

7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our Company was incorporated in Malaysia under the Act on 16 May 2023 as a private limited company under the name Agricore CS Holdings Sdn Bhd. On 11 September 2023, we converted into a public limited company and assumed our present name. We were incorporated as a special purpose vehicle to facilitate the Listing.

The history of our Group can be traced back to 3 February 2009 with the incorporation of ACS. The incorporation of our subsidiaries and changes in shareholdings, as well as the history and development of our Group and business operations since 2009 are as follows:

Incorporation of our subsidiaries and changes in shareholdings

ACS

ACS was incorporated on 3 February 2009 by 3 founding shareholders, namely Siew Boon Shem (33.33%), Ng Pei Jin (spouse of Oon Boon Khong) (33.33%) and Leung Sook Mee (33.33%) to undertake trading of plant-based agricultural food ingredients.

On 24 April 2009, by way of issuance of new shares of ACS to Siew Boon Shem, Ng Pei Jin and Leung Sook Mee for a total cash consideration of RM97.00 or RM1.00 per share, their equity interest held in ACS changed to Siew Boon Shem (9.00%), Ng Pei Jin (40.00%) and Leung Sook Mee (51.00%). On 25 May 2009, new shares of ACS were allotted to Siew Boon Shem, Oon Boon Khong, our Managing Director and Leung Sook Mee for a total cash consideration of RM99,900.00 or RM1.00 per share. Their equity interest held in ACS changed to Siew Boon Shem (9.00%), Ng Pei Jin (0.04%), Oon Boon Khong (39.96%) and Leung Sook Mee (51.00%).

On 26 May 2010, Siew Boon Shem, Leung Sook Mee and Oon Boon Khong subscribed for new shares in ACS at a cash consideration of RM0.15 million or RM1.00 per share. The shareholdings in ACS changed to Siew Boon Shem (9.00%), Ng Pei Jin (0.02%), Leung Sook Mee (51.00%) and Oon Boon Khong (39.98%).

On 31 March 2011, Siew Boon Shem disposed his 9.00% equity interest in ACS for a cash consideration of RM22,500 or RM1.00 per share to his spouse, Leong Yeok Wah and ceased to be a shareholder. On 19 July 2011, Ng Pei Jin disposed her 0.02% interest in ACS for a cash consideration of RM40.00 or RM1.00 per share to Oon Boon Khong and ceased to be a shareholder. On 29 August 2011, Leung Sook Mee transferred 34.00% of her equity interest to her sibling, Leung Yow Tuck (17.00%) and her nephew, Leong Huck Khan (17.00%) at a cash consideration of RM85,000 or RM1.00 per share. The shareholdings of ACS changed to Leung Sook Mee (17.00%), Leong Yeok Wah (9.00%), Leung Yow Tuck (17.00%), Leong Huck Khan (17.00%) and Oon Boon Khong (40.00%).

On 29 December 2012, by way of issuance of new shares of ACS to Leung Sook Mee, Leong Yeok Wah, Leung Yow Tuck, Leong Huck Khan and Oon Boon Khong at a total cash consideration of RM2.15 million or RM1.00 per share, their equity interest held in ACS remained at Leung Sook Mee (17.00%), Leong Yeok Wah (9.00%), Leung Yow Tuck (17.00%), Leong Huck Khan (17.00%) and Oon Boon Khong (40.00%).

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On 29 June 2020, Oon Boon Khong acquired 8.00% and 3.00% equity interests in ACS at a cash consideration of RM2.75 million or approximately RM10.42 per share from Leung Sook Mee and Leong Yeok Wah respectively. On even date, Aromi acquired 9.00% equity interests in ACS at a cash consideration of RM2.25 million or approximately RM10.42 per share from Leung Sook Mee and became a shareholder. Leung Yow Tuck and Leong Huck Khan also transferred all of their equity interests in ACS to BBN Network Sdn Bhd (held by Leung Sook Mee (90.00%) and her child, Sim Jun Kai (10.00%)) at a total cash consideration of RM2.00 and ceased to be shareholders. The shareholdings in ACS changed to Leong Yeok Wah (6.00%), BBN Network Sdn Bhd (34.00%), Oon Boon Khong (51.00%) and Aromi (9.00%).

On 9 July 2020, new Ordinary B shares of ACS were allotted to Leong Yeok Wah and BBN Network Sdn Bhd for a total cash consideration of RM20,000 or RM1.00 per share. The voting rights for Ordinary B shares of ACS was 25.5 votes per share. On even date, new Ordinary A shares of ACS were allotted to Oon Boon Khong and Aromi for a total cash consideration of RM30,000 or RM1 per share. The voting rights for Ordinary A shares of ACS is similar to the voting rights attached to a share, being 1 vote per share. For avoidance of doubt, the issuance of Ordinary B shares was to give Leong Yeok Wah the equivalent number of voting rights as Aromi, and BBN Network Sdn Bhd the equivalent number of voting rights as Oon Boon Khong.

Thereafter, effective from 29 November 2021, the voting rights of Ordinary B shares of ACS were varied to 58 votes per share.

On 30 November 2021, 3,250,000 new shares of ACS were allotted to Leong Yeok Wah, BBN Network Sdn Bhd, Oon Boon Khong and Aromi for a consideration of RM3,250,000 or RM1.00 per share, by capitalising an amount owing by ACS to them. Such amount was novated to them pursuant to the novation and debt settlement agreement dated 24 September 2021. Please refer to Section 6.5(b) for further details of the said agreement.

On 15 September 2022, Leong Yeok Wah and BBN Network Sdn Bhd entered into an agreement to dispose all of their equity interests in ACS to Frazel (40.00%) at a total cash consideration of RM15.50 million or approximately RM6.80 per share, and concurrently ceased to be shareholders. On 15 September 2022, Oon Boon Khong also entered into a share sale agreement to dispose 11.00% of his equity interest in ACS to Datuk Keh Chuan Seng (10.00%), Lim Swee Chuan (0.90%) and Datin Cheong Kai Meng (0.10%) respectively at a total cash consideration of approximately RM4.26 million or approximately RM6.80 per share. Thereafter, the shareholdings in ACS changed to Oon Boon Khong (40.00%), Aromi (9.00%), Frazel (40.00%), Datuk Keh Chuan Seng (10.00%), Datin Cheong Kai Meng (0.10%) and Lim Swee Chuan (0.90%).

On 20 December 2022, while the shareholdings of the parties remained the same, the voting rights of Ordinary A shares and Ordinary B shares of ACS were varied to 1 vote per share whereupon the shares became a single class of ordinary shares.

On 30 December 2022, new shares in ACS were allotted for a cash consideration of RM4.30 million or RM1.00 per share, and the shareholdings in ACS changed to Oon Boon Khong (40.00%), Aromi (9.00%), Frazel (44.34%), Datuk Keh Chuan Seng (5.70%), Datin Cheong Kai Meng (0.06%) and Lim Swee Chuan (0.90%).

Oon Boon Khong and Lim Swee Chuan are our Group's Managing Director and Chief Financial Officer respectively whereas Frazel, Datuk Keh Chuan Seng (our Group's Non-Independent Non-Executive Deputy Chairman) and Datin Cheong Kai Meng are strategic investors of our Group.

Aromi's shareholders includes the key senior management of ACS, namely Wong Kam Tong (our Group's Chief Operating Officer), Tan Hong Sheng (our Group's Product Manager) and Cheng Boon Kai (our Group's Procurement Manager). Our Group's employees, namely Ng Wen Ying, Tan Cheah Haw and Yong Chew Yuong who are our Human Resources Manager, Product

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Manager for ACS and Account Manager respectively, are also shareholders of Aromi. On the other hand, Wong Pak Zen and Voon Kooi Wong, substantial shareholders of Aromi are passive investors of our Group and they do not hold any roles in our Group.

Bapas

Bapas was incorporated on 30 December 2014 by 3 founding shareholders, namely Wong Kam Tong, Ooi Su Heng and Leung Hak Kong. Bapas was incorporated to undertake the production and sale of fried shallots, and subsequently the production and sale of food additives in 2021.

On 2 January 2015, new shares were allotted at cash consideration of RM97.00 or RM1.00 per share and the shareholdings of Bapas changed to Wong Kam Tong (5.00%), Ooi Su Heng (5.00%), Leung Hak Kong (5.00%), Simon Thoo Ching Hau (5.00%), Cheng Boon Kai (5.00%) and ACS (75.00%). The investment by such parties in Bapas took place as a strategic decision to diversify into production of fried shallots in 2015, which brings an extensive supply chain network with the retailers as well as to capitalise on our Group's expertise in the food ingredients industry.

On 22 June 2015, by way of issuance of new shares of Bapas to ACS, Wong Kam Tong, Ooi Su Heng, Simon Thoo Ching Hau, Leung Hak Kong and Cheng Boon Kai for a total cash consideration of RM199,900.00 or RM1.00 per share, their equity interest held in Bapas maintained at Wong Kam Tong (5.00%), Ooi Su Heng (5.00%), Leung Hak Kong (5.00%), Simon Thoo Ching Hau (5.00%), Cheng Boon Kai (5.00%) and ACS (75.00%).

On 11 May 2016, Simon Thoo Ching Hau disposed all of his equity interest in Bapas to Wong Kam Tong (2.50%) and Ooi Su Heng (2.50%) for a cash consideration of RM10,000.00 or RM1.00 per share. The shareholdings in Bapas changed to Wong Kam Tong (7.50%), Ooi Su Heng (7.50%), Leung Hak Kong (5.00%), Cheng Boon Kai (5.00%) and ACS (75.00%).

On 28 October 2020, Wong Kam Tong, Ooi Su Heng, Leung Hak Kong and Cheng Boon Kai disposed all of their equity interest in Bapas to ACS for a total cash consideration of approximately RM83,777.00 or approximately RM1.68 per share, resulting in Bapas becoming a wholly-owned subsidiary of ACS.

On 24 December 2020, new shares of Bapas were allotted to ACS for a cash consideration of RM0.30 million at RM1.00 per share. On 30 November 2021, new shares of Bapas were allotted to ACS for a cash consideration of RM1.90 million at RM1.00 per share. On 8 December 2022, new shares of Bapas were allotted to ACS for a non-cash consideration of RM0.60 million at RM1.00 per share, being the capitalisation of amount owing by Bapas to ACS. As at LPD, Bapas remains a wholly-owned subsidiary of ACS.

