantation estates increased from 140mm in FYE 2020 to 198mm in FYE 2021, and to 240mm in FYE 2022. Notwithstanding that our plantation estates are equipped with an integrated drainage system to divert excess rainwater to a lake nearby to minimise the risk of flooding, the La Nina phenomenon in FYE 2021 and FYE 2022 resulted in higher-than-expected rainfall which caused flooding to some area in our plantation estates and also affected pollination, which eventually led to lower FFB yield. In FYE 2023, the La Nina phenomenon continued in the first half of FYE 2023 until March 2023 which continued to result in heavy rainfall, before the rainfall began to reduce in April 2023. In overall, the average monthly rainfall recorded in our plantation estates in FYE 2023 was 161mm. Despite the overall improved rainfall situation in FYE 2023, our FFB yield in FYE 2023 remained relatively low as compared to FYE 2020 and 2021, due to continued heavy rainfall in the first half of FYE 2023.

PT SPS experienced a more significant decline in FFB yield in FYE 2021 and FYE 2022 as compared to the decline in FFB yield in PT MKH over the same period. This was due to a less established drainage system compared to PT MKH, as PT SPS was a relatively newly acquired estate. As such, PT SPS experienced prolonged floods in its oil palm field, and its FFB harvesting activities were therefore disrupted. Our Group has since continuously strengthened our rehabilitation efforts in PT SPS to better mitigate future adverse weather conditions. Rehabilitation in both of our plantation estates in PT MKH and PT SPS is an on-going effort to maintain the efficiency of, and/or to enhance, our drainage system through amongst others, deepening and widening the canals and drains as well as the outlets diverting excess rainwater from our estates; and constructing additional canals and drains within our estates if needed. As at LPD, our Group has deepened and widened the outlets in both PT MKH and PT SPS to allow quicker diversion of rainwater during heavy rain to minimise the risk of flooding, and is constantly desilting and upkeeping the canals and drains.

7. BUSINESS OVERVIEW (Cont'd)

Apart from using the harvested FFB for the production of CPO and PK in house, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance. These FFB are delivered to our neighbouring palm oil mills through transporters appointed by our Group.

7.2.2 Production and sale of CPO and PK

We have a palm oil mill with a processing capacity of 90MT FFB per hour located within the plantation estate managed by PT MKH. Save for the period where our palm oil mill undergoes maintenance, all FFB harvested in our plantation estates are transported to this palm oil mill for the production of CPO and extraction of PK. As our palm oil mill is located within our plantation estates, it enables us to deliver our harvested FFB to the palm oil mill to be processed in the shortest time possible. This is essential as FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield. We purchase FFB from local cooperatives under our Plasma Programme for processing at our palm oil mill.

A summary of our FFB produced, purchased and processed; as well as our CPO produced and PK extracted together with the OER and KER is shown as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	MT			
Input for our palm oil mill (i.e. FFB) for the production of CPO and extraction of PK				
FFB harvested in our plantation estates				
- PT MKH	433,413	417,780	362,904	388,006
- PT SPS	28,772	21,941	19,848	22,224
FFB purchased under Plasma Programme	20,599	20,175	22,210	23,051
Total FFB processed	482,889	459,940⁽¹⁾	404,901⁽¹⁾	433,011
Output from our palm oil mill (i.e. CPO and PK)				
CPO produced	100,010	89,438	74,942	89,017
OER (%)	20.7	19.4 ⁽²⁾	18.5 ⁽²⁾	20.6 ⁽³⁾
PK extracted	20,331	17,963	16,245	16,886
KER (%)	4.2	3.9 ⁽²⁾	4.0 ⁽²⁾	3.9 ⁽³⁾

Notes:

(1) Lower FFB processed in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina weather phenomenon in FYE 2021 and 2022.

(2) Lower OER and KER in FYE 2021 and FYE 2022 were due to higher moisture content in FFB harvested as a result of heavy rainfall from La Nina weather phenomenon in FYE 2021 and 2022.

7. BUSINESS OVERVIEW (Cont'd)

- (3) Higher OER in FYE 2023 was due to lower moisture content in FFB harvested as a result of decreased rainfall in the second half of year 2023, whereas lower KER in FYE 2023 was due to shrinking of FFB fruitlet size caused by the earlier La Nina weather phenomenon. For avoidance of doubt, FFB fruitlet size is generally affected by weather condition, whereby prolonged La Nina weather phenomenon generally leads to shrinking of FFB fruitlet size. However, as the La Nina weather phenomenon improved with decreased rainfall in FYE 2023, the moisture content in FFB fruitlets decreased, hence leading to greater amount of oil extracted from FFB harvested and recording higher OER in FYE 2023 despite the shrinking of FFB fruitlet size. On the contrary, in FYE 2022, the size of the kernels remained relatively unchanged as the development of FFB fruitlets generally takes place approximately 9 to 10 months before harvesting.

Our Group's OER, from FFB processed to CPO produced, stood at 20.7%, 19.4%, 18.5% and 20.6% in FYE 2020 to 2023. On the other hand, our KER, from FFB processed to PK extracted, stood at 4.2%, 3.9%, 4.0% and 3.9%, respectively over the same period.

We sell our CPO to downstream refineries in Indonesia for further processing into palm-based edible oils and other oleochemical products. Further, PK extracted from FFB in our palm oil mill are sold to PK crushing mills and downstream refineries in Indonesia to produce PK products.

According to the Indonesian National Standard's quality guidelines published by the National Standardisation Agency of Indonesia, the content of FFA in CPO produced by palm oil mills in Indonesia should not be more than 5.0% at the point of loading for delivery to customers.

Over the years, the FFA content in CPO produced by our Group is generally lower than 5.0%, at averages of 3.4%, 4.0%, 4.6% and 4.3%, respectively in FYE 2020 to 2023. We purchase CPO with FFA content of above or close to 5.0% from neighbouring palm oil mills to mix with our CPO in order to achieve CPO with higher FFA content but still below 5.0% for sale to customers. This enables us to increase the production of our CPO at lower cost as CPO with higher FFA content is generally purchased at a discounted rate from our neighbouring palm oil mills, thereby increasing our sales revenue and profitability at a cost-effective manner. In FYE 2020, 2021 and 2023, we purchased 1,503MT, 2,709MT and 144MT of CPO, respectively from neighbouring palm oil mills. We did not purchase CPO from neighbouring palm oil mills for mixing with our CPO in the FYE 2022 due to relatively high FFA content (at an average of approximately 6.5%) in the CPO offered for sale to our Group by our neighbouring palm oil mills.

To maintain a low FFA content in CPO produced by our Group and to ensure delivery of CPO with FFA content lower than 5.0% to our customers, we undertake the following quality control processes:

- (a) We practise a FFB harvesting interval of 10 to 12 days and collect loose fruits on the ground within 2 days of FFB harvesting to avoid overripe FFB which may increase the FFA content.
- (b) We transport the FFB and loose fruits collected to our palm oil mill within 24 hours for processing to achieve maximum oil yield and to avoid overripe FFB which may increase the FFA content.
- (c) While the CPO produced by our Group is stored in our storage tanks, we perform regular testing on the FFA content, and perform mixing when required to produce CPO with optimised level of FFA content (below 5.0%) for sale to customers.

Despite having these quality control processes in place, in FYE 2020 to 2023, there were some sales of CPO with FFA content more than 5.0% to our customers. Please refer to Sections 9.1.2 for further details on the claims received from our customers.

7. BUSINESS OVERVIEW (Cont'd)

Apart from CPO and PK, our palm oil mill yields other by-products during the processing such as EFB, decanter cake, mesocarp fibre, PK shells and POME. EFB and decanter cake are used as fertiliser at our oil palm plantations, mesocarp fibre and PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation), and POME are treated prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers to be used in the production of biodiesel and soaps.

7.2.3 Infrastructure and facilities in our plantation estates

As at LPD, there are approximately 4,500 workers, who reside in our plantation estates together with their family members. To improve the livelihood and living convenience of our workers and the local community, we are committed to continuously building and upgrading the infrastructure and facilities in our plantation estates. Among the infrastructure and facilities in our plantation estates that we have built are as follows:

- (a) A pre-school, a primary school and a junior secondary school (from Grade 7 to Grade 9), to provide education to the children of our estate workers;
- (b) A clinic that operates 24-hours a day with medical personnel on duty and essential medical equipment to address the medical needs of the community;
- (c) Self-service banking stations with ATM to enable the community to perform transactions including withdrawals, bill payments and fund transfers;
- (d) A mobile telecommunications tower, constructed by a local telecommunications company, to provide the community with access to telecommunication services;
- (e) A mini mart that sells daily necessities and groceries;
- (f) Recreational facilities such as a football field, badminton courts, sepak takraw courts and basketball courts; and
- (g) Prayer facilities comprising mosques and chapels.

The illustrations of our infrastructure and facilities are shown below:



Staff quarters

7. BUSINESS OVERVIEW (Cont'd)



School



Self-service banking station



Mobile telecommunications tower



Mini mart



Clinic and ambulance



Mosque

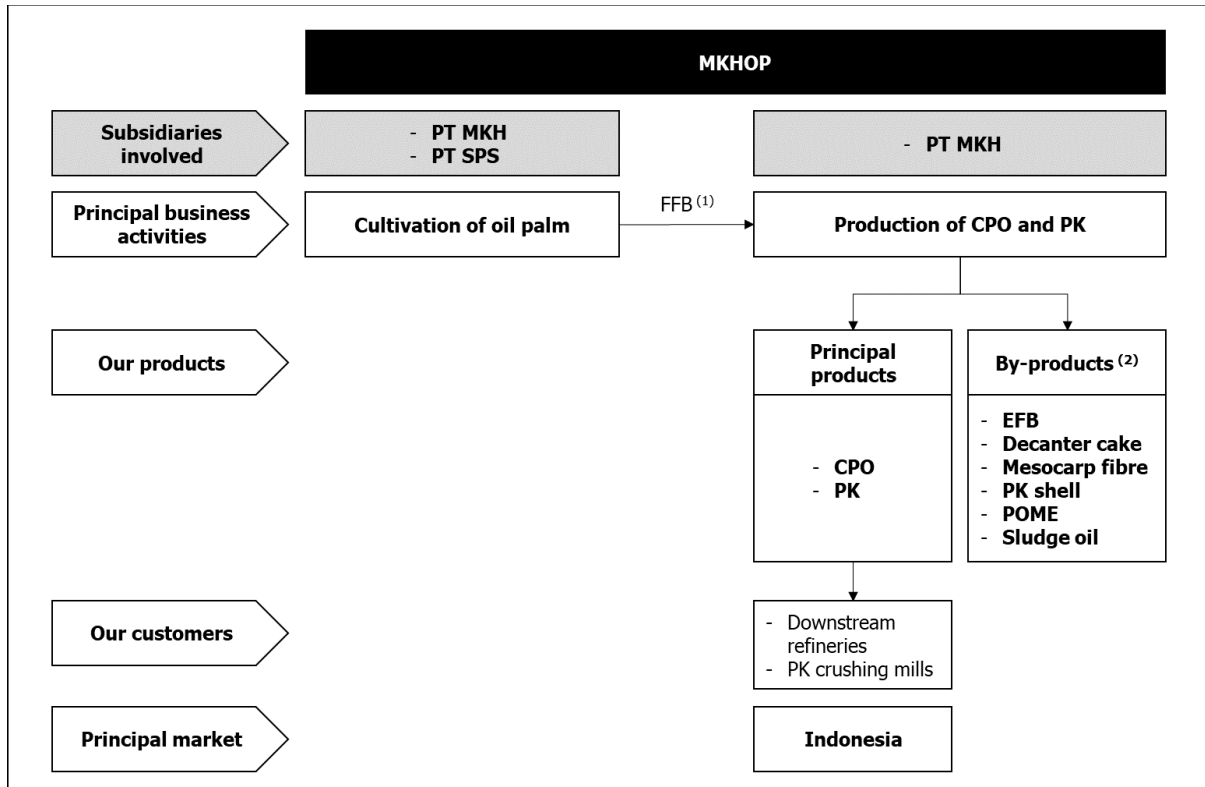


Chapel

Under the Plasma Programme, our Group is involved in assisting local cooperatives in the development and preparation of plantation land, supplying oil palm seedlings to local cooperatives as well as training and educating the farmers under the local cooperatives in oil palm cultivation and management.

7. BUSINESS OVERVIEW (Cont'd)

7.2.4 Business model



Notes:

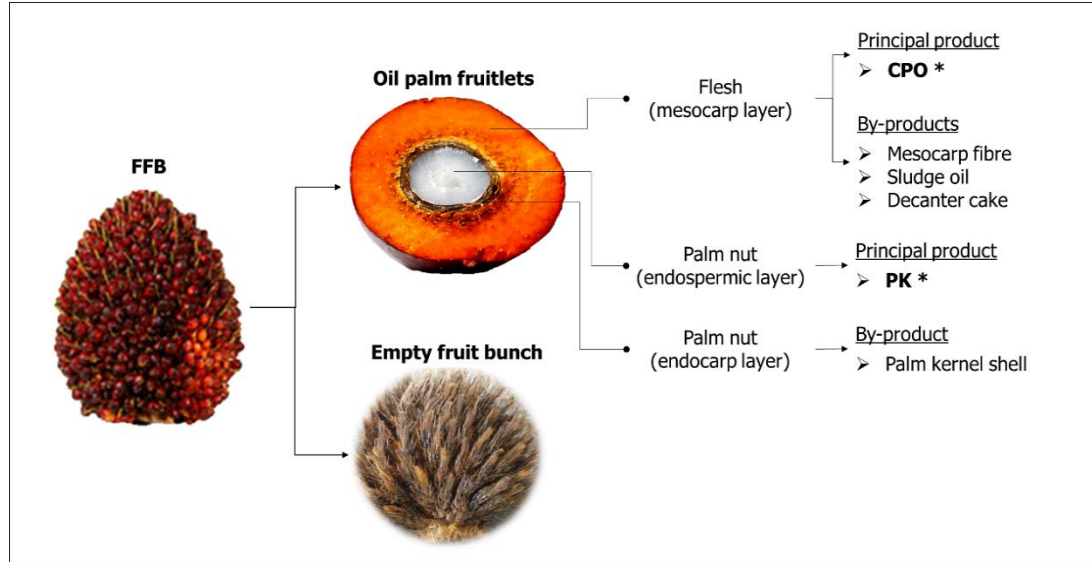
- (1) Harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK. In addition, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance.
- (2) EFB and decanter cake are used as fertiliser at our oil palm plantations, mesocarp fibre and PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation), and POME are treated prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers which can be used in the production of biodiesel and soaps.

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7. BUSINESS OVERVIEW (Cont'd)

7.2.5 Our products

The diagram below depicts the principal products and by-products that can be produced from the processing of FFB. Please refer to Section 7.4.2 for further details on the processing of FFB.



Note:

* Indicates principal products produced and sold by our Group to our customers.

Our principal products are CPO and PK which are mainly sold locally to customers in Indonesia. The details of our products and the type of customers are as follows:

Products	Description	Type of customers
CPO	A deep reddish-orange oil extracted from the mesocarp layer of oil palm fruit via the pressing process carried out in our palm oil mill. CPO has a balanced composition of fatty acids in which the level of saturated fatty acids is almost equal to that of unsaturated fatty acids. CPO has to undergo further processing in refineries, which comprises the refining process and fractional distillation, to refine and separate the oils into its specific use for different industries. The refining process results in RBD palm oil. RBD palm oil then undergoes fractional distillation to produce RBD palm olein, RBD palm stearin and oleochemicals which are used in the manufacturing of food and non-food products.	Downstream refineries

7. BUSINESS OVERVIEW (Cont'd)

Products	Description	Type of customers
PK	<p>PK is the seed or the endospermic layer of oil palm fruit. The extraction of CPO from oil palm fruit results in the leftover of palm nuts. PK is recovered from the residual palm nut through the removal of the PK shell.</p> <p>The recovered PK has to undergo further crushing and pressing activities to extract oil from the recovered PK by PK crushing mills. The oil extracted from PK is sent for further clarification process to produce clear CPKO. CPKO has to undergo further processing in refineries that results in RBD palm kernel oil. RBD palm kernel oil then undergoes fractional distillation to produce RBD palm kernel olein, RBD palm kernel stearin and oleochemicals which are used in the manufacturing of food and non-food products.</p>	<p>PK crushing mills, downstream refineries and traders of palm products</p>

We produce other by-products namely EFB, decanter cake, mesocarp fibre, PK shells, POME and sludge oil, whereby the usage of these by-products are detailed in Sections 7.2.2 and 7.2.4.

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7. BUSINESS OVERVIEW (Cont'd)**7.3 PRINCIPAL MARKETS AND SEGMENTS**

For FYE 2020 to 2023, the sale of CPO was the largest revenue contributor to our Group as it contributed 79.9%, 85.9%, 85.9% and 91.7% to our Group's total revenue, respectively. The breakdown of our Group's revenue by business segments for FYE 2020 to 2023 is as follows:

Business segment	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Plantation								
CPO	225,584	79.9	263,571	85.9	275,612	87.3	310,013	91.7
PK	24,870	8.8	30,887	10.1	40,205	12.7	27,968	8.3
	250,454	88.7	294,458	96.0	315,817	100.0	337,981	100.0
Trading ⁽¹⁾	31,870	11.3	12,153	4.0	-	-	-	-
Total	282,324	100.0	306,611	100.0	315,817	100.0	337,981	100.0

Note:

⁽¹⁾ Refers to trading of building materials business in Malaysia which was carried out by our Group. Subsequently, in FYE 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

In FYE 2020 and 2021, our Group's business activities were largely based in Indonesia, therefore sales derived in Indonesia were higher than sales derived in Malaysia. During the same period, sales derived in Indonesia contributed 88.7% and 96.0% to our Group's total revenue respectively, which was entirely from our plantation business; while sales derived in Malaysia accounted for 11.3% and 4.0% to our Group's total revenue, respectively which was entirely generated from the trading of building materials.

Since the cessation of trading of building materials business of our Group effective from 1 January 2021, our Group has been solely focusing on the cultivation of oil palms and production of CPO and PK in Indonesia, whereby our customers from this business segment are mainly local customers in Indonesia. As such, in the FYE 2022 and 2023, our Group solely generated our revenue from Indonesia.

7. BUSINESS OVERVIEW (Cont'd)

The breakdown of our Group's revenue segmentation by geographical locations for FYE 2020 to 2023 is as follow:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Indonesia	250,454	88.7	294,458	96.0	315,817	100.0	337,981	100.0
Malaysia ⁽¹⁾	31,870	11.3	12,153	4.0	-	-	-	-
Total	282,324	100.0	306,611	100.0	315,817	100.0	337,981	100.0

Note:

- (1) Relates to trading of building materials business in Malaysia which was carried out by our Group. Subsequently, in FYE 2021, our Group had ceased the building materials trading business from 1 January 2021 for the preparation of our Listing.

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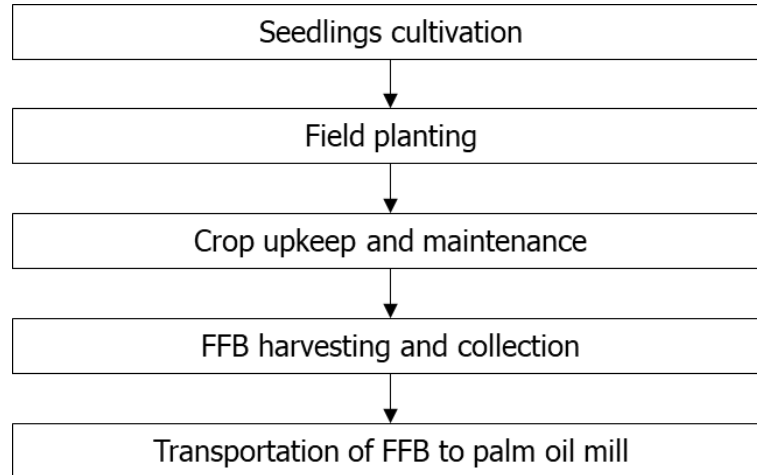
7. BUSINESS OVERVIEW (Cont'd)

7.4 BUSINESS PROCESS

We harvest FFB in our plantation estates, and the harvested FFB will be collected and delivered to our palm oil mill for the production of CPO and extraction of PK to be sold to our customers. The process flow of planting of oil palms and harvesting of FFB as well as production of CPO and extraction of PK are detailed as follow:

7.4.1 Planting of oil palms and harvesting of FFB

The process of planting of oil palms and harvesting of FFB is depicted as follows:



Seedlings cultivation

Our planting of oil palms begins in our nursery located in one of our plantation estates, where we purchase seedlings from seedling suppliers, and cultivate these seedlings in our nursery for about 9 to 12 months before they are ready to be planted in the fields.

Field planting

The matured seedlings from our nursery are generally planted in the field approximately 9 metres apart, as well as in lines and in a pattern of equilateral triangles. This planting methodology generally results in approximately 136 to 145 oil palms per Ha. Oil palms generally begin to produce fruits 2.5 years after planting in the fields, and begin to produce commercial harvests when they reach the stage of young mature (i.e. approximately 4 years after planting in the fields).

Crop upkeep and maintenance

In our oil palm field, it is important to continuously upkeep and maintain the crops to ensure the harvest and quality of our FFB yields. We implement a set of plantation practices for crop upkeep and maintenance, including:

- (a) Fertilise our oil palms regularly using inorganic fertilisers such as urea, rock phosphate and potash to replenish the nutrients absorbed by our oil palms. We use organic fertilisers, which are by-products from our palm oil mill such as EFB and decanter cake. By re-using these by-products produced from our palm oil mill, we save on the cost of inorganic fertilisers, while maintaining environmental balance;
- (b) Ensure that the area surrounding each oil palm is free from other vegetation and crops which may compete with the oil palms for soil nutrients, water and sunlight;

7. BUSINESS OVERVIEW (Cont'd)

- (c) Ensure that leguminous cover crop is established to discourage the growth of competing vegetation and crops; and
- (d) Ensure that our oil palms are protected from pests and disease by using approved pesticides and through an organic way by planting beneficial plants such as Antigonon leptopus, Cassia Cobanensis and Turnera Subulata.

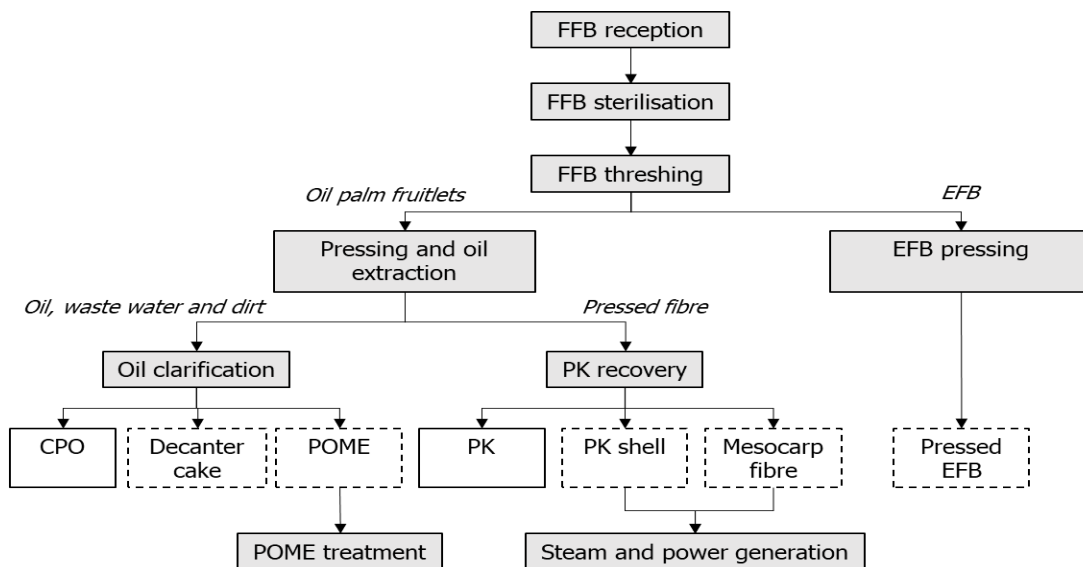
FFB harvesting and collection

Oil palms generally begin to produce commercial harvests approximately 4 years after planting in the fields. We only harvest the FFB when they reach its peak ripeness to maximise the quality and quantity of palm oil extraction. We collect and transport the FFB harvested to the main pathways using a series of mechanical-enhanced equipment including powered wheelbarrows and farm ATV which are incorporated with hydraulic lifting arms to ease the transfer of FFB to collection bins. Please refer to Section 7.7 for further information on the technology adopted for the collection of FFB.

Transportation of FFB to palm oil mill

At the main pathways of our plantation estates where FFB collected from the fields are gathered at, empty collection bins are placed and FFB collected from the fields are transferred to the collection bins with the assistance of hydraulic lifting arms incorporated in our powered wheelbarrows as well as farm ATVs and UTVs. Thereafter, our trucks which are incorporated with high-lift trailers will hook on the filled collection bin and transport it to our palm oil mill for processing to produce CPO and extract PK. Please refer to Section 7.7 for further information on the technology adopted for the collection of FFB. As FFB from oil palm crops are perishable and need to be processed as soon as possible to achieve maximum oil yield, we transport the FFB collected to our palm oil mill within 24 hours for processing.

7.4.2 Production of CPO and extraction of PK



: Palm oil milling process
 : Main products
 : By-products, whereby decanter cake and pressed EFB are used as fertilisers; PK shell and mesocarp fibre are used as burning materials for boilers for steam and power generation; and POME are treated prior to be discharged for land application in our estates.

7. BUSINESS OVERVIEW (Cont'd)

FFB reception

Upon arrival of the trucks carrying the FFB collected from our plantation estates, the trucks will be weighed at our weighbridge before they unload the FFB into the hoppers at our loading ramps. Visual inspection will be conducted on each load of FFB for sorting purpose based on the ripeness and size of the FFB. The FFB will then be conveyed from the loading ramp and fed into the sterilisers for sterilisation to take place. The trucks will be weighed again before leaving our premises to ensure all FFB have been unloaded.

FFB sterilisation

Horizontal sterilisers are used in our palm oil mill for FFB sterilisation. Sterilisation prepares the FFB for downstream processing whereby the heat generated from the steam inside the sterilisers will weaken the stalk of the FFB which eases the separation of fruitlet from the bunch. At the same time, the structure of the fruitlet is weakened by breaking the oil cells in the mesocarp, thus eases the extraction of oil and detaching the fibrous material in the pressing and oil extraction process.

FFB threshing

Post sterilisation, the sterilised FFB are discharged from the sterilisers and conveyed into threshing machines to separate the sterilised fruitlets from the bunches. Separated fruitlets will then be conveyed to digesters before being conveyed to pressing machines to undergo pressing process, while the EFB will be sent to EFB pressing machine for oil recovery.