7.2 KEY ACHIEVEMENTS AND MILESTONES

(a) Expansion of our product offerings

We commenced our business in 2009 in the sourcing and distribution of plant-based agricultural food ingredients including starch products, beans and pulses and grain products under our house brands '*POKOK AGRICORE*' and '*SunRise*' as well as third party brands. In 2015, we expanded our product offerings to include fried shallots under our third house brand '*CAP POKOK*'.

As we saw the growing demand for food additives amongst our customers through the distribution of modified starches, which were amongst the starch products we were selling, we commenced our R&D activities with 1 R&D Executive in 2020 by developing

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formulations for food additives in preparation to venture into the production of food additives.

In 2021, we expanded our R&D team to 2 R&D Executives. In the same year, we successfully developed 18 food additive formulations, of which 3 food additive formulations were developed through R&D activities and 15 food additive formulations were developed based on formulations that are commonly used in the industry. We began selling these food additives under our house brand 'BAPAS', which further expanded our product portfolio. In 2022, we developed a total of 3 food additive formulations for sale. As at LPD, we have commercialised 29 out of our 49 food additive formulations. Out of the 29 commercialised food additive formulations, 11 were developed through R&D activities and 18 were developed based on formulations that are commonly used in the industry. Please refer to Section 7.15 for the 11 developed and commercialised food additive formulations.

(b) Expansion of our sourcing network

In 2009, we started to source beans and pulses such as black matpe and green mung beans from Myanmar. In 2010, we expanded our sourcing network and started to source green mung beans from Australia. In 2011, we started to source soybeans from Canada and USA, and corn starch from South Korea. In 2012, we further expanded our sourcing network by sourcing such as glutinous rice flour from Thailand, and potato starch from Germany and corn starch from China. In 2013, we expanded our sourcing network further and started sourcing plant-based agricultural food ingredients from Denmark, Turkey and Ukraine. From 2015 to 2020, we continued to expand our sourcing network by sourcing various plant-based agricultural food ingredients from Vietnam, Poland and Indonesia. As at LPD, our plant-based agricultural food ingredients are sourced from 18 countries including Malaysia.

(c) Expansion of our storage and production facilities

We commenced our business operations in 2009 by renting a combined space of 5,000 sq ft as office and storage located within a third party factory premises in Kawasan Perindustrian Bukit Minyak, Pulau Pinang. In 2010, we relocated to a rented industrial lot measuring approximately 5,400 sq ft at Kawasan Perusahaan Bukit Tengah, Pulau Pinang. In 2011, as our business expanded, we acquired our Bukit Minyak Premises, a land measuring 115,852 sq ft to construct Phase 1 of our office and storage building measuring approximately 18,590 sq ft. We commenced the operations of our Bukit Minyak Premises in 2014 upon completion of the construction.

In 2015, as we expanded our business into the production of fried shallots, we rented a factory measuring 2,820 sq ft in Sungai Jawi, Pulau Pinang to carry out the production activities of fried shallots with 1 production line.

In 2018, we completed the construction of Phase 2 of our Bukit Minyak Premises. We expanded our Bukit Minyak Premises by 39,316 sq ft, which comprised a dry storage space, 2 cold rooms and an ante-room, as well as a double-storey office building.

In 2022, we completed the construction of Phase 3 expansion of our Bukit Minyak Premises. Through the Phase 3 expansion, we expanded our Bukit Minyak Premises by 19,608 sq ft, which comprised an additional dry storage space, a third cold room, a docking space and a R&D laboratory and approximately 5,420 sq ft of the production site for our food additives. Our production of food additives started with 1 mixing machine in 2021 and subsequently expanded to 3 mixing machines in 2022.

In 2023, with the expansion of our fried shallot business, we relocated the production of fried shallots to a larger rented factory, measuring 6,240 sq ft, being our Simpang Empat Factory. Concurrently, we also expanded our capacity from 1 production line to 2 production lines.

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(d) Expansion of our customer base and markets

We recorded our first export sale in 2013 when we secured our first sale to a customer in Indonesia. We further expanded our global reach when we secured a customer in Singapore in the same year. By the fifth year of our business in 2014, we achieved a customer base of 511 customers, defined by the number of customers who transacted with our Group during the year.

Subsequently, from 2015 to 2020, our customer base further expanded to 796 customers. In 2019, we widened our export market by securing our first customers in Australia and Hong Kong. In 2021, we further expanded our export market when we secured our first customer in China. From FYE 2020 to 2022, our customer base increased from 796 customers to 1,004 customers, which comprised business end users (i.e. food manufacturers, commercial farmers, and F&B businesses), wholesalers and retailers, from the local market as well as 5 export markets. Please refer to Section 7.3.3 for more details on our customers.

7.3 DESCRIPTION OF OUR BUSINESS

7.3.1 Principal activities

We are principally involved in the sourcing, distribution and production of food ingredients. Our core business activities are segmented as follows:

- (a) sourcing and distribution of plant-based agricultural food ingredients comprising starch products, beans and pulses, grain products and other related products; and
- (b) production and sale of food additives and fried shallots.

The details of our principal activities are as follows:

(a) Sourcing and distribution of plant-based agricultural food ingredients

We source and distribute plant-based agricultural food ingredients, namely starch products, beans and pulses, grain products and other related products. These are staple food ingredients that are used as input in the manufacturing or preparation of food such as noodles, pastries, meat products as well as snacks. From a nutritional standpoint, these ingredients are a source of proteins and carbohydrates, which end products are widely consumed on a daily basis. This makes such ingredients a key part of the food ingredients industry value chain, and contributes to food security.

Our starch products, beans and pulses, grain products and other related products are used by food manufacturers for applications such as being raw materials for manufacturing of food products and food additives; as well as by F&B businesses and households for food preparation such as soups, sauces and gravies, noodles, pastries and desserts. Some of our beans and pulses are also used by commercial farmers for crop growing.

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Our sourcing activities comprise the following:

(i) Sourcing and storage of products

- We identify, source and store products based on our understanding of our customers' sourcing demand and preferences. These activities are carried out regularly as we monitor our inventory level and seasonality of the products' harvest, as well as observe our customers' purchasing pattern and past orders over the years of our operations. For avoidance of doubt, our Group does not source products on-demand for our customers (i.e. we do not accept orders from our customers for products that we do not carry and immediately source for these products). However, in the event that we receive orders from our customers for new products which we do not carry, we may evaluate if these products are viable in terms of demand and source for these products if they are viable. Please refer to Section 7.4.1(b) for further details on our business processes when products are not available in our inventory.
- Leveraging on our industry knowledge and experience, we also provide sourcing recommendations to our customers, where we recommend suitable products to them based on the types, volumes and grades of the products required according to their intended applications to meet their requirements in food manufacturing, in terms of desired results of the end-products and budget considerations.
- We store the products purchased from our suppliers as inventory in our Bukit Minyak Premises, and deliver to our customers once we receive orders.
- We source certain products in bulk during their respective harvest seasons, in particular certain types of soybeans and wheat starch. Thereafter, we store them in our cold rooms in order to extend their shelf lives, preserve their nutrients as well as maintain the texture and quality of the products.

(ii) Sourcing from new suppliers

- We continuously identify potential suppliers to expand our network of suppliers.
- We also identify potential suppliers for new products requested by customers which are viable for us to carry.
- We identify potential suppliers based on the origins of the products and assess the potential suppliers by evaluating their product quality, production capacity, market reputation, timeliness of delivery and price competitiveness, amongst others.

(iii) Quality assurance

As a common practice in the food ingredients industry, we ensure a Certificate of Analysis is obtained from our suppliers prior to product shipment to ensure the products are in accordance with our specifications and quality standards. Our Group also requests for third-party laboratory test reports from our newly engaged suppliers prior to product shipment in order to ensure the quality of these products meet our specifications and quality standards. Upon customers' request, our Group may also engage third-party laboratories to conduct testing on our products to verify the specifications and quality of our products.

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Our distribution activities comprise the following:

(i) Sale of products

- We sell our products in various packing sizes ranging from 0.4 kg to 900.0 kg, catering to the packing requirements of our broad range of customers comprising wholesalers, retailers, food manufacturers, commercial farmers and F&B businesses.
- We utilise a mobile application that connects to our inventory system to keep track of the movement of our inventory, which provides our sales personnel with real-time data of our inventory level to assist them in closing sales with our customers.

(ii) Quality inspection and assurance

We conduct quality inspections at various stages of our business processes to ensure our products adhere to internal as well as international standards such as Halal, HACCP System or ISO 9001:2015 Quality Management System to provide confidence to our customers on the safety and quality of our products.

(iii) Logistics management

We plan, arrange and control the movement of our products from the receipt of products from suppliers, storage of products in our facility, to delivery of products to our customers according to their delivery instructions.

We mainly sell our starch products, beans and pulses, grain products and other related products under our house brands '*POKOK AGRICORE*', '*SunRise*' and '*CAP POKOK*'. These products are primarily readily packed by our suppliers in our packaging which carries our house brands, whereby we engage the suppliers for the supply of products as well as for their packing services. Upon customers' request, we provide repacking services whereby our products are repacked in-house by our Group into smaller packing sizes.

We also distribute food ingredients with third party brands including starch products and other related products. Please refer to Section 7.3.2(a) for further details on our plant-based agricultural food ingredients.

(b) Production and sale of food additives and fried shallots

(i) Food additives

We carry out production of our food additives in-house for sale to food manufacturers under our house brand '*BAPAS*'. Food additives are functional food ingredients that are used in the manufacturing of food to serve certain functions such as to modify or enhance the texture, taste, appearance and preservative properties, amongst others, of food products, and are also generally known as thickening agents, anti-caking agents, binding agents, moisture retention agents, stabilisers and emulsifiers. Our food additives are supplied to food manufacturers to be used in their food manufacturing processes.