Pressing and oil extraction

Fruitlets conveyed from the threshing machines into the digesters and steam is injected to complete the breaking of oil cells in the mesocarp. The stirring action in the digesters mashes the fruitlets and prepares it for the pressing process. The mashed fruitlets are released from the digesters into the pressing machines where oil and waste water will be pressed out from the mashed fruitlets, leaving the fibrous materials consisting mesocarp fibre and palm nuts in a form of pressed fibre.

The oil, waste water and dirt will then be conveyed for oil clarification process while the pressed fibre will be conveyed to cake breaker conveyor and ripple mill for PK recovery.

Oil clarification

Oil, waste water and dirt from the pressing process will pass through a vibrating screen to filter residual fibrous materials and subsequently pumped into a vertical clarification tank where oil can be skimmed off from top of the tank while sludge will settle at bottom of the tank. The skimmed oil will be channelled into the decanter for further clarification to separate CPO and decanter cake from the skimmed oil. The layers of CPO and decanter cake will be individually extracted and conveyed to the vacuum dryer or cake dryer drum to reduce their moisture content.

The CPO is then stored in our bulk storage tanks before being transported to our private jetty for delivery to our customers. The decanter cake will be used as fertilisers in our plantation estates.

7. BUSINESS OVERVIEW (Cont'd)

PK recovery

Pressed fibre from the pressing process will pass through fibre breaker conveyor where mesocarp fibre is loosened and separated from palm nuts. The mesocarp fibre will be used as fuel for the boilers at our palm oil mill for steam and electricity generation.

The palm nuts will be channelled into polishing drums to remove dirt, stones and fibrous materials. The polished palm nuts are stored in kernel silo to be dried with heated air to remove moisture content before being fed into ripple mill. In the ripple mill, palm nuts will be cracked to recover PK. The cracked mixture which consists of PK and PK shell is subsequently separated.

The PK recovered are sold to third party PK crushing mills and downstream refineries, whereas the PK shells are used as fuel for the boilers at our palm oil mill (which are used for steam and electricity generation).

EFB pressing and oil recovery

EFB received from the threshing machine is first shredded to ensure all fruitlets are removed from the bunches. The shredded EFB is sent to the pressing machine to extract EFB liquor that mainly consists of oil and water. Thereafter, the EFB liquor will undergo recovery process to recover oil which will then be mixed into our CPO. The pressed EFB is then returned to our plantation estates and to be used as fertiliser.

Steam and electricity generation

Solid waste fuel in the form of PK shells and mesocarp fibre, which are by-products of our milling process, are used as fuel for the boilers at our palm oil mill to produce steam. Steam produced from boilers can be used in sterilisation process as well as in the digesters during the pressing and oil extraction process.

Further, steam produced can be channelled into turbines to generate electricity. The electricity generated are used to power our palm oil mill, as well as for domestic consumption in the central region of our plantation estates which includes staff quarters, offices, school, clinic and street lightings.

POME treatment

POME is a brownish liquid containing mainly water and some suspended solids which are accumulated from milling process. In order to comply with the wastewater discharge quality standards outlined by the local authorities, we treat all of our POME using the two-phase ponding system, namely anaerobic and aerobic digestion, prior to be discharged for land application in our plantation estates. During the POME treatment process, sludge oil, which is the residue, will be collected and sold to external customers to be used in the production of biodiesel and soaps.

7. BUSINESS OVERVIEW (Cont'd)

7.5 OPERATING CAPACITIES AND OUTPUT

Our Group's FFB processing utilisation rate in our palm oil mill was 89.4%, 85.2%, 75.0% and 80.2%, respectively over FYE 2020 to 2023. The following sets out our annual FFB processing capacity, actual FFB processed and utilisation rates for FYE 2020 to 2023:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	MT			
Annual FFB processing capacity ⁽¹⁾	540,000	540,000	540,000	540,000
Actual FFB processed	482,889	459,940	404,901	433,011
Utilisation rate (%)	89.4	⁽²⁾ 85.2	⁽²⁾ 75.0	80.2

Notes:

- (1) Our palm oil mill has a processing capacity of 90MT FFB per hour. Our annual FFB processing capacity is calculated based on 2 working shifts per day with 10 operating hours per shift, over 300 available processing days in a year.
- (2) Lower utilisation rate in FYE 2021 and 2022 was a result of lower FFB processed due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and 2022.

With an annual FFB processing capacity of 540,000MT, our existing palm oil mill is capable of handling the processing of FFB harvested from our plantation estates and FFB purchased from local cooperatives under our Plasma Programme. As such, our Group does not plan to expand the processing capacity of our existing palm oil mill.

7.6 SALES AND MARKETING STRATEGIES

Our Group's sales and marketing activities are carried out by a team of Tender Committee which is headed by Tang Hee Teik (our General Manager of Industrial and Agricultural Development), and comprises Dato' Lee Khee Meng and Chen Wei Chyong (our Executive Directors), Tan Soo Hoon (our Group Financial Controller) and several other employees. The Tender Committee is responsible for attending enquiries from potential customers, serving existing customers, managing and coordinating tenders, as well as planning and executing the following sales and marketing strategies:

(a) Direct approach and referrals

We secure new customers through direct contact with potential customers and/or through referral from our business associates. Our Tender Committee are responsible in collecting marketing information in order to identify potential customers.

Further, as the prices of CPO and PK generally fluctuate based on the supply and demand conditions, the sales and marketing of our products require a certain level of understanding of the industry. As such, our Tender Committee are responsible in keeping abreast on industry updates to ensure their ability to deliver the required information on our products accurately to our customers.

Our Tender Committee constantly involved in building and maintaining relationships with our existing customers as our Group believes that such relationship building is crucial in maintaining our reputation and customer-base that we have built over the years. By maintaining good business relationship with our customers, we are able to capture new sales opportunities and broaden our exposure to industry players within the oil palm industry value chain.

7. BUSINESS OVERVIEW (Cont'd)

(b) Corporate website

We have established our corporate website, *www.mkhoilpalm.com*, which provides information on our Group, including our Company profile, as well as our product offerings to customers. Enquiries through our corporate website are channelled back to our Tender Committee. The current widespread use of internet as a source of information and a platform for customers, enables us to cross geographical boundaries and facilitates access from any part of the world, thus enhancing our potential market reach and exposure.

Our CPO and PK are primarily sold to customers who have entered into sale and purchase agreements with our Group. As at LPD, we have entered into sale and purchase agreements with agreement terms ranging from 10 months to 1 year, with 2 of our major customers (i.e. PT Kutai Refinery Nusantara for sale of CPO, and PT Binasawit Abadipratama for sale of PK), whereby the agreements are subject to renewal. Based on the sale and purchase agreements, our Group is obliged to sell a pre-agreed quantity of CPO or PK to the respective customers. The selling prices of CPO to PT Kutai Refinery Nusantara are determined based on the auction price published by PT Perkebunan Nusantara for CPO on spot trading day; while the selling price of PK to PT Binasawit Abadipratama is based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month. These auction and average prices from PT Perkebunan Nusantara and PT Astra Agro Lestari Tbk are used as a basis to determine the selling prices of our CPO and PK, together with a fixed quantum of discounts pre-agreed with our customers to compensate for freight costs incurred by our customers as our products are delivered on free-on-board terms. PT Perkebunan Nusantara is a state-owned enterprise which is involved in, amongst others, plantation, management, processing and marketing of palm oil, rubber, sugar cane, tea and coffee. Prices published by PT Perkebunan Nusantara is commonly used by industry players in Indonesia as a price reference of CPO. PT Astra Agro Lestari Tbk is one of the largest palm oil companies in Indonesia involved in plantation, milling, refining and sale of palm oil. Prices published by PT Astra Agro Lestari Tbk are therefore regarded as reliable, and are commonly used by industry players in Indonesia as a price reference of PK.

On top of the CPO and PK produced to fulfil the sale obligations under the sale and purchase agreements, we produce additional CPO and PK for sales. These CPO and PK can be sold to customers whom we entered into sale and purchase agreements, as a top-up to their pre-agreed quantity, whereby the selling prices are determined based on reference to the spot price used by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK.

Further, the additional CPO and PK produced can be sold to other customers through e-bidding tendering process, whereby the sales are exercised at auction price from tenders and the delivery is typically carried out within 30 days from the confirmation of tenders. Auction prices submitted by our customers during tenders are based on the prices published by PT Perkebunan Nusantara for CPO and PT Astra Agro Lestari Tbk for PK on spot trading day, with a discount factored into the price to compensate for freight costs incurred by our customers as our products are delivered on free-on-board terms. The discounts factored into the prices by these customers are generally higher than the discounts given to our customers for sales via sale and purchase agreements as customers whom we entered in sale and purchase agreements are located nearer to our plantation estates and hence the freight costs are generally lower.

Our Group subscribes to a third party tender platform which enables us to publish tenders in relation to CPO and PK available for sale. Our customers are required to register with our Group for participation in tenders on the third party tender platform, and these interested customers are evaluated by our Group mainly in terms of their financial capability and ability to fulfil payment before successful registration. Prior to the publication of tenders, we will invite our registered customers to participate in the tenders through notifications sent via the tender platform. Once the tenders are closed, the sale of CPO or PK will generally be awarded to customers who offer the highest auction price, and thereafter forward contracts will be entered between our Group and the awarded customers.

7. BUSINESS OVERVIEW (Cont'd)

7.7 TECHNOLOGY USED

We employ the following technologies in our oil palm plantation estates and palm oil mill to improve our plantation workflow, milling performance, extraction rates as well as to reduce operational cost. The technologies that we adopt as part of our operations include the following:

Oil palm plantation

Technology	Description
Monitoring facilities	<p>We use the following monitoring facilities in our plantation estates:</p> <ul style="list-style-type: none"> (a) Close-circuit television (CCTV) installed at entrance and boundaries of our plantation estates, jetty, palm oil mill and security checkpoints for security purposes (b) Drones that can be remotely controlled by our estate workers to monitor the physical appearance of our oil palm trees (e.g. the colour and shape of leaves) to ensure that our oil palm trees are at a healthy state. Further, aerial scanning and monitoring using drones help us to determine any occurrence of fire at the surrounding areas of our estates, which enables our Group to undertake proactive actions to prevent the fire to be spread to our estates (c) A mobile application custom made by a third party company for our Group, namely RondaApp, which allows our estate workers to record the growth conditions of our oil palms and update the status of FFB collection and evacuation using their mobile devices. In addition, it allows our estate workers to report any issues faced such as damage to road conditions, unhealthy oil palms or pest attack at certain areas <p>The information updated and reported by the estate workers will be transmitted and recorded in our database, as well as escalated to the relevant personnel to attend. RondaApp enables the plantation management team to monitor and take timely steps to mitigate or resolve matters such as to apply pesticides or to arrange for maintenance and repair work to roads</p> <p>The usage of the above monitoring facilities provides real time monitoring within the plantation which optimises the efficiency of managing our plantation estates by automating the management process and allowing us to have real time and consistent data for quick and timely decision making</p>
Mechanical-assisted collection and evacuation of FFB	<p>We use the following mechanical-enhanced equipment for the collection and evacuation of FFB from field to our palm oil mill:</p> <p><u>From field to collection points along the main pathways of our plantation estates</u></p> <ul style="list-style-type: none"> (a) In addition to powered wheelbarrows which we use to transport harvested FFB from fields to the collection points at the main pathways of our plantation estates, we have modified our powered wheelbarrows by replacing the wheels with continuous tracks, which helps to distribute pressure more evenly over a larger surface area to reduce the incidence of compaction and rutted path especially after rainfalls

7. BUSINESS OVERVIEW (Cont'd)

Technology	Description
	<p>Further, we use farm ATVs and UTVs for FFB collection on mineral soil as farm ATVs and UTVs can be maneuvered faster as compared to crawler dumpers. Crawler dumpers are capable in transporting FFB on both mineral soil (harder soil) and peat soil (softer soil). Using crawler dumpers to transport FFB on peat soil enables us to reduce the incidences of compaction and rutted path on field which peat soil are prone to especially after rainfall</p> <p>The collection of FFB using powered wheelbarrows and crawler dumpers is carried out by a team comprising several harvesters, while the collection of FFB using farm ATVs and UTVs are carried out by individual harvesters</p> <p>(b) We have integrated hydraulic lifting arms into our powered wheelbarrows as well as farm ATVs and UTVs, to transfer FFB to the collection bins at the collection points, with minimal labour required as we eliminated the manual transfer process</p> <p><u>At collection points</u></p> <p>(a) Empty collection bins are placed at several designated collection points along the main pathways of our plantation estates whereby FFB collected from fields are transferred to the collection bins</p> <p>(b) Once the collection bins are fully loaded with FFB, we will transport the fully-loaded collection bins to our palm oil mill with trucks. This has increased the efficiency and maximised the utilisation of our trucks as it has eliminated the waiting time required for the collection bins to be fully loaded</p> <p><u>From collection points to palm oil mill</u></p> <p>(a) At the collection points, the trucks will hook on the fully-loaded collection bins, and thereafter deliver them to our palm oil mill for processing</p> <p>(b) Our trucks can lift and tilt the collection bins for ease of unloading of FFB at our palm oil mill</p> <p>By adopting the above mechanisation for FFB collection and evacuation, we have improved our labour productivity in terms of FFB harvested per manday</p>
<p>Biological protection of oil palm crop</p>	<p>We adopt the following pest management practices that emphasise on using natural/biological methods to resolve pest problems:</p> <p>(a) Reducing the application of agrochemicals through the use of natural alternatives such as planting of beneficial plant including <i>Antigonon leptopus</i>, <i>Cassia Cobanensis</i> and <i>Turnera Subulata</i> along the main pathway of our plantation estates to combat pests</p>

7. BUSINESS OVERVIEW (Cont'd)

Technology	Description
	<p>(b) Rearing barn owls for pest control in our plantation estates</p> <p>The above pest control practices are more sustainable and in line with ISPO requirements as it is less damaging to the environment</p>
Integrated drainage system	<p>Our plantation estates are equipped with an integrated drainage system which comprises a network of canals and drains as well as water control equipment such as pumps, stoppers and water gates. Our drainage system spans across the entire plantation estates for water management as detailed below:</p> <p>(a) Pumps, stoppers and water gates installed at canals and drains play the role in controlling the water table of our estates to maintain the optimised moisture level of our soil</p> <p>(b) During the wet seasons, the system assists in discharging excessive rainwater to a lake nearby through canals and drains, thus minimising the risks of flood. The lake is connected to a river nearby through natural streams</p> <p>(c) During the dry seasons, the system assists in using the rainwater stored to maintain the moisture level of the soil our oil palms</p> <p>(d) In addition to our integrated drainage system, we have weather stations installed at several locations of our plantation estates to monitor and record rainfall</p>

Palm oil mill

On top of the machines that we used for the production of CPO and extraction of PK as part of our palm oil milling, we use indexer system throughout several milling processes, as described below:

Technology and mechanisation	Description
Indexer system	<p>Indexer system is a system used in palm oil milling under the sterilisation process to handle cages filled with FFB in the sterilisation bay. The system comprises a hydraulic cylinder which provides a consistent pulling or pushing force to carry the filled cages towards the sterilisers for sterilisation process</p> <p>The indexer system assists in automating the sterilisation process to control the timing, steaming cycle and cage movement, thereby ensuring consistent sterilisation with minimal human intervention</p>
Conveyor system	<p>Conveyor system is used to connect multiple stations in our palm oil mill, including loading ramp, sterilisers, threshing machines, digesters, pressing machines, oil clarification machines and cake breakers. The conveyor system is a rail track that continuously handles the FFB and other semi-processed products (e.g. oil palm fruitlets, EFB and pressed fibre) across multiple machines</p> <p>Our conveyor system is an automated system which can be operated with minimal amount of labour required, thereby improving the overall efficiency of our milling activities</p>

7. BUSINESS OVERVIEW *(Cont'd)*

7.8 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the temporary interruption to our business operations during the outbreak of the COVID-19 pandemic leading to several measures being undertaken by our Group to prevent the outbreak of the virus in our plantation estates, we had not experienced any other interruptions to our business which had a significant effect on our operations in FYE 2020 to 2023 and up to LPD.

As a result of the outbreak of the COVID-19 pandemic in Indonesia, the Indonesian Government declared a national State of Emergency beginning 29 February 2020 up to 29 May 2020 to curb the spread of the virus. During the State of Emergency, there was no specific restrictions imposed by the Indonesian Government, until the Pembatasan Sosial Berskala Besar ("**PSBB**") was declared by the Indonesian Government. However, during the State of Emergency, the government may determine disaster-prone areas to be prohibited areas for settlement, and/or revoke or reduce part or all of the ownership rights of each person on an object in accordance with statutory regulations.

Subsequently on 2 April 2020, the Indonesian Government declared a PSBB whereby governors of the respective provinces were required to apply with the Ministry of Health Republic of Indonesia to implement the PSBB in their provinces. Provinces that received approval to implement the PSBB had ordered for the closure of all private premises except for those involved in essential services. Provincial governors, gauging the improvement on COVID-19 containment, may subsequently announce for the relaxation of control measures for their respective provinces.

To better control the COVID-19 pandemic situation in Indonesia, the Indonesian Government implemented 'Pemberlakuan Pembatasan Kegiatan Masyarakat ("**PPKM**")' in several regions and districts effective from 11 January 2021 to 8 February 2021. The PPKM was implemented in targeted regions that meet certain criterias set out by the Indonesian Government. Unlike the PSBB which involves large-scale social restrictions, PPKM was implemented at targeted regions within a province to limit mobility within the region.

Subsequently, to manage the COVID-19 pandemic situation more effectively, the Indonesian Government implemented PPKM at a micro scale ("**PPKM-Mikro**") from 9 February 2021 to 14 June 2021. PPKM-Mikro focused on improving community discipline and law enforcement at a smaller scale, such as establishing guard posts in villages and sub-districts to handle COVID-19 pandemic situations in the respective villages and sub-districts.

Following the implementation of PPKM-Mikro, the Indonesian Government implemented emergency PPKM up to July 2021 to reduce the COVID-19 spread. Further, as of July 2021 up to August 2022, the Indonesian Government implemented different levels of PPKM (Level 4, 3, 2, and 1) in Java and Bali area which were differently applied based on the COVID-19 pandemic situation in Java and Bali area. As of August 2022, all Java and Bali, including East Kalimantan areas fall under level 1 of PPKM. Further, as of 30 December 2022, the Indonesian Government instructed all regions in Indonesia to cease the PPKM with immediate effect.

As at LPD, PPK is no longer implemented within the Indonesian area, including East Kalimantan, in which our plantation estates are located.

The impact on our Group's operations, financials, and business and earning prospects pursuant to the COVID-19 pandemic are described as follows:

7.8.1 Impact to our operations

During the periods of State of Emergency, PSBB, PPKM and PPKM-Mikro, agricultural and plantation activities as well as production of agricultural goods were permitted under a guideline published by the Indonesian Government. As such, our plantation estates and palm oil mill have been able to operate at full capacity and there have been no interruptions to our business operations.

7. BUSINESS OVERVIEW (Cont'd)

Further, to prevent the occurrence of COVID-19 cases in our plantation estates, our Group had imposed strict control at the entry points of our plantation estates to prohibit unauthorised personnel from entering our plantation estates, whereby all the entrances to our plantation estates were closed from 30 March 2020 to June 2023. During this period, non-employees and non-authorised personnel were not allowed to enter our plantation estates, and our employees were not allowed to leave our plantation estates without permission from management. Further, third party truck drivers who enter our plantation estates for delivery of supplies or collection of CPO and PK were not allowed to leave the trucks and mingle with our employees. Following which, our Group has continued to impose controls as detailed in Section 7.8.3, to continue minimising the risks of infecting COVID-19 amongst our employees. With these measures in place, we have been able to prevent any occurrence of COVID-19 cases in our plantation estates up to LPD.

We experienced some slight delays in the supply of certain fertilisers and chemicals from our suppliers during the pandemic due to global supply chain disruptions as a result of lockdown measures imposed in many countries. Nevertheless, there was no material impact to our business operations including the FFB yield of our oil palm trees, as our Group advanced our purchase of fertilisers and chemicals with our suppliers up to 6 months ahead of the planned usage (from our standard practice of up to 3 months of advanced purchase prior to the pandemic) to minimise the delays in the receipt of these supplies. While our Group's FFB yield was declining in the past 3 FYEs from 29.3MT per Ha in FYE 2020 to 26.7MT per Ha in FYE 2021, 23.2MT per Ha in FYE 2022 and improved marginally to 24.1MT per Ha in FYE 2023, the decline and relatively low in FFB yield was due to lower FFB harvested as a result of heavy rainfall from the La Nina phenomenon. Further, we experienced some delays in product collection by our customers, but such delays did not lead to any material impact to our business operations as the delays were minor and did not result in constraints in our storage capacity nor disrupt our milling activities. These products have subsequently been collected by our customers and there was no dispute arising from these delays in product collection by our customers.

Save for the abovementioned events, there have been no other interruptions to our business operations arising from the COVID-19 pandemic.

7.8.2 Impact to our sales, business cash flows, liquidity, financial position and financial performance

Our sales and financial performance were not impacted by the COVID-19 pandemic as there was no cancellation of contracts or deferment of contracts. Further, we have been able to sell our CPO and PK as there have been continuous demand for our products from our customers. Additionally, there was no material impact or difficulties in the collectability of our trade receivables within our credit terms. There was also no material impact to our cash flows, liquidity, financial position and financial performance.

7.8.3 Strategy and steps taken to address the impact of the COVID-19 pandemic

In addition to the strict control at the entry points of our plantation estates, our Group has established a standard safety protocol in accordance to the guidelines and SOPs on COVID-19 prevention to protect our employees against potential COVID-19 infection.

As at LPD, our Group continues to implement several infection control measures to minimise the risks of infecting COVID-19 amongst our employees, which include amongst others:

- (a) COVID-19 rapid test kit antigen (RTK-Ag) test for employees who left and enter our plantation estates; and
- (b) prohibition of non-employees (e.g. third party truck drivers) from mingling with our employees, if not necessary, while entering our plantation estates for delivery of supplies or collection of CPO and PK.

7. BUSINESS OVERVIEW (Cont'd)

We have conducted an anti-COVID-19 program which includes educating our workers on COVID-19 prevention, enforcing social distancing among workers, ensuring cleanliness in our plantation estates and carrying out sanitisation regularly.

As of to-date, we have achieved zero COVID-19 case in our plantation estates and we were awarded a 'Gold' standard from the Ministry of Manpower Indonesia as a recognition of our Group's effort in prevention and control of COVID-19 in workplace. We have also received 'Gold' and 'Platinum' standard appreciation on the prevention of COVID-19 at workplace from the Governor of East Kalimantan and Ministry of Manpower of the Republic of Indonesia, respectively.

To comply with the SOPs imposed until LPD, our Group has incurred costs related to COVID-19 testing, disinfection, purchase of masks, hand sanitisers and self-test kits, amongst others, which amounted to approximately RM3.4 million. As at LPD, we are not in breach of any laws relating to COVID-19 restrictions which may lead to penalties by the relevant authorities.

7.9 SEASONALITY

Our operations are not subject to seasonal or cyclical effect as our CPO and PK are sold to downstream refineries and PK crushing mills, and these customers generally operate throughout the year. Nevertheless, the harvest of FFB at our plantation estates are dependent on weather conditions that may affect the flowering of our oil palm trees and fruiting of FFB. Please refer to Section 9.2.1(a) for further details on the impact of adverse weather conditions to our business operations.

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7. BUSINESS OVERVIEW (Cont'd)

7.10 MAJOR CUSTOMERS

Our top 5 major customers by revenue contribution for FYE 2020 to 2023 are as follows:

FYE 2020

Major customers	Nature of business	Principal market ⁽¹⁾	Revenue contribution		Type of products sold	⁽²⁾ Length of business relationship years
			RM'000	%		
Apical Group of Companies ⁽³⁾	Downstream refinery and PK crushing mill	Indonesia, China and Spain, with headquarters in Singapore	109,397	38.7	CPO and PK	4
PT LDC East Indonesia	Downstream refinery	Indonesia	52,816	18.7	CPO	5
Golden Agri-Resources Group of Companies ⁽⁴⁾	Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing	Indonesia, China and India, with headquarters in Singapore	47,156	16.7	CPO and PK	6
Customer W ⁽⁵⁾	Downstream refinery	Indonesia	23,809	8.4	CPO	9
Sri Binaraya Sdn Bhd	Building construction	Malaysia	15,695	5.6	Building materials	1
			248,873	88.2		

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

Major customers	Nature of business	Principal market ⁽¹⁾	Revenue contribution		Type of products sold	⁽²⁾ Length of business relationship years
			RM'000	%		
Apical Group of Companies ⁽³⁾	Downstream refinery and PK crushing mill	Indonesia, China and Spain, with headquarters in Singapore	221,067	72.1	CPO and PK	5
Customer W ⁽⁵⁾	Downstream refinery	Indonesia	23,866	7.8	CPO	10
PT Energi Unggul Persada	Downstream refinery and PK crushing mill	Indonesia	23,164	7.6	CPO and PK	Less than 1 year
Golden Agri-Resources Group of Companies ⁽⁴⁾	Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing	Indonesia, China and India, with headquarters in Singapore	20,289	6.6	PK	7
Sri Binaraya Sdn Bhd	Building construction	Malaysia	5,627	1.8	Building materials	2
			294,013	95.9		

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

Major customers	Nature of business	Principal market ⁽¹⁾	Revenue contribution		Type of products sold	⁽²⁾ Length of business relationship years
			RM'000	%		
Apical Group of Companies ⁽³⁾	Downstream refinery and PK crushing mill	Indonesia, China and Spain, with headquarters in Singapore	263,752	83.5	CPO and PK	6
Golden Agri-Resources Group of Companies ⁽⁴⁾	Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing	Indonesia, China and India, with headquarters in Singapore	28,648	9.1	PK	8
PT K2 Industries Indonesia	Downstream refinery	Indonesia (headquarters), Malaysia, Thailand and Pakistan	12,383	3.9	CPO and sludge oil	Less than 1 year
PT Energi Unggul Persada	Downstream refinery and PK crushing mill	Indonesia	10,040	3.2	CPO	1
PT Samudra Biru Cemerlang	Trading of palm products including CPO, PK and CPKO	Indonesia	833	0.3	PK	Less than 1 year
			315,656	99.9		

7. BUSINESS OVERVIEW (Cont'd)

FYE 2023

Major customers	Nature of business	Principal market ⁽¹⁾	Revenue contribution		Type of products sold	⁽²⁾ Length of business relationship years
			RM'000	%		
Apical Group of Companies ⁽³⁾	Downstream refinery and PK crushing mill	Indonesia, China and Spain, with headquarters in Singapore	277,095	82.0	CPO and PK	7
PT Energi Unggul Persada	Downstream refinery and PK crushing mill	Indonesia	46,684	13.8	CPO	2
Golden Agri-Resources Group of Companies ⁽⁴⁾	Oil palm plantation, palm oil milling, downstream refinery, palm oil products manufacturing	Indonesia, China and India, with headquarters in Singapore	13,073	3.9	PK	9
PT Samudra Biru Cemerlang	Trading of palm products including CPO, PK and CPKO	Indonesia	1,129	0.3	PK	1
			337,981	100.0		

Notes:

- (1) Represents the country(ies) in which the major customers operate.
- (2) Length of business relationship with our major customers is calculated based on the commencement date of our first business transaction with these customers up to the end of each respective financial year.
- (3) Comprises PT Sari Dumai Sejati and PT Kutai Refinery Nusantara, which are part of Apical Group Ltd. Apical Group Ltd is mainly involved in the processing, refining and trading of palm oil.
- (4) Comprises PT Sinar Mas Agro Resources and/or Technology Tbk and PT Binasawit Abadipratama, which are part of Golden Agri-Resources Ltd. Golden Agri-Resources Ltd is mainly involved in oil palm plantation, palm oil milling, downstream refining of palm oil as well as production and distribution of palm and oilseed-based products comprising bulk and branded products, oleochemicals, sugar and other vegetable oils.