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All of our food additives are manufactured based on our in-house developed formulations. Our in-house R&D team is equipped with food technology capabilities to develop the formulation of our food additives according to the intended use of our customers, which allows us to help our customers achieve the desired texture, flavour, appearance and preservative properties of their food products. Some of our food additive formulations are developed through R&D activities carried out by our in-house R&D team, whereas some food additive formulations are developed by our in-house R&D team based on formulations that are commonly used in the industry. Please refer to Section 7.15 for further details on our R&D activities and projects. The raw materials for our food additives are mainly the starch products and phosphate which we source from our suppliers. Our food additives can be used in the manufacturing of different food products, such as processed and frozen food, sauces and gravies, noodles, bakery products, confectioneries, meat replacement (i.e. vegetarian) products, and beverages. Please refer to Section 7.3.2(b) for further details on the application of our food additives.

(ii) Fried shallots

Our Group produces and sells fried shallots under our house brand 'CAP POKOK'. We produce our fried shallots in-house using various types of shallots and onions as well as recipes to achieve different flavour, profiles and textures. Fried shallots are used as input ingredients in food preparation. Our fried shallots are sold to wholesalers and retailers for onward sale to end consumers. We are also engaged by third party brand owners as a contract manufacturer to produce fried shallots which are packaged and distributed under these customers' brand names.

Our business model can be summarised as below:

Principal activities	Sourcing and distribution of plant-based agricultural food ingredients	Production and sale of food additives and fried shallots
Products	<ul style="list-style-type: none"> • Starch products • Beans and pulses • Grain products • Other related products 	<ul style="list-style-type: none"> • Food additives • Fried shallots
House brands		
Customers	<ul style="list-style-type: none"> • Business end-users <ul style="list-style-type: none"> - Food manufacturers - Commercial farmers - F&B businesses • Wholesalers • Retailers 	<ul style="list-style-type: none"> • Business end-users <ul style="list-style-type: none"> - Food manufacturers • Wholesalers • Retailers
Locations	<u>Headquarters, storage facility and production sites</u> <ul style="list-style-type: none"> • Bukit Minyak, Pulau Pinang • Simpang Empat, Pulau Pinang 	

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7.3.2 Our products

(a) Sourcing and distribution of plant-based agricultural food ingredients

We mainly distribute our plant-based agricultural food ingredients under our house brands, namely 'POKOK AGRICORE', 'SunRise' and 'CAP POKOK'. As at the LPD, we have 67 SKUs of plant-based agricultural food ingredients comprising starch products, beans and pulses, grain products and other related products.



Our products can be categorised into 4 categories, as follows:

Category and description	Products	House brands	Packing sizes	Applications	Functions / end products
(i) Starch products Starch is a carbohydrate that is naturally found in certain grains, tubers and pulses, amongst others. Starch can be extracted from the above to form a powdered form food ingredient. Starch products generally have similar functions, however, the use of different starch products will produce different viscosity, colour or texture of food products, due to the differences in granule sizes.	Corn starch	POKOK AGRICORE	400g, 10kg, 25kg, 850kg	Food manufacturing and food preparation	Thickening agent (e.g. tapioca starch is used to thicken sauces), binding agent (e.g. sago starch is used to make noodles and desserts to achieve a chewy texture), stabiliser (e.g. corn starch is used to maintain a uniform dispersion between components in sauces)
	Tapioca starch ⁽¹⁾		500g, 1kg, 10kg, 25kg, 500kg, 850kg		
	Wheat starch		25kg, 900kg		
	Sago starch		25kg, 900kg		
	Potato starch ⁽²⁾	N/A	25kg		
	Soy protein	SunRise	20kg	Food manufacturing and food preparation	Emulsifier, meat products texture enhancer

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Category and description	Products	House brands	Packing sizes	Applications	Functions / end products
<p>(ii) Beans and pulses</p> <p>Beans and pulses are edible seeds of leguminous plants, which are plants that produce edible seeds such as soybeans, peas and lentils. Beans and pulses are rich in protein hence are commonly consumed as part of a diet.</p>	Soybeans	<i>POKOK AGRICORE, SunRise</i>	30kg	Food manufacturing and food preparation	Bean curd, soybean drinks, soy sauce
	Lentils		15kg	Crop growing	Bean sprout farming
	Black matpe		25kg	Crop growing	Bean sprout farming
	Green mung beans	<i>POKOK AGRICORE</i>	1.8kg, 3.8kg, 4kg, 4,8kg, 10kg, 25kg	Food manufacturing and food preparation	Mung bean desserts, pastry fillings
	Red beans		10kg, 25kg	Crop growing	Bean sprout farming
	Red kidney beans		15kg, 25kg	Food manufacturing and food preparation	Desserts, pastry fillings
	Red bamboo beans		20kg, 25kg		
	Black eyed beans		10kg, 15kg, 25kg		
	Yellow bamboo beans		20kg, 25kg		
	Dun peas		25kg		
	Marrowfat peas		25kg	Crop growing	Bean sprout farming
				Food manufacturing and food preparation	Snack foods
Yellow split peas	<i>POKOK AGRICORE, SunRise</i>		10kg, 15kg, 20kg, 25kg	Food manufacturing and food preparation	Pastry fillings

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Category and description	Products	House brands	Packing sizes	Applications	Functions / end products
(iii) Grain products Grain products include grains, the seeds that are harvested from crops such as rice, wheat, corn, oat and rye; as well as grain milled products, which are the flour or meal that are produced through the milling of grains.	Glutinous rice flour	<i>POKOK AGRICORE</i>	400g, 500g, 10kg, 25kg	Food manufacturing and food preparation	Rice cakes, pastries
	Barley		5kg, 10kg		Barley beverages
	Rice	<i>CAP POKOK</i>	5kg, 10kg		Rice
(iv) Other related products	Nutrient solutions	<i>POKOK AGRICORE</i>	1L, 5L	Crops growing	Bean sprout farming
	Brown sugar ⁽³⁾		3.8kg, 3.9kg, 4kg, 8kg	Food manufacturing and food preparation	Desserts, pastry fillings, beverages
	Sesame seeds		10kg, 15kg, 30kg		Desserts, pastry fillings
	Sago pearls		15kg		Desserts
	Groundnuts ⁽⁴⁾	N/A	1.8kg, 2kg, 25kg	Food manufacturing and food preparation	Desserts, pastry fillings
	Antifoam solutions	<i>CAP POKOK</i>	1L, 25L		Anti-foaming agent
Coagulant ⁽⁴⁾	N/A	30L	Food manufacturing	Coagulation of soy milk into curds	

Notes:

- (1) Distributed under house brand '*POKOK AGRICORE*' as well as under third party brand '*RED ELEPHANT*' in 25kg packing size.
- (2) Distributed under third party brand namely '*DE TULPENT*'. Potato starch is not distributed under our house brands due to relatively low demand for this product amongst our customers, compared to other products.
- (3) Distributed under house brand '*POKOK AGRICORE*' as well as under plain packaging for customers.
- (4) Distributed under plain packaging for customers.

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Examples of our products which we source and distribute are as follows:

Starch products



Corn starch



Tapioca starch



Wheat starch

Beans and pulses



Soybeans



Black matpe



Green mung beans

Grain products



Glutinous rice flour

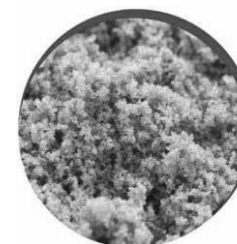


Rice



Barley

Other related products



Brown sugar



Sesame seeds



Antifoam solutions

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(b) Production and sale of food additives and fried shallots

(i) Food additives

We produce and sell our food additives under our house brand 'BAPAS'.



As at LPD, we have 49 SKUs of food additives. Our food additives are as follows:

Products	Function	Applications / end products
Anti-oxidants	To delay the development of rancidity or other deterioration in food products due to oxidation	Processed meats, sauces and gravies, beverages
Preservatives	To prolong the shelf life of food products by preventing deterioration caused by microbial growth	Processed meats
Thickening agents	To improve texture, increase viscosity and improve yield by retaining moisture of food products	Processed meats, meat replacement (vegetarian) products, bakery products, beverages
Stabilisers	To improve texture, binding properties, moisture retention and freeze-thaw stability of food products, as well as to maintain a uniform dispersion of two or more components of food ingredients within food products	Processed meats, meat replacement (vegetarian) products, noodles, bakery products
Acid regulators	To control the acidity or alkalinity of food products to prevent the development of undesirable micro-organisms	Processed meats, processed seafoods
Firming agents	To coagulate food products	Beancurds
Emulsifiers	To form or maintain stable emulsion of immiscible food ingredients (e.g. oil and water) in food products	Processed meats, processed seafoods, meat replacement (vegetarian) products, beancurds
Sequestrants	To control availability of cation in food and retain moisture, as well as to improve texture and yield of food products	Processed meats, processed seafoods

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(ii) Fried shallots

Our fried shallots are sold to wholesalers and retailers for onward sale to end-consumers in retail packaging of 80g, 90g, 100g, 150g, 200g, 250g, 400g, 450g, 500g, 800g, 900g, and 1kg. Our fried shallots are packaged under our house brand 'CAP POKOK'.



The fried shallots that we produce as a contract manufacturer for third party brand owners are packed in packaging provided by our customers.