7. BUSINESS OVERVIEW (Cont'd)

- (5) Customer W, a palm oil company mainly involving in cultivation of oil palm, processing of CPO and downstream refining of palm oil based in Indonesia. Customer W is not listed on any exchange, however, its holding company, is listed on the Singapore Exchange. We do not have a non-disclosure agreement with Customer W. However, Customer W has informed us that it is not agreeable to be named in this Prospectus due to their company policy.

Our Group is an upstream oil palm plantation group involved in the sale of commodities (i.e. CPO and PK) to companies which are involved in downstream refining and PK crushing. It is more efficient for our Group to engage with a concentrated number of established customers with large order quantities instead of having a wide range of customers with smaller order quantities at the expense of efficiency. Hence, we have a relatively small customer base of 8 customers, 8 customers, 6 customers and 4 customers for FYE 2020 to 2023 respectively, for the sale of CPO and PK. For FYE 2020 to 2022, sales contributed by our top 5 major customers accounted for 88.2%, 95.9% and 99.9% of our total revenue, respectively. During the same period, our top 5 major customers mainly comprise downstream refineries, and products sold to our top 5 major customers were mainly CPO. As at LPD, to the best of our Board's knowledge and belief, our major customers are not related to each other. In FYE 2023, our Group only transacted with 4 customers and sales to these 4 customers made up to 100.0% of our total revenue.

During FYE 2020 and 2021, there were sales of building materials to customers for our business of building materials trading in Malaysia. However, in FYE 2021, our Group ceased carrying out the building materials trading business since 1 January 2021 for the preparation of our Listing.

Amongst our major customers for FYE 2020 to 2023, Apical Group of Companies ranked first with revenue contribution of 38.7%, 72.1%, 83.5% and 82.0% respectively. For FYE 2021 to 2023, sales to Apical Group of Companies were more than double from the sales in FYE 2020. This was due to an increase in sales secured through the first annual sale and purchase agreement entered into with Apical Group of Companies through PT Sari Dumai Sejati which was effective in February 2021. As at LPD, our Group has an annual sale and purchase agreement with PT Kutai Refinery Nusantara (part of Apical Group of Companies) with an agreement term of 1 year for sale of CPO. The annual sale and purchase agreement stipulates monthly sale and purchase obligations between our Group and PT Kutai Refinery Nusantara, thereby providing certainty on our sales to PT Kutai Refinery Nusantara. For avoidance of doubt, our sale and purchase agreement with PT Sari Dumai Sejati entered in February 2021 was concluded without renewal, as Apical Group of Companies has elected to use PT Kutai Refinery Nusantara for continued purchase of CPO from us. In view of the high revenue contributions from Apical Group of Companies and certainty provided to our Group from the annual sale and purchase agreement with PT Kutai Refinery Nusantara, we are dependent on Apical Group of Companies for the sale of CPO. In the event that Apical Group of Companies ceases to purchase from our Group and/or ceases to renew the annual sale and purchase agreement due to reasons beyond our control (e.g. change in business directions and/or change in procurement strategy or procedure), we may experience prolonged disruptions to our business and financial performance if we are unable to replace the loss of sales with alternative customers in a timely manner.

7. BUSINESS OVERVIEW (Cont'd)

Apart from Apical Group of Companies which we have annual sale and purchase agreement with, our Group also has sale and purchase agreement with PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as at LPD, with an agreement term of 10 months for sale of PK. Revenue contribution from Golden Agri-Resources Group of Companies was at 16.7%, 6.6%, 9.1% and 3.9% for FYE 2020 to 2023 respectively, which was not as substantial compared to Apical Group of Companies. Notwithstanding this, we are dependent on Golden Agri-Resources Group of Companies as our financial performance and results of our operations may still be adversely affected if the sale and purchase agreement with Golden Agri-Resources Group of Companies is not renewed and they cease to purchase from us, and if we are unable to replace the loss of sales with alternative customers in a timely manner.

Despite the concentration of our revenue on several customers and dependency on existing sale and purchase agreements with Apical Group of Companies and Golden Agri-Resources Group of Companies, our Group believes that the concentration and dependency risks can be mitigated by the following:

- (i) We have established long-term business relationships with Apical Group of Companies (8 years as at LPD) and Golden Agri-Resources Group of Companies (10 years as at LPD). We believe that our long-term business relationships and our ability to continuously meet their requirements over the years have made us a trusted supplier to these major customers.
- (ii) We are able to secure sales from other customers, including customers that are registered under our tender platform. As at LPD, we have a total of 14 companies registered under our tender platform, of which 7 of these companies are our major customers for FYE 2020 to 2023. Amongst the 14 companies registered under our tender platform, 10 companies are sizable companies that are involved in downstream refining located in Indonesia which require CPO to carry out refinery activities. As these companies are well-established with sizable operations, our management is of the view that our Group will be able to maintain our volume of sales to these customers. As for the remaining 7 companies registered under our tender platform who are not our major customers for FYE 2020 to 2023, our Group has only transacted with 4 of these companies since their registration in our tender platform. Amongst these 4 companies, our Group transacted with 2 companies in the FYE 2020 to 2022, and the aggregate sales to these companies were approximately RM9.73 million in FYE 2020, RM2.55 million in FYE 2021 and RM0.16 million in FYE 2022. As at LPD, the length of business relationship with the 4 companies which we have transacted with ranged from 4 years to 10 years. All of our customers in FYE 2023 are registered under our tender platform.

Moving forward, as our production output increases following the expansion of our plantation estates as detailed in Section 7.15.1, our Group may expand the number of companies registered under our tender platform by approaching other downstream refineries in Indonesia. Nevertheless, we may be subject to increased price fluctuations if all sales are carried out through the e-bidding tendering process as the sales are exercised at auction prices from tenders which are generally subject to higher discounts requested by customers to compensate for freight costs, as opposed to the fixed quantum of discounts pre-agreed in the sale and purchase agreements. As such, our financial performance may face greater fluctuations with less certainty in the event of termination of the sale and purchase agreements.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Apart from companies registered under our tender platform and customers which our Group has sale and purchase agreements with, there are also other sizable companies involved in downstream refining activities located in East Kalimantan, Indonesia. Our management views these companies as our potential customers who we can approach directly to sell our products in the event of loss or reduction of sales from any of our existing major customers. Sales to these customers will be subject to the same level of discounts given to customers registered under our tender platform.

(iv) As a commodity supplier, it is relatively easier for us to secure replacement customers as there is consistent demand for our products in the market as our products are rather homogenous and standardised worldwide with pricing capable of making reference to price quotes at commodity exchange. As such, our Group believes that any loss of our major customers, including Apical Group of Companies which contributed substantially to our Group's revenue in the FYE 2020 to 2023, is not expected to lead to major impact to our Group's ability in securing sales from other customers as we can sell our products to other established and sizable companies involved in downstream refining and PK crushing due to consistent demand for CPO and PK in the market as palm oil has a wide range of food and non-food applications. For example, palm oil is used in the production of cooking oil, margarine, bakery shortening and confectionery fats food applications; and the ingredients from oleochemical products derived from palm oil are used in the manufacturing of personal and hygiene care products such as soaps, cosmetics, sanitisers and detergents. Please refer to Section 8 (IMR Report) for further details of the applications and the demand for palm oil, which will sustain the demand for CPO and PK.

Moving forward, if opportunity arises, our Group intends to secure more customers through sale and purchase agreements subject to our evaluation mainly in terms of the potential customers' financial capability and ability to fulfil payment.

There has been no dispute with any of our major customers for FYE 2020 to 2023.

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7. BUSINESS OVERVIEW (Cont'd)

The salient terms of the sale and purchase agreements with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO, and PT Binasawit Abadipratama (part of Apical Group of Companies) for sale of PK, are as follows:

(i) Sale and purchase agreement with PT Kutai Refinery Nusantara for sale of CPO

Contracting parties PT MKH as the Seller and PT Kutai Refinery Nusantara (part of Apical Group of Companies) as the Buyer

Description The sale and purchase of CPO between the Seller and Buyer

Product quantity CPO (7,000MT per month)

Term 1 February 2024 to 31 January 2025 (the agreement may be extended based on mutual agreement of the parties at latest 1 month prior to the expiration of the term)

Price and payment

- (i) Pricing determined based on the auction price published by PT Perkebunan Nusantara (KPB Belawan/Dumai) on spot trading day.
- (ii) Pricing period is on the date determined by the Seller in the current month with quantity per 1,000 MT.
- (iii) Downpayment of 90.0% shall be paid 3 days after the sale and purchase contract is signed and the product has been verified by representative of the Buyer and settlement of remaining 10.0% shall be paid after the products are loaded completed with bill of lading and complete payment documents have been received by the Buyer.

Obligations of the Seller

- (i) The product delivered by the Seller must comply with the standards and criteria, and must be in accordance with the product quantity pursuant to the terms of the agreement.
- (ii) The Seller's obligations, among others:
 - (a) perform the obligations pursuant to the terms of the agreement;
 - (b) always comply with the laws and regulations that apply from time to time, especially those in connection with the performance of the agreement;
 - (c) bear all costs incurred for transportation and accommodation for the third party inspection team (if any); and

7. BUSINESS OVERVIEW (Cont'd)

- (d) be responsible for all licences and/or certifications in the performance of the agreement and release and hold harmless the Buyer from any and all losses arising directly or indirectly from the failure of the Seller to complete all such permits and/or certifications;
- (e) provide sufficient equipment and tools and vehicles in good and ready-to-use condition in performing the agreement.

Assignment Either party is not allowed to assign the agreement without the prior written consent of the other party.

Dispute settlement In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties shall choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia. Until a final and binding decision is awarded, the parties must perform the obligations pursuant to the agreement.

- Termination**
- (i) The agreement terminates if (a) the term expires; (b) the Seller is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders; or (c) terminated due to Force Majeure Event.
 - (ii) The Buyer is entitled to unilaterally terminate the agreement, without claim in any form from the Seller and all damages resulting therefrom shall be fully borne by the Seller, including but not limited to the following events:
 - (a) the Seller does not perform its obligations under the agreement well based on the Buyer's assessment;
 - (b) the Seller assigns the agreement whether in part or in whole to another party without prior written approval from the Buyer;
 - (c) the Seller does not perform its obligations under the agreement, does not remedy a violation under the agreement, and/or does not complete performance of the agreement in accordance with the schedule determined by the Buyer upon written notification from the Buyer;
 - (d) the Seller does something in relation to the agreement without the knowledge or approval from the Buyer, or does something that may directly or indirectly detriment the Buyer;
 - (e) the Seller violates a representation of the agreement;

7. BUSINESS OVERVIEW (Cont'd)

- (f) the Seller violates one or more provisions under the applicable laws, decree, or government regulations, whether related or unrelated to the field under the agreement which may prevent the Seller from performing the agreement or cause and/or result in the imposition of sanction by the government or other competent authorities on the Buyer, whether directly or indirectly, whether in the form of penalty, administrative sanction or other types of sanction.
- (iii) The Buyer will firstly serve 2 written warnings to the Seller within a 3-business day interval prior to unilateral termination by the Buyer. If the agreement is unilaterally terminated by the Buyer due to the above reasons, the Seller must cease the implementation of the agreement and comply with the deadline set forth by the Buyer to dissolve and return its workforce and return materials, equipment and tools borrowed from the Seller (if any) and the price of the products that has not been accepted by the Seller will be deducted by the Buyer's losses (and if there is a shortfall, should be paid by the Seller (compensation for losses)).
- (iv) In addition to termination provisions above, the Buyer is entitled to, without reason, unilaterally terminate the agreement, without claim in any form from the Seller. The termination shall be notified in writing to the Seller within 30 days prior to the effective date thereof.
- (v) If the Buyer is late in making payment and/or the Buyer does not pick up the product more for more than 1 month as of the stipulated pickup date, the Seller is entitled to cancel the entirety of the agreement, except if such delay has been notified in advance to the Seller accompanied by reasons acceptable by the Seller and/or a Force Majeure Event has occurred.
- (vi) In the event of termination of the agreement, the Seller is required to return guarantee, downpayment and/or advance payment granted by the Buyer (if any), if the guarantee, downpayment and/or advance payment granted by the Buyer are higher than the price of the products for the quantity provided and/or delivered by the Seller to the Buyer.

Covenants

If the Seller is unable to comply with the product quality specification under the agreement, the Seller is willing to accept claim from the Buyer in accordance to the agreement.

Force majeure

Force majeure refers to events that occur beyond the estimation and ability of humans which directly result in the failure of the implementation of the obligations of each party, including but not limited to the occurrence of natural disasters, fires, riots, labour strikes, acts of terrorism, embargoes, riots, explosions, a state of war and the existence of regulations/policies or changes in regulations/government policies related to the implementation of the agreement which must be complied with ("**Force Majeure Event**"), as long as it can be proven as the Force Majeure Event and acceptable to the parties.