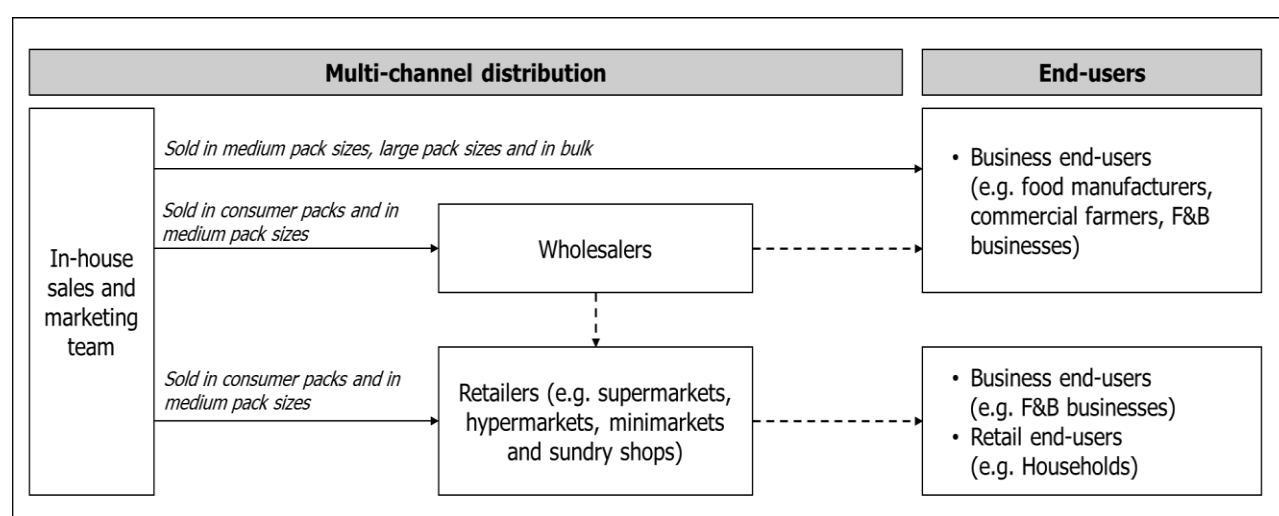
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7. BUSINESS OVERVIEW (Cont'd)

7.3.3 Our distribution channels and customers

Our Group adopts a multi-channel distribution strategy comprising our in-house sales and marketing team, wholesalers and retailers, allowing us to have a wide network of distribution and a diverse customer base. Our customers comprise business end-users such as food manufacturers, commercial farmers, F&B businesses, wholesalers, and retailers such as supermarkets, hypermarkets, minimarkets and sundry shops.

Our products are sold in medium pack sizes, large pack sizes and in bulk (i.e. from 10kg to 900kg) to business end-users such as food manufacturers who use our products in mass food manufacturing and commercial farmers who use our products in crop growing. Our products are also sold in consumer packs as well as medium pack sizes (i.e. from 80g to 30kg) to wholesalers who supply our products to business end-users such as F&B businesses, and to retailers such as supermarkets, hypermarkets, minimarkets and sundry shops for onward sales to both business end-users and retail end-users. We also sell directly to retailers in the same packaging for onward sale to both business end-users and retail end-users.



Notes:

- ▶ denotes direct sale to our customers.
- ▶ denotes indirect sales.

Further breakdown on our customer base and their respective revenue contribution to our Group are shown in the table below:

Customer base	⁽¹⁾ No. of customers as at FYE 2022	Revenue contribution	
		RM'000	%
Business end-users			
Food manufacturers	572	90,387	73.7
Commercial farmers	62	8,286	6.8
F&B businesses	8	15	<0.1
Wholesalers	297	20,922	17.0
Retailers	65	3,075	2.5
Total	1,004	122,685	100.0

Note:

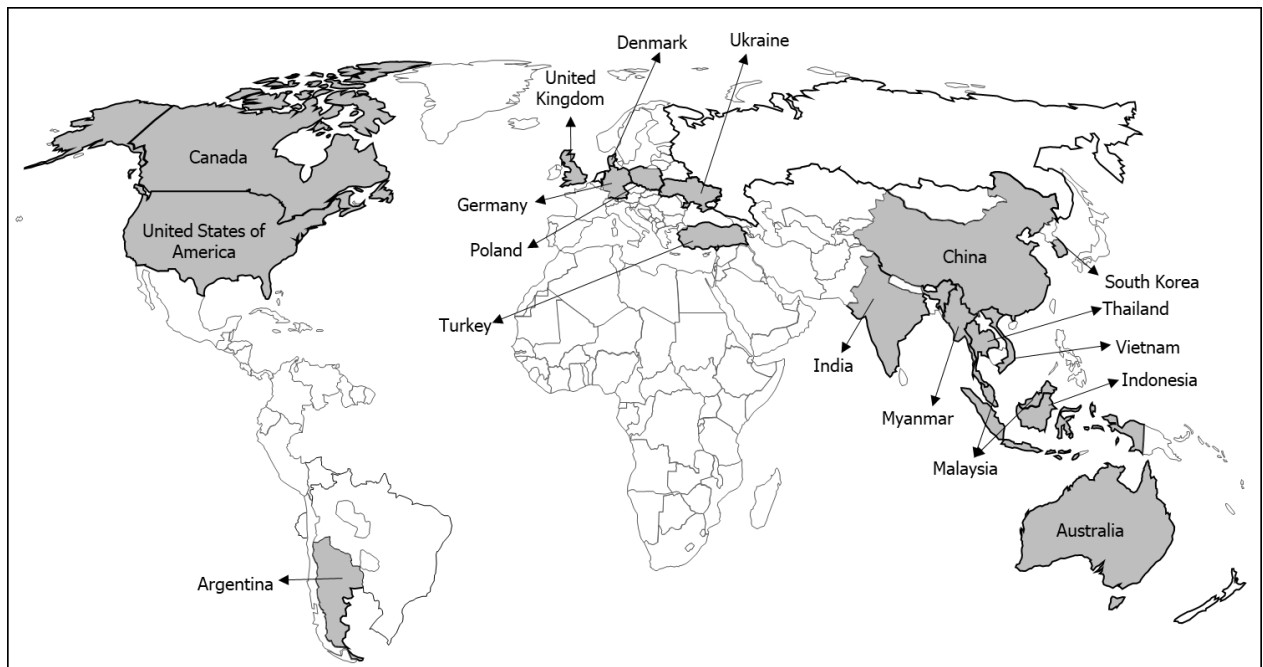
⁽¹⁾ Refers to number of customers with at least one transaction with our Group in FYE 2022.

7. BUSINESS OVERVIEW (Cont'd)

7.3.4 Our sourcing network

We have established an extensive sourcing network of 58 suppliers from 13 countries as at LPD, particularly for our sourcing and distribution business segment. We source similar products from various suppliers based on different grades and attributes such as, amongst others, viscosity, flavour, appearance, germination ability, nutritional content. This allows us to have a wide product portfolio, which enables us to meet different sourcing needs of our customers. Further, with an extensive sourcing network, we are also able to minimise supply disruptions which in turn reduces our exposure to supply chain challenges.

As at LPD, our plant-based agricultural food ingredients sourced from the 58 suppliers are from 18 countries including Malaysia. Our plant-based agricultural food ingredients can be sourced from suppliers based in the product’s country of origin, as well as suppliers based outside of the product’s country of origin. An overview of our sourcing network based on product’s country of origin as at LPD is as follows:



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7. BUSINESS OVERVIEW (Cont'd)

Region	Country	Products sourced
Americas	Argentina	Beans and pulses
	Canada	Beans and pulses
	United States	Beans and pulses
Europe	Denmark	Starch products
	Germany	Starch products
	Poland	Starch products
	Turkey	Beans and pulses
	Ukraine	Beans and pulses
	United Kingdom	Beans and pulses
Asia	China	Starch products, beans and pulses, and other related products
	India	Starch products, beans and pulses and other related products
	Indonesia	Starch products
	Malaysia	Starch products, beans and pulses and other related products
	Myanmar	Beans and pulses
	South Korea	Starch products
	Thailand	Starch products, beans and pulses, and grain products
	Vietnam	Starch products
Oceania	Australia	Starch products, and beans and pulses

7.3.5 Our locations

Our business operations are based in Malaysia at the following locations:

Facilities	Location	Function
Bukit Minyak Premises	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	Headquarters, storage facility, production facility for food additives, and R&D laboratory
Simpang Empat Factory	46, Lengkok IKS Simpang Empat 1, Taman IKS Simpang Empat, 14100 Simpang Empat, Pulau Pinang	Production facility for fried shallots

7.3.6 Warranty

We do not provide warranty for our plant-based agricultural products. However, in the event that defects such as changes in texture and appearance, contamination and improper sealing are reported by our customers, we will conduct investigation on the causes and may conduct product recalls from our customers and/or from the market for the affected batch of products. We will also provide our customers with replacement products or refunds for the defect products. In the event of delivery of products in wrong specifications, we will also provide our customers with replacement products or refunds.

7. BUSINESS OVERVIEW (Cont'd)

As for our in-house manufactured food additives, samples of each batch of products are kept and retained for 2 years in our Bukit Minyak Premises. We do not provide warranty for our food additives. However, in the event that defects are reported by our customers, we will conduct testing on the relevant batches of samples. If the sample batches are found to be defective, the defect products will be replaced or refunded.

We do not provide warranty for our fried shallots. In the event that defects are reported by our customers, we will provide our customers with replacement products or refunds for the defect products.

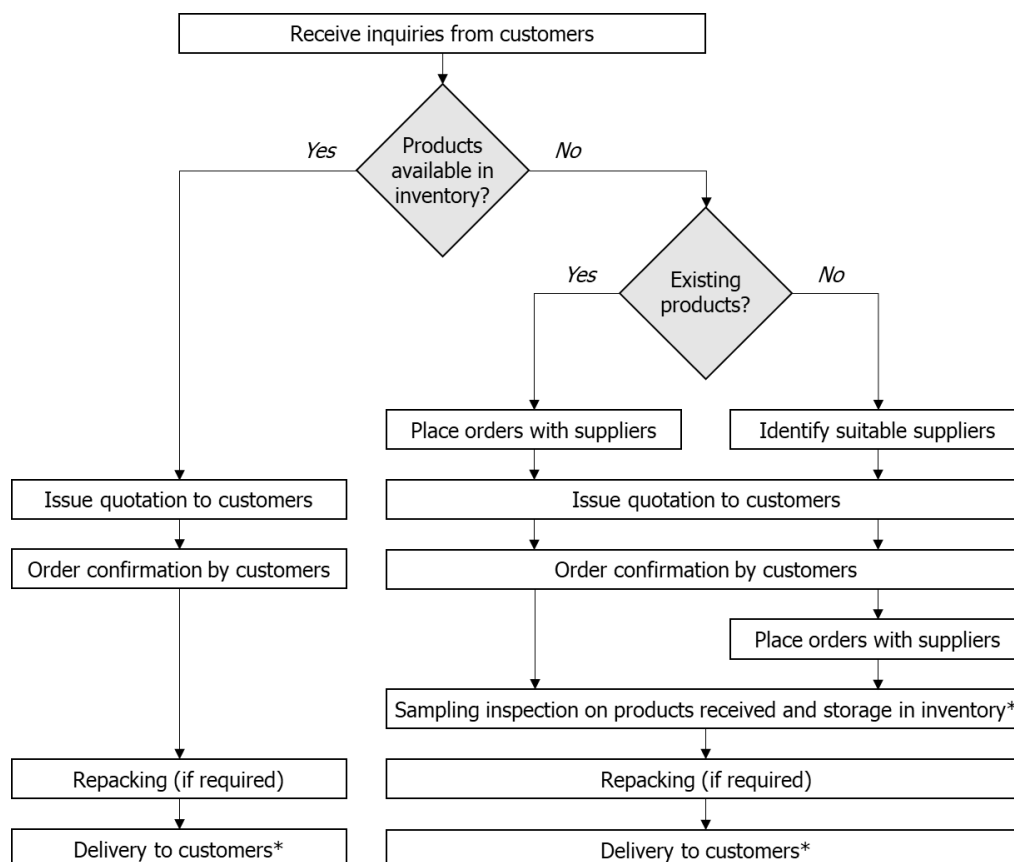
Our practice of not providing warranty for all of our products (i.e. plant-based agricultural products, food additives and fried shallots) is a common practice within the food ingredients industry. For FYE 2020 to 2022, we recorded product return rates of 0.8%, 0.6% and 0.5% respectively of our revenue for our plant-based agricultural products as well as in-house manufactured food additives and fried shallots. There have not been any product recalls from the market for FYE 2020 to 2022.