The Party directly affected by/experiencing the Force Majeure Event may suspend its obligations and/or rights, as long as the implementation of these obligations and rights is obstructed due to the Force Majeure Event and the party must notify the other party in writing no later than 48 hours from the day that the Force Majeure Event occurred

7. BUSINESS OVERVIEW (Cont'd)

The Force Majeure Event can only be accepted as an event beyond human capacity if it is proven by a written statement regarding the occurrence of the Force Majeure Event from the competent authority for that purpose. During the Force Majeure Event, the parties are freed from the obligations imposed on each party, but the parties can continue the agreement after further deliberation. If such a Force Majeure Event continues continuously and consecutively for more than 14 calendar days, then the non-affected party has the right to terminate the agreement after completing the calculation and settlement between the parties. If the Force Majeure Event occurs in a period of less than 14 days, the parties can conduct further deliberations to discuss the continuation of the agreement. If the conditions for the acceptance of the Force Majeure Event are not met, either one or more, then the argument regarding the Force Majeure Event proposed by either party may be rejected, so that the provisions of the agreement remain binding and applicable to the parties.

Governing law Laws of the Republic of Indonesia

(ii) Sale and purchase agreement with PT Binasawit Abadipratama for sale of PK

Contracting parties PT MKH as the Seller and PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as the Buyer

Description The sale and purchase of PK between the Seller and Buyer

Product quantity PK (600MT per month)

Term 1 June 2023 to 31 December 2023 (renewed until 31 March 2024) (the agreement may be extended upon request of the Buyer by notifying the Seller in writing at latest 30 calendar days prior to the expiration of the term and the Seller must respond to such request within 10 business days upon receipt of such written notice)

Price and payment (i) Pricing determined based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month, deducted by IDR 510/kg (excluding VAT).

(ii) Downpayment of 90.0% shall be paid within 4 business days after the invoice issued by the Seller and settlement of remaining 10.0% shall be paid within 5 business days after the products are received by the Buyer and the invoice is issued by the Seller.

Obligations of the Seller The Seller must warrant to the Buyer that the quality of PK during delivery to the Buyer conforms to the specifications under the agreement.

7. BUSINESS OVERVIEW (Cont'd)

Assignment

The agreement, in whole or in part, may not be assigned by either party to any third party without obtaining prior written approval from the other party.

Dispute settlement

In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia.

Termination

- (i) The agreement terminates if (a) the term expires and/or the parties have performed their respective obligations properly and in a timely manner; (b) terminated before the expiration of term based on mutual agreement of the parties; and (c) terminated due to Force Majeure Event.
- (ii) The Buyer is entitled to terminate the agreement by way of written notice to the Seller on the occurrence of certain provisions under the agreement.
- (iii) Each party is entitled to unilaterally terminate the agreement without claim in any form from the other party if solely based on consideration of either party against the other party, such party has carried out the following actions:
 - (a) either party has received warning letters for 2 consecutive times within an interval of 14 calendar days from the other party, and the party does not its obligations under the agreement, does not remedy a violation under the agreement; and
 - (b) either party is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders, or change of ownership⁽¹⁾,
in each case based on a written notice to the other party at the latest 14 calendar days before the termination becomes effective.
- (iv) The cancellation, termination and/or expiration of the agreement does not eliminate all outstanding and or pending obligations of the parties, and or sanctions that must be complied with/carried out by the respective parties in accordance with the agreement.

7. BUSINESS OVERVIEW (Cont'd)

- Covenants**
- (i) The parties agree that each party is obliged and hereby covenants and binds themselves to maintain public order and work safety at the work location and in the community around the work location and or community environment directly or indirectly related to the work and work location as stipulated in the agreement in accordance with the applicable laws and regulations.
 - (ii) The Buyer covenants and binds itself to maintain harmonious working relations with employees/workers who work for the Seller who carry out and perform the work of the Buyer based on the agreement or with other third parties, including but not limited to parties related to the Buyer and the competent authorities.
 - (iii) The Seller covenants and binds itself to release the Buyer from all claims, lawsuits, and payments of any kind relating to disputes that arise between the Seller and the employees/workers who work for the Buyer, who carry out and perform the work of the Seller based on the agreement or with any third party, including but not limited to parties related to the Buyer and competent authorities, and will fulfil all provisions stipulated under the laws and regulations in the field of manpower.

Force majeure

Force majeure refers to events that occur beyond the ability and/or control of the Parties so as to affect the implementation of the agreement, including earthquakes, hurricanes or storms, volcanic eruptions, floods, landslides, tsunamis, lightning strikes, fires, and other natural disasters, wars, revolutions, riots, terrorism, sabotage, embargoes, and mass strikes, economic policies of the government that directly affect the implementation of the agreement ("**Force Majeure Event**").

In the event of the Force Majeure Event that affects the implementation of the obligations of either party, the party experiencing the Force Majeure Event is obliged to notify the other party no later than 7 calendar days as of the occurrence of the Force Majeure Event. A written notice must also be made when the Force Majeure Event has ended.

If the party experiencing the Force Majeure Event does not send a notice within 7 calendar days, then the force majeure is deemed to have never occurred, unless the party experiencing the Force Majeure Event can show evidence showing that the notice regarding the Force Majeure Event has been delivered within the prescribed period. The party receiving the notice is deemed to have accepted and agreed to the Force Majeure Event if there is no written response (accept or reject) from the party within a period of 7 calendar days after receiving the written notice from the party experiencing the Force Majeure Event.

All obligations of the party experiencing the Force Majeure Event, other than obligations under these force majeure provisions, are suspended during the occurrence of the Force Majeure Event. However, the party experiencing the Force Majeure Event must try as much as possible to immediately fulfil all of its obligations under the agreement. Within 14 calendar days from the receipt of notice regarding the occurrence of the Force Majeure Event, the parties must have entered into an agreement regarding the suspended obligation. If the intended agreement is not reached, then based on the mutual agreement of the parties in writing, the agreement can be terminated.

Governing law
Laws of the Republic of Indonesia

7. BUSINESS OVERVIEW (Cont'd)

Note:

- (1) PT Binasawit Abadipratama had confirmed to us that they are agreeable with the change in our shareholding structure pursuant to our Listing.

7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

For our plantation business, our Group's purchases mainly comprise fertilisers, spare parts, diesel and petrol as well as FFB which collectively accounted for 58.4%, 71.2%, 96.0% and 95.9% of our Group's total purchases in FYE 2020 to 2023.

Save for spare parts which we source from local and overseas suppliers, the supplies that we purchase are generally readily available and can be sourced from local suppliers in Indonesia. In FYE 2020 to 2023, we did not face any difficulties in sourcing our supplies from local and overseas suppliers.

The price of some of our supplies are subject to price fluctuations, as follows:

- (a) The prices of some fertilisers such as urea, potash and borate purchased from suppliers, are in line with crude oil prices as the key raw material to manufacture these fertilisers is a by-product of crude oil;
- (b) The prices of FFB purchased from local cooperatives under our Plasma Programme, are based on prices determined by the Indonesian Government which fluctuate in line with the prevailing CPO prices;
- (c) The prices of CPO purchased from neighbouring third party palm oil mills, fluctuate according to their supply and demand conditions;
- (d) The prices of diesel and petrol purchased from suppliers, move in accordance to the prevailing global crude oil prices; and
- (e) The prices of chemicals such as herbicides purchased from suppliers, are based on their supply and demand conditions.

7. BUSINESS OVERVIEW (Cont'd)

Nevertheless, the volatility of the prices of the abovementioned supplies did not lead to any substantial increase in our cost of sales which could lead to an adverse impact to our Group's financial performance in FYE 2020 to 2023. In FYE 2022, there was an increase in the price of fertilisers resulting from shortage of supply due to the Russia-Ukraine conflict; and an increase in the price of diesel for use in our generation sets and vehicles due to the increase in global crude oil prices arising from the increase in global demand for crude oil due to fears in the market on any disruptions in supply as a result of the Russia-Ukraine conflict and sanctions implemented by the United States against Russia, which subsequently led to a reduction in subsidies on diesel as announced by the Indonesian Government in September 2022. The increase in the prices of fertilisers and diesel led to an increase in our cost of sales of approximately RM8.6 million, which led to a decline in our GP in FYE 2022 despite cushioned by higher revenue contributed by higher average selling prices of CPO and PK. Save for the aforementioned, there was no increase in the price of our other supplies which are subject to price fluctuations for FYE 2020 to 2023. Please refer to Section 12.2.2 for further details of our Group's results of operations. Save for the above, the remaining supplies generally do not experience material price fluctuations and the prices are relatively stable. To mitigate our exposure to the price fluctuations of some of our supplies mentioned above, we constantly monitor the changes in market prices of these supplies, conduct forecast on the volume of required supplies to ensure smooth operations, and place bulk orders with our suppliers which allows us to negotiate for better pricing.

Save for the purchase of FFB from local cooperatives under our Plasma Programme, all our selected suppliers are evaluated in terms of pricing, supply capacity, reputation, ability to meet our quality requirements and timely delivery of the raw materials.

The breakdown of the purchase of supplies by our Group for FYE 2020 to 2023 is as follows:

Supplies	Source ⁽¹⁾	Audited							
		FYE 2020		FYE 2021		FYE 2022		FYE 2023	
		RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
Plantation business									
Fertiliser	Local	20,282	23.1	20,296	26.2	23,080	27.1	43,906	40.3
Diesel and petrol	Local	7,219	8.2	9,371	12.1	18,181	21.3	25,654	23.6
Spare parts ⁽²⁾	Local and overseas	14,898	16.9	13,766	17.7	22,720	26.6	19,201	17.6
FFB ⁽³⁾	Local	8,976	10.2	11,819	15.2	17,947	21.0	15,656	14.4
Chemical ⁽⁴⁾	Local	1,660	1.9	1,397	1.8	1,529	1.8	1,999	1.8
Lubricant	Local	314	0.4	1,007	1.3	1,192	1.4	1,579	1.5
CPO ⁽⁵⁾	Local	3,071	3.5	7,501	9.7	-	-	488	0.4
Tyre	Local	292	0.3	523	0.7	656	0.8	416	0.4
PK ⁽⁶⁾	Local	478	0.5	468	0.6	-	-	-	-

7. BUSINESS OVERVIEW (Cont'd)

Supplies	Source ⁽¹⁾	Audited							
		FYE 2020		FYE 2021		FYE 2022		FYE 2023	
		RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases	RM'000	% of total purchases
Trading business									
Building materials ⁽⁷⁾	Overseas	30,741	35.0	11,376	14.7	-	-	-	-
Total purchases		87,931	100.0	77,524	100.0	85,305	100.0	108,899	100.0

Notes:

- (1) Local refers to purchases from Indonesian suppliers, while overseas refer to purchases from non-Indonesian suppliers.
- (2) Includes spare parts such as hardware, tools and equipment purchased to replace parts for our machinery and equipment.
- (3) Refers to FFB purchased from local cooperatives under our Plasma Programme.
- (4) Refers to herbicides, pesticides and rat baits which are used to protect our oil palms from pests and diseases.
- (5) Refers to CPO with FFA content of above or close to 5.00% purchased from neighbouring third party palm oil mills.
- (6) Refers to PK purchased from neighbouring third party palm oil mills for reselling to our customers.
- (7) Refers to building materials purchased for the trading business carried out by our Group until 31 December 2020. Our Group had ceased the purchase of building materials since 1 January 2021 onwards following the cessation of trading business by our Group for the preparation of our Listing.

7. BUSINESS OVERVIEW (Cont'd)

For spare parts which we sourced from local suppliers in Indonesia and overseas suppliers, as well as for building materials which we solely sourced from overseas suppliers, the breakdown of these purchases by country for FYE 2020 to 2023 is as follows:

Supplies	Audited								
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		
	RM'000	% of purchases	RM'000	% of purchases	RM'000	% of purchases	RM'000	% of purchases	
Spare parts									
Indonesia	13,426	90.1	12,876	93.5	21,344	93.9	17,323	90.2	
Malaysia	1,472	9.9	890	6.5	1,376	6.1	1,878	9.8	
Total	14,898	100.0	13,766	100.0	22,720	100.0	19,201	100.0	100.0
Building materials									
Malaysia	30,741	100.0	11,376	100.0	-	-	-	-	-
Total	30,741	100.0	11,376	100.0	-	-	-	-	-

All our purchases from local suppliers in Indonesia are denominated in IDR. Purchases of spare parts from suppliers in Malaysia are denominated in RM and/or USD, and purchases of building materials from suppliers in Malaysia are solely denominated in RM. Please refer to Section 12.13(a) for the breakdown of our purchases by currencies.

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7. BUSINESS OVERVIEW (Cont'd)**7.12 MAJOR SUPPLIERS**

Our top 5 major suppliers by total purchases for FYE 2020 to 2023 are as follows:

FYE 2020

Major suppliers	Principal market⁽¹⁾	Value of purchases		Type of products purchased	⁽³⁾Length of business relationship years
		RM'000	⁽²⁾%		
PT Wilmar Chemical Indonesia	Indonesia	17,687	20.1	Fertiliser	5
Sawit Sendowan Plantation Cooperative, Sedulang Jaya	Indonesia	8,976	10.2	FFB	7
M.K. Chaw Enterprise Sdn Bhd	Malaysia	7,498	8.5	Building materials	2
PT Indotrans Sejahtera	Indonesia	7,219	8.2	Diesel	2
Buildcon Concrete Sdn Bhd	Malaysia	4,862	5.5	Building materials	Less than 1 year
		46,242	52.6		

FYE 2021

Major suppliers	Principal market⁽¹⁾	Value of purchases		Type of products purchased	⁽³⁾Length of business relationship years
		RM'000	⁽²⁾%		
PT Wilmar Chemical Indonesia	Indonesia	18,775	24.2	Fertiliser	6
Sawit Sendowan Plantation Cooperative, Sedulang Jaya	Indonesia	11,819	15.2	FFB	8
PT Indotrans Sejahtera	Indonesia	9,371	12.1	Diesel	3
PT Karya Teknik Plantation	Indonesia	7,969	10.3	CPO and PK	7
Setiamix Sdn Bhd	Malaysia	1,608	2.1	Building materials	2
		49,542	63.9		

FYE 2022

Major suppliers	Principal market⁽¹⁾	Value of purchases		Type of products purchased	⁽³⁾Length of business relationship years
		RM'000	⁽²⁾%		
PT Indotrans Sejahtera	Indonesia	18,181	21.3	Diesel	4
Sawit Sendowan Plantation Cooperative, Sedulang Jaya	Indonesia	17,863	20.9	FFB	9
PT Sasco Indonesia	Indonesia	6,693	7.8	Fertiliser	5
PT Agrochem Mega Globalindo	Indonesia	5,773	6.8	Fertiliser	5
PT Gerrindo Surya Makmur	Indonesia	5,127	6.0	Fertiliser	7
		53,637	62.9		

7. BUSINESS OVERVIEW (Cont'd)**FYE 2023**

Major suppliers	Principal market⁽¹⁾	Value of purchases		Type of products purchased	⁽³⁾Length of business relationship
		RM'000	⁽²⁾%		
PT Indotrans Sejahtera	Indonesia	25,654	23.6	Diesel	5
PT Goautama Sinarbatuah	Indonesia	22,073	20.3	Fertiliser and chemical	12
Sawit Sendowan Plantation Cooperative, Sedulang Jaya	Indonesia	15,062	13.8	FFB	10
PT Gerrindo Surya Makmur	Indonesia	6,458	5.9	Fertiliser	8
PT Wilmar Chemical Indonesia	Indonesia	5,980	5.5	Fertiliser	8
		75,227	69.1		

Notes:

- (1) Represents the country in which the major suppliers operate.
- (2) Calculated as the value of purchases divided by total purchases for the respective financial years.
- (3) Length of business relationship with our major suppliers is calculated based on the commencement date of our first business transaction with these suppliers up to the end of each respective financial year.

In FYE 2020 to 2023, our Group has a supplier base of 301 suppliers, 257 suppliers, 230 suppliers and 236 suppliers respectively, for our plantation business. In FYE 2020 to 2023, purchases from our top 5 major suppliers accounted for 52.6%, 63.9%, 62.9% and 69.1% of our total purchases, respectively. During the same period, products purchased from our top 5 major suppliers for our plantation business were fertiliser, diesel, CPO, FFB and chemical.

In FYE 2020 and 2021, there were purchases of building materials from suppliers for our trading business in Malaysia. However, in FYE 2021, our Group had ceased the building materials trading business since 1 January 2021 for the preparation of our Listing.

We are not dependent on these major suppliers as the products provided by them can be easily sourced from the Indonesia market, notwithstanding that our Group has specific requirements on the specifications of certain supplies (e.g. fertilisers) depending on the growing conditions of our oil palms. All purchases with our suppliers are on purchase order basis as we do not have any long term agreements/contracts with our suppliers, except Sawit Sendowan Plantation Cooperative, Sedulang Jaya and Sawit Seguntung Jaya Plantation Cooperative, Puan Cepak upon harvesting of FFB, which we are obliged to purchase all FFB harvested by them under our Plasma Programme.

There has been no dispute with any of our major suppliers for FYE 2020 to 2023.

7. BUSINESS OVERVIEW (Cont'd)

7.13 R&D

Our Group recognises the importance of continuous R&D to improve the efficiency of our plantation activities and enhance our FFB yields. As such, our R&D efforts focus on enhancing our mechanisation process adopted in our plantation activities; as well as studies related to soil fertility and pollination to ensure healthy crop and maximised FFB yields. These R&D activities are carried out by our in-house field audit / R&D team.

(a) Enhancement of mechanisation process

Our Group emphasises on the continuous enhancement of FFB collection and evacuation process from field to our palm oil mill to improve the overall efficiency of our plantation activities. As such, we adopt mechanical-assisted equipment for the collection of FFB and transportation of FFB from field to our palm oil mill. We modify these equipment according to our needs in order to improve the efficiency in FFB collection and evacuation process whilst reducing manual labour needed.

(b) Studies related to soil fertility, foliage analysis and pollination

Our Group carries out regular and/or ad-hoc studies related to soil fertility of our planted land, as well as foliage analysis and pollination of our oil palms. By carrying out these studies, we are able to outline and implement the suitable strategies and plans to maintain soil fertility and health of oil palm trees through the usage of fertilisers, and to encourage pollination through hatch and carry technique to increase the population of oil palm pollinating weevil. This is to ensure healthy crop and maximised FFB yields by ensuring that the soil remain nutritious and are suitable for the growth of oil palms; as well as to ensure efficient pollination for the flowering of oil palms.

There is no record of R&D expenses as the expenses incurred for the above R&D activities are not material and they are expensed off as part of our maintenance and direct costs.

7.14 COMPETITIVE STRENGTHS**7.14.1 We have oil palm plantations with a maturity and topographical profile that result in high FFB yields**

Oil palms reach their prime maturity and experience peak production period from around 10 to 20 years. Prime mature oil palms can generally produce over 25MT of FFB per Ha per year. As at LPD, our prime mature oil palms which are aged between 10 and 16 years, made up approximately 94.9% of our total planted area, whereby 4.8% aged between 10 and 12 years and 90.1% aged between 13 and 16 years. The remaining 5.1% of our oil palms are young mature oil palms between the ages of 4 and 9 years, and will begin to reach peak maturity starting from 2025 onwards. As at LPD, none of our oil palms are categorised as old oil palms (aged between 21 and 25 years) or due for replanting (aged above 25 years). Please refer to Section 7.2.1 for further details on the age profile of our oil palm.

7. BUSINESS OVERVIEW (Cont'd)

Further, all of our oil palm planted areas are generally flat to gently undulating with the whole of the land below 50 metre AMSL, whereby most of the elevations are between 15 metre and 30 metre AMSL and higher, and up to 40 metre AMSL near the eastern boundary. This eases our operations, including planting, upkeep and maintenance as well as harvesting and evacuation of FFB, thus contributing to our FFB yields.

As a result of the ideal age profile of our oil palms whereby majority of them are in the early or mid-years of prime mature stage, as well as the topographical profile of our plantation estates, we achieved average FFB yields of 29.3MT per Ha, 26.7MT per Ha, 23.2MT per Ha and 24.1MT per Ha for FYE 2020 to 2023 respectively. In comparison, according to the latest available information published by the Plantation Office of East Kalimantan, the average FFB yield in East Kalimantan was 17.4MT per Ha in 2020. Our Group's FFB yield is relatively high in comparison to the average FFB yield in East Kalimantan.

As a substantial majority of our oil palms are in their peak-production years or will soon enter their peak-production years, we believe that the age profile of our oil palms will continue to result in high FFB yields for our Group. As the age maturity and topographical profile of our plantation estates are favourable for oil palm cultivation, we believe these are some of the important factors for the sustained growth and success of our Group.

7.14.2 We adopt efficient plantation practices in our plantation estates, leading to our success in improving FFB yields and production of CPO and PK

Our Group adopts plantation practices that focus on the efficiency of our plantation management and quality of our crop. These plantation practices include field upkeep and weed control, soil fertility and conservation, pest management, mechanisation, water management, harvesting and crop quality, as well as safety, health and environment management.

Further, we utilise technology and enhanced mechanisation to achieve efficient plantation and quality crop. These include the usage of drones and a software application called RondaApp to remotely monitor the conditions of our plantation estates including roads and machinery, usage of powered wheelbarrows as well as farm ATVs and UTVs to improve the efficiency of FFB collection and minimise the delivery time to our palm oil mill, usage of drainage systems to control the water levels, and planting of beneficial plant to combat pest. Please refer to Section 7.7 for further details on the technology adopted by our Group. In addition, our Group's palm oil mill is located within the central region of our plantation estates which allows the delivery of harvested FFB for processing in the shortest time possible to achieve maximum oil yield.

The adoption of the above plantation practices has improved our labour productivity in terms of FFB harvested per manday as well as the management and operational efficiency of our plantation activities. It is our Group's core values and beliefs to continuously endeavour for enhancement of our plantation practices along with technological advancement. These plantation practices, as well as our effort to enhance these practices, will continue to serve as strong foundations for the growth and sustainability of our business.

7. BUSINESS OVERVIEW (Cont'd)

7.14.3 We are well positioned to benefit from the optimal conditions for oil palm plantation and infrastructural development in East Kalimantan, Indonesia

Our oil palm plantation estates are located in East Kalimantan, Indonesia which is within the tropical belt along the equator that has an optimum climate for the cultivation of oil palm. Given the tropical climate of East Kalimantan, it receives adequate rainfall which is one of the conditions ideal for the growth of oil palm and to achieve high FFB yields. While there may be excessive rainfall in certain months, our plantation estates are equipped with an integrated drainage system to divert excessive water as well as to maintain the moisture level of soil, as set out in Section 7.7.

Our plantation estates and palm oil mill are located close to the provincial capital of East Kalimantan, namely Samarinda; and the financial centre of Kalimantan, namely Balikpapan. Balikpapan is a seaport city which will be the main gateway to the new national capital of Indonesia. Further, we have a private jetty located 48km away from our plantation estates and is along the Mahakam River, thus easing the logistics management as we are able to transport our CPO and PK via the jetty to other river ports along the Mahakam River for onward delivery to our customers, through third party providers appointed by our customers.

In addition, Joko Widodo, the President of Indonesia, announced that the national capital of Indonesia will be relocated from Jakarta to East Kalimantan. The new national capital will be named 'Nusantara', and will be located across 2 districts in East Kalimantan, namely North Penajam Paser and Kutai Kartanegara (which our plantations estates are located in). With this relocation, it is expected to boost the local population and thus further accelerating infrastructural and economic development in East Kalimantan. Moreover, being located close to the national capital will enhance the visibility and exposure of our Group to investors and traders as national capitals generally attract more business travellers, thereby contributing to the prospects of our business.

7.14.4 Our subsidiaries, PT MKH and PT SPS, are ISPO-certified which allows our Group to expand the market acceptance of our products in local market

In our effort to produce sustainable palm oil, we are committed to the preservation of a healthy ecosystem at our plantation estates via good estate management practices such as zero-burning during land clearing and putting up various signboards on environment preservation and wildlife protection as a constant reminder to our plantation workers as they carry out their daily duties. Our approach to sustainable plantation practices ensures that all aspects of environmental health, economic profitability and social responsibility are taken into consideration, in achieving the objective of providing a strong foundation for our ISPO certification and wider market acceptance.

As a result, our subsidiaries, namely PT MKH and PT SPS received the ISPO certification in 2017 and 2022, respectively, as a testament to our sustainable plantation practices and ability to produce sustainable palm oil. Please refer to Section 7.1.1 for further details of the certifications received by our Group. By having an ISPO certification, it has expanded the market acceptance of our products in local market due to the demand for sustainable palm oil. Our ISPO certification increases the exposure of our Group as well as strengthens our reputation in the industry, and is thereby beneficial for our future growth and expansion.

7. BUSINESS OVERVIEW (Cont'd)

7.14.5 We have an experienced key senior management team with strong industry expertise

Historically, Tan Sri Alex Chen spearheaded the development of our plantation from greenfield to brownfield as Executive Chairman until his re-designation as our Non-Independent Non-Executive Chairman in March 2023, where he continues to provide strategic advice to the current key senior management team. Our key senior management team is presently headed by our Executive Director, Dato' Lee Khee Meng. Dato' Lee Khee Meng is supported by the following key senior management:

Name	Designation	Years of relevant working experience
Chen Wei Chyong	Executive Director	22
Tang Hee Teik	General Manager of Industrial and Agricultural Development	26
Tan Soo Hoon	Group Financial Controller	23
Keng Ching Tong	Group Company Secretary	20
Lee Kong Seng	Project Manager	27

Our key senior management team possesses substantial knowledge and exposure in the oil palm plantation business. The team has played a vital role in promoting our growth and business expansion, and will continue to contribute to our growth in the future. Please refer to Sections 5.2.3 and 5.3.3 for the profiles of our Executive Directors and key senior management, respectively.

7.14.6 We are well positioned to benefit from growth in the global edible oils market and the oil palm industry in Indonesia

The potential for our future revenue growth is promising in line with the increasing demand for edible oils and fats globally. According to the IMR Report, from 2020 to 2023, the total global consumption of major edible oils increased from 239.27 million MT to 247.72 million MT at a CAGR of 1.16%. Palm oil is the highest consumed edible oils, outstripping the consumption of other major edible oils and fats. In 2023, palm oil accounted for 31.24% of total global consumption of major edible oils and fats. On the other hand, palm kernel oil was the eighth most consumed edible oil globally, accounting for 3.25% of total global edible oils and fats consumption in 2023. Global demand for major edible oils is expected to grow in line with the growing demand for food as a result of increasing world population.

Global demand for palm oil as the most consumed edible oil and fat benefits the oil palm industry in Indonesia. According to the IMR Report, Indonesia is the world's largest consumer market for CPO; and in 2023, CPO consumption in Indonesia amounted to 19.72 million MT, accounting for 25.48% of global CPO consumption of 77.38 million MT. From 2020 to 2023, consumption of CPO in Indonesia increased from 16.71 million MT to 19.72 million MT at a CAGR of 5.68%.