Our plant-based agricultural food ingredients have shelf lives ranging from 3 months to 5 years, whereas our food additives and fried shallots have shelf lives up to 2 years and 1.5 years respectively.

7.4 BUSINESS PROCESSES

The process flow for our Group's business is separated into 2 segments as depicted below:

7.4.1 Sourcing and distribution of plant-based agricultural products



Note:

* indicates processes that will undergo QC procedure.

7. BUSINESS OVERVIEW (Cont'd)

Upon receiving inquiries from customer, we will assess our inventory to determine the availability of the requested products.

(a) Product is available in our inventory

If our inventory is sufficient to fulfil the customer's order, we will prepare a quotation for the customer based on type of products, volume required and delivery instructions.

Once the quotation is agreed by the customer, the customer will issue a purchase order or verbally confirm the purchase. Upon customer's request, we may provide repacking services where our products are filtered and repacked into smaller packing sizes requested by our customer.

Thereafter, a delivery order will be issued and the products will be prepared for delivery. Prior to the delivery, we will conduct a round of inspection as part of our QC procedure on the volume, quality as well as packaging of our products. Upon completion of the quality inspection, our products will be loaded and delivered to our customer by our in-house logistics team or third party logistics providers, depending on the availability of capacity within our in-house logistics team and the delivery location.

For FYE 2020 to 2022, our Group's inventory turnover ranged from 32 days to 35 days, whereby all products are typically stored in our inventory for an average period of around 1 month before they are sold and delivered to customers, except for products which we purchase in large bulk to obtain better pricing, as well as products that have certain harvest seasons such as certain types of soybeans and wheat starch. We only purchase seasonal products during their respective harvest seasons and store them in our Bukit Minyak Premises for a longer period to cater to our customer demand for these products for the entire year.

(b) Product is unavailable in our inventory

If our inventory is insufficient to fulfil the customer's order for existing products that our Group sources and distributes, we will request for quotation of the products from our supplier. Once the quotation is agreed by us, we will place a purchase order to the supplier to confirm our order.

If we receive an order from our customer for new products which our Group has not sourced and distributed, we will evaluate if these products are viable in terms of demand. If viable we will evaluate our list of suppliers based on the type and volume of products requested by our customer. If new suppliers are required to fulfil our customer's requests, we will identify and evaluate new suppliers based on amongst others, the supplier's product quality, production capacity, market reputation, timeliness of delivery and price competitiveness. Once the suitable suppliers have been identified, we will request product samples, sample of Certification of Analysis for the products requested and quotation from the suppliers based on the product type and volume requested by our customers. Following which, we will prepare a quotation to our customer based on the product type, product volume and delivery instructions requested. Once the quotation is agreed, our customer will issue a purchase order to confirm the purchase. Following which, we will issue a purchase order to the supplier to confirm our purchase. We will then obtain a Certificate of Analysis of the products purchased from the supplier prior to the shipment of products.

Upon the receipt of products from our suppliers, we will conduct sampling inspection as part of our QC procedure on the product type, volume and visual appearance as well as the packing condition of the products. In the event that the products received do not meet the standard of our inspections, we may reject and return the products to the supplier or

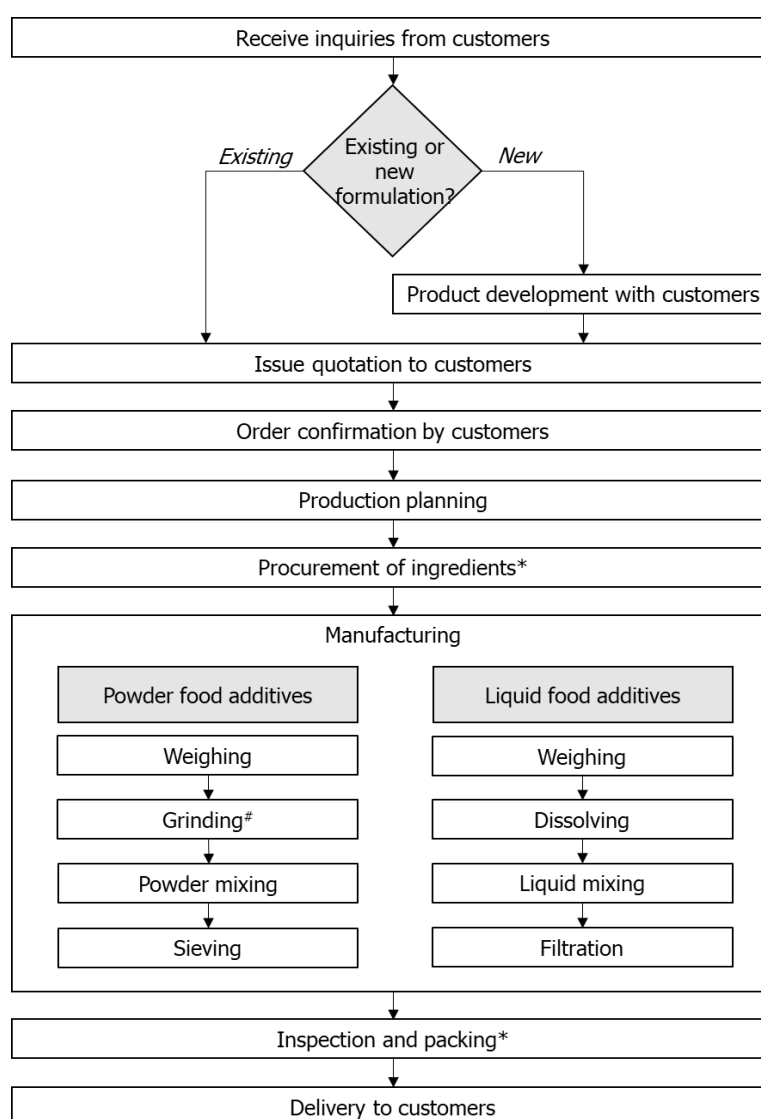
7. BUSINESS OVERVIEW (Cont'd)

retain the products where we will seek for compensation from the supplier. Products that meet our inspection standards will be stored in our storage facility.

Upon customer's request, we may provide repacking services where our products are filtered and repacked into packing sizes requested by our customer. Thereafter, a delivery order will be issued and the products will be prepared for delivery. Prior to the delivery, we will conduct a round of inspection as part of our QC procedure on the volume, quality as well as packaging of our products. Upon completion of the quality inspection, our products will be loaded and delivered to our customer by our in-house logistics team or third party logistics providers, depending on the availability and capacity within our in-house logistics team and the delivery location.

7.4.2 Production of food additives and fried shallots

(a) Production of food additives



Notes:

* indicates processes that will undergo QC procedure.

7. BUSINESS OVERVIEW (Cont'd)

indicates process that is carried out for certain food additives only.

Upon receiving inquiries from customer for food additives with existing formulations, we will prepare and issue a quotation to the customer based on product formulation, volume required and delivery instructions.

Upon receiving inquiries from customer for food additives with new formulations, we will carry out product development to develop new formulations together with our customers which typically take 3 months to 1 year. The product development stage encompasses the following processes:

- (i) Development of formulation – After understanding customer’s requirements, we will conduct research such as literature review and market study on the required food additive. Following which, we will develop the formulation of the food additives based on the customer’s requirements and specifications on the desired texture, flavour, appearance or preservation properties of their food products.
- (ii) Production of sample products – Upon the completion of development of formulation, we will source the raw materials required and produce samples of food additives based on the formulation developed for testing with our customers.
- (iii) Product testing – Prior to the product testing stage, the performance and stability of the samples of food additives produced are evaluated based on our internal standards on the viscosity, pH value, salt content and density, which are benchmarked against similar food additives products in the market. Following which, the qualified food additives samples will be tested together with, or by, our customers at our premise or our customers’ premises, by blending with other ingredients to produce food products. The outcomes of each testing are examined and evaluated to determine the suitability of the newly formulated food additives to achieve the desired outcome according to our customer’s specifications. Based on our customers’ feedback during the product testing stage, we will make improvements or enhancements to the formulation of our food additives, until the desired outcome is achieved.

Upon acceptance of the newly formulated food additives by our customer, we will prepare and issue a quotation based on the product formulation, volume required and delivery instructions. Once the quotation is agreed, our customer will issue a purchase order to confirm the purchase.

Upon receipt of purchase order, we will prepare a production plan which outlines production details including ingredients required, formulations, production volume and production schedule. Thereafter, we will source the required ingredients from our suppliers if there are insufficient ingredients in our inventory. Ingredients received will be inspected to ensure quality standards are met, and are stored in our facility thereafter. Ingredients that do not meet our quality standards may be rejected and returned to the supplier.