As an upstream oil palm plantation group which produces and sells CPO and PK to downstream refineries and PK crushing plants for the production of palm-based edible oils and oleochemical products, our growth will remain in tandem with the oil palm industry in Indonesia as well as the increasing consumption of CPO in Indonesia. Further, with the ever-increasing global population, we believe that we are well-positioned to benefit from this growth and the relatively recession-proof demand for food products.

7. BUSINESS OVERVIEW (Cont'd)

7.15 BUSINESS STRATEGIES AND PROSPECTS**7.15.1 We plan to expand our oil palm plantation business through the expansion of plantation estates**

As at LPD, we own 2 plantation estates, 1 palm oil mill and 1 jetty in East Kalimantan, Indonesia. We intend to grow our oil palm plantation business by expanding our oil palm plantation estates. As such, we plan to acquire additional land located in close proximity to our current oil palm plantation estates in Kutai Kartanegara, East Kalimantan for better coordination of operational and logistics management.

As at LPD, we have identified company(ies) with potential land banks for oil palm plantation in the sub-district of Muara Kaman, Kutai Kartanegara, East Kalimantan. The estimated land area is approximately 5,000.0 Ha with an estimated area for planting of approximately 4,000.0 to 4,500.0 Ha. Subject to successful negotiation and feasibility study to the satisfaction of our Group, the expected time to finalise such acquisition is by second quarter of 2024. As at LPD, we are in the midst of finalising the negotiation to appoint an independent expert to conduct the said feasibility study such as climate, humidity and soil condition on the potential land banks for oil palm plantation. For clarity, the potential land banks comprise mainly unplanted lands where approximately 3.0% of the land area are planted with oil palms (average age of 2 years) by the local farmers, of which we will take over in the event that the above proposed acquisition materialises. Upon completion of the acquisition, we will commence planting of oil palms on the entire area for planting immediately, and we expect to harvest FFB after 2.5 years from the date of field planting. We also plan to set up a new palm oil mill within the new plantation estates to process the FFB harvested from the new plantation estates. As at LPD, the details on the setup of the new palm oil mill are not available as it is subject to the location and the actual planted area of the plantation land to be acquired.

We intend to utilise a total of RM42.0 million from the proceeds to be raised from our Public Issue to fully fund the acquisition of the land or the company that owns the land, as well as planting and upkeeping of oil palms. Should the cost of the above be greater than RM42.0 million, the outstanding cost will be funded through bank borrowings and/or internally generated funds. In the event that the above proposed acquisition materialises, we may recruit approximately 400 additional general workers with an estimated monthly salary totalling approximately RM0.4 million (to be funded internally) to carry out the planting activities at the plantation land. For avoidance of doubt, the plantation land to be acquired will be either part of the Plasma Programme where at least 20.0% of the total area will be developed for the local cooperative under the Plasma Programme for our Group to manage or in any other form or arrangement (such as profit sharing scheme) as stipulated under the regulatory framework for plantation business licensing governed by the President of Indonesia Decree. The profit sharing scheme is based on an agreed sharing ratio of income or profit between our Group and the local farmers after taking into account the product selling price, production cost and the needs of the farm household. As at LPD, our Group has not participated in the Plasma Programme or established any profit sharing scheme arrangement with the local farmers relating to the aforementioned plantation land. Please refer to Section 4.9.1(a) for further details on the utilisation of proceeds.

With the new plantation estate, we will be able to increase our FFB harvest to increase our production of CPO and PK, which is expected to improve our financial performance. This is will then enhance our position in the industry and strengthen our foundation for future business growth and expansion.

7. BUSINESS OVERVIEW (Cont'd)

7.15.2 We intend to enhance our operational efficiency by acquiring new machinery and equipment to be used in FFB harvesting and palm oil milling

We intend to purchase additional machinery and equipment to enhance the efficiency of our FFB harvesting activities and palm oil milling activities. The key machinery and equipment we intend to purchase are as follows:

Machinery and equipment	Function	Number of units	Total estimated cost RM'000
FFB harvesting			
Spare parts	Replacement parts for our harvesting machinery and equipment		
- Undercarriage	Replacement parts for excavators ⁽¹⁾	8	1,486
- Main pump		8	686
- Engine		8	1,828
Crawler dumpers	For heavy duty FFB transportation from field to collection points	50	3,900
Farm ATVs	To collect FFB from fields to collection points	65	1,300
Trailers (attached to trucks)	To collect FFB from collection points to palm oil mill	30	800
			10,000
Palm oil milling			
FFB cages	To carry FFB for sterilisation process	20	2,000
Fuel storage and conveyor system	To store and transport fuel (i.e. mesocarp fibre and PK shells) for burning in boilers	1	1,500
Kernel silo	To store polished palm nuts for drying to remove moisture content	2	1,400
EFB shredders	To shred EFB	4	1,120
Others ⁽²⁾	Spare parts for the machinery and equipment for palm oil milling activities	-	5,980
			12,000

Notes:

(1) As at LPD, our harvesting machinery and equipment that require replacement are 8 units of excavators.

(3) Comprises 10 units of machinery and equipment such as EFB pressing machines and hydrocyclone, all of which are below RM0.3 million per unit, as well as 50 units of various spare parts such as vacuum dryer pump, oil transfer pump, purifier, nut polishing drum, column system, and decanter.

The machinery and equipment that we intend to purchase for FFB harvesting will be used to enhance the efficiency and mechanisation of our FFB harvesting activities, as we will be able to reduce manual transportation of FFB from the field to collection points, and increase the frequency of FFB transportation from collection points to our existing palm oil mill, while using less human resources.

7. BUSINESS OVERVIEW (Cont'd)

On the other hand, the machinery and equipment that we intend to purchase for palm oil milling will be used to replace and upgrade some of the existing machinery and equipment in our existing palm oil mill, and the spare parts that we intend to purchase will be used in the maintenance of our existing machinery and equipment for palm oil milling activities to upkeep the efficiency of our palm oil milling activities. This is expected to improve our OER, which will eventually improve the financial performance of our Group.

The total cost of purchasing these new machinery and equipment is estimated to be approximately RM22.0 million, which will be fully funded from the proceeds to be raised from our Public Issue. Please refer to Sections 4.9.1(b) and (d) for further details on the machinery and equipment to be purchased and utilisation of proceeds. We expect to purchase these machinery within 24 months upon our Listing.

7.15.3 We plan to expand our processing capabilities and product offerings by producing and selling CPKO

As at LPD, we are principally involved in the production and sale of CPO and PK. Customers who purchase PK from our Group are PK crushing mills and downstream refineries, whereby these customers are involved in extracting oil from PK for further processing into CPKO which are used in the manufacturing of food and non-food products. CPKO is more saturated than CPO, and is used to produce cooking oil for high-temperature cooking as it remains stable in high temperature. Further, CPKO is used to produce non-food products such as cosmetics and personal care products. In line with our business strategy to increase our revenue streams, we plan to expand our processing capabilities and product offerings to produce CPKO and PKE (a by-product of CPKO from the crushing of PK), for sale to external customers, using PK extracted from our FFB which is currently sold to external customers and/or PK purchased from third parties.

To facilitate this plan, our Group intends to set up a PK crushing facility adjacent to our existing palm oil mill, with a processing capacity of 90MT PK per day, to crush and press PK for extraction and processing into CPKO, which includes PKE which is a by-product of CPKO from PK crushing. The setup of the PK crushing facility will mainly involve the construction of the facility as well as purchase and installation of machinery, with estimated costs as follows:

Setup of the PK crushing facility	Estimated total cost
	RM'000
Construction of the PK crushing facility	3,000
Purchase and installation of machinery and equipment	8,300
Purchase and installation of 2 CPKO storage tanks with a total capacity of 2,500MT	2,700
	14,000

The total setup cost is estimated to be approximately RM14.0 million, of which RM9.0 million will be funded from the proceeds to be raised from our Public Issue, with RM3.0 million allocated for the construction of the PK crushing facility and RM6.0 million allocated for the purchase and installation of machinery and equipment and CPKO storage tanks. The remaining RM5.0 million will be funded through bank borrowings and/or internally generated funds. The setup of the PK crushing facility requires the Building Approval (*Persetujuan Bangunan Gedung*), a permit granted by the local authority or central government to building owners to build, change, expand, reduce, and/or maintain buildings in accordance with applicable building technical standards. The application for Building Approval, which was submitted via Building Management Information System on 26 May 2023, has been verified by the said system on 29 May 2023. Our Group has subsequently in early June 2023 had a consultation with the officer of Ministry of Public Works and Housing (*Kementerian Pekerjaan Umum dan Perumahan Rakyat*) and we obtained the Building Approval from local authority on 4 August 2023. In addition, upon completion of the setup of the PK crushing facility, we are required to obtain the Feasibility Certificate (*Sertifikat Laik Fungsi*) from the Investment Office of One-Door Integrated Services Kutai Kartanegara Regency, a certificate for buildings

7. BUSINESS OVERVIEW (Cont'd)

that have been completed and have met the technical feasibility requirements according to the building function. We expect to obtain the Feasibility Certificate by 2nd quarter of 2024 and commence the operations of the PK crushing facility by 2nd quarter of 2024. Please refer to Section 4.9.1(c) for further details on the utilisation of proceeds from our Public Issue.

We expect to complete the setup of the PK crushing facility and commence operations by 2nd quarter of 2024, with a tentative timeline as follows:

Tentative timing	Key events
April 2023	<ul style="list-style-type: none"> Commenced construction of the PK crushing facility
4 August 2023	<ul style="list-style-type: none"> Obtained the Building Approval (<i>Persetujuan Bangunan Gedung</i>) from local authority from the Investment Office of One-Door Integrated Services Kutai Kartanegara Regency
February 2024	<ul style="list-style-type: none"> Completed construction of the PK crushing facility Commenced and completed installation of machinery and equipment and CPKO storage tanks
2 nd quarter of 2024	<ul style="list-style-type: none"> To obtain the Feasibility Certificate (<i>Sertifikat Laik Fungsi</i>) from the Investment Office of One-Door Integrated Services Kutai Kartanegara Regency To commence operations of the PK crushing facility

Further, we are in the midst of identifying potential customers for our CPKO, which are downstream refineries involved in the refinery and clarification of CPKO in Indonesia.

Upon commencing the production of CPKO using the PK extracted in-house, we will gradually decrease our sale of PK to external customers. With this, we expect improved financial performance as we will have an additional revenue stream. Further, our Group expects to generate better margin from processing and selling CPKO as compared to selling PK as we can leverage on existing resources for our PK crushing activities to minimise our operating cost while selling CPKO at higher prices as CPKO is generally a higher-value product as compared to PK.

7.15.4 We plan to construct new staff quarters and refurbish our existing staff quarters to house additional workers and improve the living conditions of our workers and their family members

We have existing staff quarters constructed in our plantation estates to house our workers (including harvesters, plantation workers and support personnel) and their family members. The existing staff quarters are houses constructed fully by wood. We intend to refurbish our existing staff quarters to enhance the living conditions of our workers and their family members as part of continuous accommodation upgrading initiative.

As at LPD, our existing staff quarters comprise 383 blocks (2,618 units) of wooden houses and are fully occupied. We plan to progressively construct 59 blocks (289 units) of new houses using a combination of bricks, concrete and wood which are safer and less exposed to hazards.

7. BUSINESS OVERVIEW (Cont'd)

We intend to utilise a total of RM10.0 million from the proceeds to be raised from our Public Issue to fund the construction of new staff quarters and refurbishment of our existing staff quarters. Any outstanding cost will be funded through bank borrowings and/or internally generated funds. Please refer to Section 4.9.1(e) for further details on the utilisation of proceeds.

7.15.5 We plan to expand the coverage of electricity supply generated through the turbines at our palm oil mill to other regions of our plantation estates

As at LPD, we use some of our by-products from palm oil milling, namely PK shells and mesocarp fibre, as fuel for the boilers at our palm oil mill to produce steam for electricity generation by turbines. The electricity generated is currently used to power our palm oil mill, as well as for some domestic consumption in the central region of our plantation estates which includes staff quarters, offices, school, clinic and street lightings. However, our turbines have the capacity to generate more electricity than what is current used.

Notwithstanding our capability to generate more electricity from our turbines to other regions of our plantation estates, all our facilities in other regions of our plantation estates are currently powered by electricity generated through diesel generators, in which we incur diesel fuel cost and which produces harmful emissions into the environment. As at LPD, we do not have the required infrastructure to transmit the electricity generated by our turbines to these regions of our plantation estates.

In an effort to reduce our diesel fuel cost as well as part of our effort for environmental conservation, we plan to expand the coverage of the electricity generated by our turbines to other regions of our plantation estates which are electrified through diesel generators. To facilitate this, we intend to build the required infrastructure for transmission of electricity from our turbines in the central region to our facilities in other regions of our plantation estates. This will involve the construction of 8 mini electrical substations, as well as the purchase and installation of electrical components such as power cables, step-up and step-down transformers, and other electrical accessories. We intend to engage a third party solution provider to carry out these works.

The total cost of this plan is estimated to be RM10.0 million, which will be fully funded from the proceeds to be raised from our Public Issue. Please refer to Section 4.9.1(f) for further details on the utilisation of proceeds. The electricity supply system is expected to complete and be commissioned within 24 months from our Listing.

With our expanded electricity supply system in place, we expect to reduce the diesel fuel cost used by the generators in other regions of our plantation estates of approximately RM3.8 million, RM4.6 million, RM8.6 million and RM11.4 million in FYE 2020 to 2023, which represented 2.1%, 2.8%, 4.6% and 4.6% of our total cost of sales, respectively. This will promote self-sustainability and enhance our reputation as we place emphasis on environmental governance and responsibility.