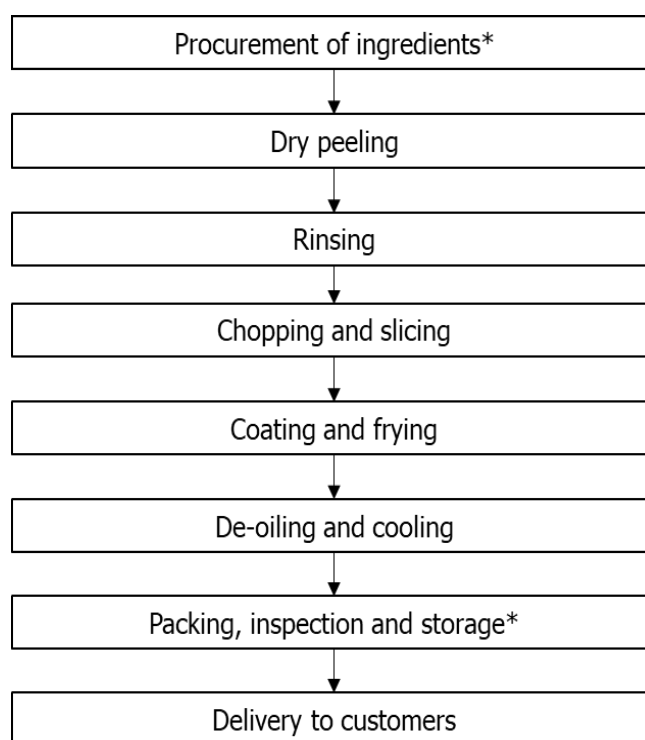
The production of powder food additives starts with the weighing of ingredients (e.g. starches, phosphate, carbonate and soy fibre) according to the formulation. We may also grind soybeans to be used as ingredients in some of our food additives production. The weighed and ground ingredients will be channeled into a mixer and mixed thoroughly. The mixture is then sieved through a sieving machine to break any lumps formed in the mixing process as well as to remove unwanted particles such as clumped raw materials and foreign particles. Following which, the samples of sieved mixture are sent for quality inspections on the visual appearance, acidity or alkaline (pH) value, viscosity and microbial contamination. Food additive mixture that meets our quality standards are then fed into a powder packing machine for packing.

7. BUSINESS OVERVIEW (Cont'd)

The production processes for liquid food additives are similar to the production processes of powder food additives, with different ingredients used in the mixing process. Ingredients used in the production of liquid food additives include solid mineral salt, sodium chloride and purified water. After the weighing of ingredients, the ingredients are dissolved and blended thoroughly. Thereafter, the liquid mixture is filtered to remove any solid particles. Similarly, samples of the filtered mixture are sent for quality inspections on visual appearance, odour, pH value, viscosity and microbial contamination. Food additive mixture that meets our quality standards are fed into a filling machine for packing.

The packed food additives will be sent through a metal detector to be scanned for any traces of metallic materials. Following which, the food additives are stored in our facility prior to delivering to our customers.

(b) Production of fried shallots



Note:

* indicates processes that will undergo QC procedure.

Prior to the production of fried shallots, ingredients such as shallots, onions, cooking oil and corn starch are sourced from our suppliers. Ingredients are inspected upon receipt to ensure quality standards are met, and are thereafter stored in our facility. Ingredients that do not meet our quality standards may be rejected and returned to the supplier.

The production of fried shallots begins with the peeling of shallots/onions by a dry peeling machine to remove their skin. The peeled shallots/onions are then rinsed and fed into a slicing machine to be chopped and sliced. They are then coated with corn starch in a mixer prior to be fed into a deep fryer machine to be deep fried in cooking oil. The fried shallots are then strained to remove excessive oil and left to be cooled on a cooling rack.

7. BUSINESS OVERVIEW (Cont'd)

Once the fried shallots are cooled to room temperature, the fried shallots are packaged into individual packets by a packing machine. The individual packets of fried shallots will then be sent through a metal detector to be scanned for any traces of metallic materials. Following which, the fried shallots are stored in our facility prior to delivering to our customers.

7.5 PRINCIPAL MARKETS AND SEGMENTS

For FYE 2020 to 2022, the sales of our plant-based agricultural products were the largest revenue contributor as they contributed 97.3%, 96.3% and 90.9% to our Group's revenue respectively.

The breakdown of our Group's revenue by business activity for FYE 2020 to 2022 is as follows:

Business activity	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Sourcing and distribution of plant-based agricultural products ⁽¹⁾	86,607	97.3	97,107	96.3	111,503	90.9
Production of food additives and fried shallots	2,388	2.7	3,725	3.7	11,182	9.1
Total	88,995	100.0	100,832	100.0	122,685	100.0

Business activity	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Sourcing and distribution of plant-based agricultural products						
Starch products	27,000	30.3	36,309	36.0	44,872	36.6
Beans and pulses	46,161	51.9	49,093	48.7	53,264	43.4
Grain products	10,421	11.7	8,591	8.5	10,288	8.4
Other related products ⁽²⁾	3,025	3.4	3,114	3.1	3,079	2.5
	86,607	97.3	97,107	96.3	111,503	90.9
Production of food additives and fried shallots						
Food additives	-	-	1,186	1.2	8,012	6.5
Fried shallots	2,388	2.7	2,539	2.5	3,170	2.6
	2,388	2.7	3,725	3.7	11,182	9.1
Total	88,995	100.0	100,832	100.0	122,685	100.0

Notes:

(1) Includes revenue generated from sale of food ingredients after provision of processing services such as filtering, cleaning and sieving for soybeans provided to a customer, which amounted to approximately RM12.9 million, RM11.0 million and RM5.9 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to the customer since August 2015, and has ceased the provision of such processing services since July 2022 as the customer had since been able to carry out these processes in-house.

(2) Comprises mainly nutrient solutions, brown sugar, sesame seeds and groundnuts.

7. BUSINESS OVERVIEW (Cont'd)

Our Group's principal market is in Malaysia, which accounted for 97.4%, 98.6% and 98.5% of our total revenue for FYE 2020 to 2022 respectively. During this period, our Group also derived revenue from 5 overseas countries.

The breakdown of our Group's revenue by geographical area for FYE 2020 to 2022 are as follows:

Geographical area	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	86,688	97.4	99,367	98.6	120,838	98.5
Overseas						
Singapore	945	1.0	785	0.8	1,029	0.8
Indonesia	1,313	1.5	579	0.6	564	0.5
China	-	-	54	<0.1	190	0.2
Australia	24	<0.1	26	<0.1	38	<0.1
Hong Kong	25	<0.1	21	<0.1	26	<0.1
	2,307	2.6	1,465	1.4	1,847	1.5
Total	88,995	100.0	100,832	100.0	122,685	100.0

7.6 BUSINESS DEVELOPMENT AND MARKETING STRATEGIES

Our Group's sales and marketing team is primarily responsible for planning and executing sales and marketing activities, serving existing customers by providing value added services (i.e. providing sourcing advices and recommendations to our customers according to their requirements and intended applications of food ingredients), attending enquiries from potential customers and collecting payments. As at LPD, we have 7 sales representatives led by our Managing Director, Oon Boon Khong, and our Product Manager, Tan Hong Sheng. Our Group's mode of marketing and sales are as follows:

(i) Direct approach

We secure new customers by directly approaching potential customers to promote our products as well as to showcase our industry knowledge and food technology capabilities to potential customers. Our sales and marketing team also follows up closely with our existing customers to remain up-to-date with their new product launches or business expansions to identify new opportunities to secure more sales.

(ii) Referrals from business associates

We secure new customers through referrals from our business associates, including our customers and suppliers. Our ability in providing value added services to our customers and maintaining the quality of our products, coupled with our wide product offerings attributed to our extensive supplier network have brought in referrals through recommendations by our business associates, whom we dedicate to maintaining good relationships with.

7. BUSINESS OVERVIEW (Cont'd)

(iii) Real time update of inventory through a mobile application

We utilise a mobile application that connects to our inventory system to keep track of the movement of our inventory, which provides our sales personnel with real-time data of our inventory level to assist them in closing sales with our customers. This enhances the efficiency of our operations as information on our inventory level can be accessed by our sales personnel anytime and anywhere.

(iv) Participation in trade fairs and exhibitions

We participate in trade fairs and exhibitions to promote our products. We leverage on these events to showcase our product offerings to new markets and potential customers, build customers relationships and establish direct contact with end-consumers who purchase our products from retail channels, while promoting our brand presence.

As at LPD, we have participated in the following trade fairs and exhibitions:

Year	Events	Organiser	Location
2018	Halfest Giant 2018	GCH (Malaysia) Sdn Bhd and Shapers Malaysia Sdn Bhd	Kuala Lumpur, Malaysia
2023	Minggu Perusahaan Mikro, Kecil & Sederhana (PMKS) Zon Utara 2023	Ministry of Entrepreneur and Cooperatives Development and SME Corporation Malaysia	Pulau Pinang, Malaysia
2023	Malaysia International Halal Showcase	Malaysia External Trade Development Corporation	Kuala Lumpur, Malaysia

We also visit trade mission to keep abreast of market trends and build rapport in the industry. As at LPD, we have participated in the following trade missions:

Year	Events	Organiser	Location
2020	Gulfood	Dubai World Trade Centre	Dubai, United Arab Emirates
2023	Taipei Smart City Trade Mission 2023	Business Media International and Small and Medium Enterprises Association (SAMENTA)	Taipei, Taiwan

(v) Digital marketing and media advertising

We conduct online marketing activities through our social media accounts on Facebook, namely 'Agricore CS Sdn Bhd' and 'Bapas Food Product Sdn Bhd', as well as on Instagram namely 'agricorecs_malaysia'. We regularly update these social media accounts with our product offerings, promotional videos featuring our products, as well as recipes with our products. Further, we also collaborated with a social media content creator in 2021 to promote our products through cooking tutorial videos.

Moving forward, we will continue to explore and engage in different digital marketing and advertising mediums to elevate our brand presence and product awareness.

7. BUSINESS OVERVIEW (Cont'd)

(vi) Brand ambassador

We appoint brand ambassador to enhance the recognition and awareness of our brands and products. On 8 August 2022, we appointed a Malaysian singer, actor and celebrity chef, to be our brand ambassador to promote our products under our house brands through commercials and photographic materials. The tenure of the ambassadorship is from September 2022 to April 2024.

(vii) Corporate website

We have established our corporate website at *www.agricore.com.my* as a platform to introduce and broadcast our business to potential customers as well as to provide immediate searchable information on our Group.

The current widespread use of the internet as a source of information enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

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7. BUSINESS OVERVIEW (Cont'd)

7.7 MAJOR CUSTOMERS

Our top 5 major customers according to their revenue contribution for FYE 2020 to 2022 are as follows:

FYE 2020

No.	Major customers	Country	Principal activities	Main products sold	Revenue contribution		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Everbest Group of Companies ⁽¹⁾	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans and antifoam solutions	12,880	14.5	7
2.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans and coagulant	3,351	3.8	7
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,241	2.5	11
4.	Yi Li Food Based Industries Sdn Bhd	Malaysia	Production and trading of frozen products	Starch products	1,165	1.3	3
5.	UD Tujuh Inti Mulia	Indonesia	Agent for trading of bean sprouts	Black matpe and sprouting nutrient solutions	1,144	1.3	7
					20,781	23.4	

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

No.	Major customers	Country	Principal activities	Main products sold	Revenue contribution		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Everbest Group of Companies ⁽¹⁾	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans and antifoam solutions	10,950	10.9	8
2.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans and coagulant, antifoam solutions and modified starches	4,637	4.6	8
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,282	2.3	12
4.	Mr Tauge (M) Sdn Bhd	Malaysia	Cultivating and trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	1,508	1.5	8
5.	Hicomi Sdn Bhd	Malaysia	Manufacturing and distribution of noodles and other food products including rice, grains, flours and sugar	Starch products	1,446	1.4	8
					20,823	20.7	

7. BUSINESS OVERVIEW (Cont'd)**FYE 2022**

No.	Major customers	Country	Principal activities	Main products sold	Revenue contribution		Length of relationship as at end of FYE
					RM'000	%	
1.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans, coagulant and modified starches	6,782	5.5	9
2.	Everbest Group of Companies ⁽¹⁾	Malaysia	Manufacturing of soy-based products, vegetarian food and other related products	Soybeans, antifoam solutions and starch products	5,868	4.8	9
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	3,580	2.9	13
4.	Mr Tauge (M) Sdn Bhd	Malaysia	Cultivating and trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,312	1.9	9
5.	Hicomi Sdn Bhd	Malaysia	Manufacturing and distribution of noodles and other food products including rice, grains, flours and sugar	Starch products	2,106	1.7	9
					20,648	16.8	

Note:

⁽¹⁾ Comprises Everbest Soya Bean Products Sdn Bhd, Hoshay Food Sdn Bhd (formerly known as Everbest Vege Sdn Bhd) and EB Frozen Food Sdn Bhd. Sales to Everbest Group of Companies include sale of soybeans after provision of processing services such as filtering, cleaning and sieving, which amounted to approximately RM12.9 million, RM11.0 million and RM5.9 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to Everbest Group of Companies since August 2015, and has ceased the provision of such processing services since July 2022. To the best of our Group's knowledge, Everbest Group of Companies is carrying out the filtering, cleaning and sieving processes in-house.

Our top 5 major customers contributed 23.4%, 20.7% and 16.8% to our Group's total revenue for FYE 2020 to 2022 respectively. Save for Everbest Group of Companies who contributed 14.5% and 10.9% to our Group's revenue in FYE 2020 and 2021, there is no other major customers who contributed more than 10.0% to our Group's revenue for FYE 2020 to 2022. As such, we are not dependent on any of our major customers. Moving forward, we expect our major customers to continue contributing to our revenue.

7. BUSINESS OVERVIEW (Cont'd)**7.8 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The breakdown of our Group's purchases for supplies for FYE 2020 to 2022 is as follows:

Supplies	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Beans and pulses	40,685	54.4	41,034	50.5	44,714	44.0
Starch products	23,455	31.3	29,442	36.2	43,949	43.2
Grain products	7,123	9.5	7,144	8.8	8,449	8.3
Others ⁽¹⁾	3,582	4.8	3,622	4.5	4,554	4.5
Total purchases	74,845	100.0	81,242	100.0	101,666	100.0

Note:

⁽¹⁾ Comprise, amongst others, groundnuts, brown sugar, shallots, onions, cooking oil, packing materials and raw materials for the production of food additives.

For FYE 2020 to 2022, the primary supplies purchased by our Group were beans and pulses which accounted for 54.4%, 50.5% and 44.0% of our Group's total purchases respectively. This was followed by purchases of starch products and grain products.

Our Group has not encountered any major disruptions in the purchase of supplies for FYE 2020 to 2022. Our supplies are also generally readily available and can be easily sourced from local and overseas suppliers. Further, to ensure sufficient supply of seasonal products (e.g. certain types of soybeans and wheat starch) from our suppliers, we enter into contracts (less than 1 year term) with our suppliers to secure the supply of these products.

The prices of our supplies are subject to fluctuations according to the global commodity prices. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost to our customers. For FYE 2020 to 2022, we have been able to pass on the increase in cost of supplies caused by commodity price fluctuation to our customers.

7. BUSINESS OVERVIEW (Cont'd)

7.9 MAJOR SUPPLIERS

Our top 5 major suppliers according to their total purchases for FYE 2020 to 2022 are as follows:

FYE 2020

No.	Major suppliers	Country	Principal activities	Main products sourced	Value of purchases		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Everbest Group of Companies ⁽¹⁾	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans	12,388	16.6	7
2.	Bourne Commercial Ltd	Singapore	Trading of plant-based agricultural products	Beans and pulses, starch products	8,192	10.9	7
3.	Chaodee Trading Co Ltd	Thailand	Manufacturing of tapioca starch	Tapioca starch	8,064	10.8	8
4.	Jilin Cofco Bio-Chem and Bio-Energy Marketing Co Ltd	China	Manufacturing and sale of corn starch and other related products	Corn starch	5,484	7.3	1
5.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	5,323	7.1	9
					39,451	52.7	

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

No.	Major suppliers	Country	Principal activities	Main products sourced	Value of purchases		Length of relationship as at end of FYE
					RM'000	%	
1.	Chaodee Trading Co Ltd	Thailand	Manufacturing of tapioca starch	Tapioca starch	11,987	14.8	9
2.	Everbest Group of Companies ⁽¹⁾	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans	10,268	12.6	8
3.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	8,765	10.8	10
4.	All States International Co Ltd	Myanmar	Trading of plant-based agricultural products	Beans and pulses	5,324	6.6	7
5.	Superior Ag LLC	USA	Supply of plant-based agricultural products, animal feeds, fertilisers, agricultural chemicals and other related products	Soybeans	4,940	6.1	10
					41,284	50.9	

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

No.	Major suppliers	Country	Principal activities	Main products sourced	Value of purchases		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Chaodee Group of Companies ⁽²⁾	Thailand	Manufacturing of tapioca starch	Tapioca starch	19,515	19.2	10
2.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	9,547	9.4	11
3.	Superior Ag LLC	USA	Supply of plant-based agricultural products, animal feeds, fertilisers, agricultural chemicals and other related products	Soybeans	7,197	7.1	11
4.	All States International Co Ltd	Myanmar	Trading of plant-based agricultural products	Beans and pulses	5,553	5.5	8
5.	Sanstar Bio-polymers Ltd	India	Manufacturing of plant-based agricultural products	Corn starch	5,109	5.0	2
					46,921	46.2	

Notes:

(1) Comprises Everbest Soya Bean Products Sdn Bhd and Hoshay Food Sdn Bhd (formerly known as Everbest Vege Sdn Bhd). For FYE 2020 to 2022, Everbest Group of Companies was our Group's supplier and customer. Our Group purchased soybeans from Everbest Group of Companies and carried out activities such as filtering, cleaning and sieving, and subsequently resold the processed soybeans to Everbest Group of Companies. Such purchases from Everbest Group of Companies amounted to approximately RM12.4 million, RM10.3 million and RM4.8 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to Everbest Group of Companies in August 2015, and has ceased this business arrangement with Everbest Group of Companies since July 2022. To the best of our Group's knowledge, Everbest Group of Companies is carrying out the filtering, cleaning and sieving processes in-house. As at LPD, Everbest Group of Companies is no longer our Group's supplier, but remains as our Group's customer for the sale of antifoam solutions and starch products.

(2) Comprises Chaodee Starch (2004) Co., Ltd and Chaodee Trading Co., Ltd.

7. BUSINESS OVERVIEW (Cont'd)

Our Group's top 5 suppliers contributed 52.7%, 50.9% and 46.2% of our purchases for FYE 2020 to 2022 respectively. For FYE 2020 to 2022, we have 1 supplier that continuously contributed more than 10.0% of our total purchases, namely Chaodee Group of Companies. We mainly source tapioca starch from Chaodee Group of Companies. Nevertheless, we are not dependent on Chaodee Group of Companies for the supply of tapioca starch, as tapioca starch is readily available and can be easily sourced from other suppliers in the market.

Our Group is not dependent on any single supplier as we are able to source our products from other suppliers. Purchases from our suppliers are conducted on a purchase order basis. Notwithstanding that we do not have any long term agreements or arrangement with our top 5 suppliers (except for suppliers who supply us with seasonal products whom we enter into contracts of less than 1 year to secure the supply of these products), we have not experienced difficulty in sourcing products for FYE 2020 to 2022 and up to LPD.

7.10 TECHNOLOGY USED OR TO BE USED

Due to the nature of our business, save for the equipment used for R&D activities as set out in Section 7.15, we do not directly utilise relevant technology in our operations.

7.11 INTERRUPTIONS TO BUSINESS

Our Group had not experienced any material interruptions which has significantly affected our business during the past 12 months preceding LPD.

While the outbreak of the COVID-19 pandemic in Malaysia since 2020 had led to minor interruptions to our business operations as we experienced slight delays in order delivery due to movement restrictions imposed by the Government during the first MCO (i.e. 18 March 2020 to 3 May 2020), there was no material disruptions on our delivery schedule during the COVID-19 pandemic that caused material adverse impact on our sales activities. The outbreak of COVID-19 pandemic had also led to an increase in logistics prices in 2021 and 2022 due to the global supply chain disruptions, however, there was no material impact to our financial performance as we were able to pass on the increased cost to our customers. Further, our financial performance was not impacted as we managed to record growth in revenue and PAT for FYE 2020 to 2022 amidst the pandemic.

Following the transition into the 'Endemic Phase' effective April 2022, there has been no adverse impact to our business operations, cash flows, liquidity, financial position and financial performance.

7. BUSINESS OVERVIEW (Cont'd)

7.12 SEASONALITY

Due to the nature of our business, our sales are not affected by seasonal and cyclical effects as our products are purchased by our customers and consumed throughout the year. Notwithstanding that, some of our supplies may be affected during non-harvest seasons for certain products, in particular certain types of soybeans and wheat starch, therefore we source these products in bulk during their respective harvest seasons.

7.13 OPERATING CAPACITIES AND OUTPUT

Our Group's annual capacity, outputs and utilisation rates are measured based on the storage capacity in our facility and the production capacity of our food additives as well as fried shallots.

(a) Storage capacity

Our Group's annual available capacity, actual utilised capacity and utilisation rates of our storage space for our sourcing and distribution business segment in our Bukit Minyak Premises for FYE 2020 to 2022 are computed as follows:

<u>Year</u>	<u>Annual available capacity (MT)⁽¹⁾</u>	<u>Actual utilised capacity (MT)</u>	<u>Utilisation rate (%)</u>
FYE 2020	46,440	35,600	76.7
FYE 2021	46,440	46,440	100.0 ⁽²⁾
FYE 2022	46,440	40,700	87.6

Notes:

- (1) The available capacity is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from January to December of each financial years.
- (2) In FYE 2021, the storage space in our Bukit Minyak Premises was fully utilised. Due to insufficient storage in our Bukit Minyak Premises, we stored some of our products in a third party warehouse located in Seberang Perai in certain months on a need-to basis. Effectively, this resulted in a total utilised capacity of 48,400 MT. In the event of insufficient storage in our Bukit Minyak Premises in the future, we will temporarily store our products in third party warehouses under similar arrangements.

(b) Production capacity

Our Group's annual capacity, actual outputs and utilisation rates for our food additives production for FYE 2020 to 2022 are computed as follows:

<u>Year</u>	<u>Annual capacity (MT)</u>	<u>Actual output (MT)</u>	<u>Utilisation rate (%)</u>
FYE 2020 ⁽¹⁾	N/A	N/A	N/A
FYE 2021	1,248 ⁽²⁾	250	20.0
FYE 2022	3,276 ⁽³⁾	2,080	63.5

Notes:

- (1) Not applicable as the production of food additives commenced in January 2021.

7. BUSINESS OVERVIEW (Cont'd)

- (2) The total annual capacity for FYE 2021 is calculated based on 1 mixing machine that produced a total of 4 MT of food additives per day, 26 working days per month and 12 months per year.
- (3) The total annual capacity for FYE 2022 is calculated based on 3 mixing machines that produced a total of 10.5 MT of food additives per day, 26 working days per month and 12 months per year.

Our Group's annual capacity, actual outputs and utilisation rates for our fried shallots production for FYE 2020 to 2022 are computed as follows:

Year	Annual capacity (MT)⁽¹⁾	Actual output (MT)	Utilisation rate (%)
FYE 2020	374.4	301.3	80.5
FYE 2021	374.4	304.2	81.3
FYE 2022	374.4	331.2	88.5

Note:

- (1) The total annual capacity is calculated based on 1 production line that produced a total of 1.2 MT of fried shallots per day, 26 working days per month and 12 months per year. In April 2023, we relocated our production of fried shallots to our Simpang Empat Factory with a production capacity of 2.4 MT of fried shallots per day.

7.14 QA&QC PROCEDURES AND CERTIFICATIONS

Our Group places strong emphasis on the quality and safety of our products. We adopt stringent internal quality assurance policy in our operations to ensure our products are in compliance with both our internal and international standards. We have an in-house QA&QC team which is responsible for outlining and maintaining our QA&QC procedures and monitoring the implementation of our QA&QC procedures at various stages of our operations to uphold the quality of our products. Please refer to Section 7.4 for our QA&QC procedures as part of our business processes.

As a testament to our product quality and compliance as well as the production standards of our products, we have obtained the following certifications through our subsidiaries as at LPD:

Awarded subsidiary	Standard	Certification body	Date first awarded	Current validity period	Scope of certification
ACS	ISO 9001:2015 Quality Management System	National Quality Assurance Certification Limited	18 October 2019	27 October 2022 – 18 October 2025	Trading and repacking of starches, beans, sprouting and food additives
ACS	ISO 9001:2015 Quality Management System	MY CO2 Certification Sdn Bhd	4 December 2019	28 October 2022 – 3 December 2025	Trading and repacking of starches, beans, sprouting and food additives
ACS	Halal	JAKIM	1 September 2018	16 September 2022 – 15 September 2024	Broken rice and Beras Super Special Tempatan 5%

7. BUSINESS OVERVIEW (Cont'd)

Awarded subsidiary	Standard	Certification body	Date first awarded	Current validity period	Scope of certification
ACS	Halal	JAKIM	1 September 2018	1 December 2022 – 30 November 2024	Barley, black bean with green kernel, black eyed bean, black matpe, brown bean, chick peas, dun peas, green mung bean, green peas and groundnut
ACS	Halal	JAKIM	1 September 2018	16 July 2023 – 15 July 2025	Antifoam, corn starch, glutinous rice flour, modified tapioca starch, potato starch, sago starch, tapioca starch and wheat starch
ACS	MeSTI	MOH	5 December 2018	8 December 2021 – 7 December 2024	Fulfilment of terms and conditions for certification of MeSTI for Bukit Minyak Premises
Bapas	MeSTI	MOH	10 June 2022	10 June 2022 – 9 June 2025	Fulfilment of terms and conditions for certification of MeSTI for Bukit Minyak Premises
Bapas	MS 1480:2019 HACCP System	SIRIM QAS International Sdn Bhd	20 March 2023	20 March 2023 – 19 March 2026	Mixing, packing and repacking of food additives and food conditioners from receipt of raw materials until transferred to the external warehouse

7. BUSINESS OVERVIEW (Cont'd)

Awarded subsidiary	Standard	Certification body	Date first awarded	Current validity period	Scope of certification
Bapas	HACCP	MOH	29 March 2023	29 March 2023 – 19 March 2026	Fulfilment of terms and conditions for implementation of HACCP system for food additives, food conditioner, antioxidant and preservative
Bapas	GMP	MOH	29 March 2023	29 March 2023 – 19 March 2026	Fulfilment of terms and conditions for implementation of GMP system for Bukit Minyak Premises.
Bapas	Halal	JAKIM	1 March 2017	1 October 2022 – 30 September 2024	Various food additives products
Bapas	Halal	JAKIM	1 March 2017	1 June 2023 – 31 May 2025	Fried shallots
Bapas	MeSTI	MOH	10 May 2023	10 May 2023 – 9 May 2026	Fulfilment of terms and conditions for certification of MeSTI for Simpang Empat Factory

7.15 R&D

We have an in-house R&D team that possesses food technology knowledge and experience which primarily focuses on R&D activities for food additives, i.e. the development of formulations of food additives to be used by our customers as functional food ingredients in the manufacturing processes of their food products. As at LPD, our R&D team comprise 4 personnel. The areas of expertise of our R&D team are as follows:

- (a) Food chemistry – Our R&D team is equipped with in-depth food chemistry knowledge which allows them to understand the chemical composition of food additives and the effects of food additives on different food products;
- (b) Formulation development – Our R&D team has the expertise to develop new food additive formulations as well as to modify existing food additive formulations;
- (c) Analytical skills – Our R&D team is proficient in conducting analysis on the performance and stability of food additives;

7. BUSINESS OVERVIEW (Cont'd)

- (d) Food safety – Our R&D team possesses understanding of regulatory standards and requirements in relation to food additives, which allows them to develop food additive formulations that are in accordance with these standards and requirements; and
- (e) Sensory evaluation – Our R&D team conducts sensory analysis to assess the taste, texture and appearance of the food products during the product development process to ensure that they meet our customers' requirements.

Our R&D team works with our customers in their product development process, which includes development of food additives formulations based on our customers' intended applications and requirements in different aspects such as texture, taste, appearance and preservative properties of the end-products. Our in-house developed food additives formulations are different across customers to best suit their intended applications and requirements on different food products. The process of the formulation of food additives entails continuous experiment to test the suitability of different formulations of our food additives in blending with other ingredients in developing new food products by our customers. The outcomes of each experiment are examined and evaluated until the final outcome with desirable texture, taste, appearance and preservative properties is achieved. Our R&D team also carries out R&D activities to continuously improve our existing formulations as well as to develop new formulations to expand our food additives offerings.

Once a new formulation is obtained, the formulation will be added into our database to be used as reference for future proposals with our customers. Our Group has implemented practices to safeguard our food additives formulations, whereby the formulations are only accessible to certain senior R&D personnel and Oon Boon Khong, our Managing Director, as well as Wong Kam Tong, our Chief Operating Officer. Our R&D activities for food additives are part of our continuous effort to remain competitive in the market, and they assist our customers in their product development activities, which is achieved by understanding their requirements, as well as developing food additive formulations that satisfy their intended applications.

Our Group's equipment used for R&D activities include the following:



Electronic precision balance used for measuring ingredients in precise weight



Digital pocket salt meter used for measuring the concentration of salt content in food products

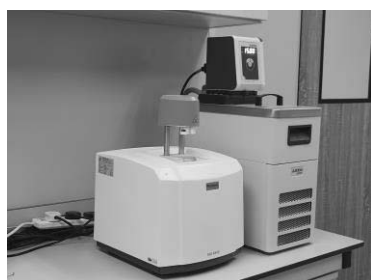
7. BUSINESS OVERVIEW (Cont'd)



Robot coupe cutter mixer used for cutting and blending food ingredients to form consistent food ingredients mixture



Viscometer used for measuring the viscosity of liquids



Rapid Visco Analyser used for analysing the pasting and gelatinisation of properties of starches and food additives

Our past R&D achievements, on-going and future R&D projects in the formulation of food additives are as follows:

Food additive	Description	Commencement year	Completion year
Past R&D achievements (Developed and commercialised products)⁽¹⁾			
Modified starch for chicken balls and patties	Achieved properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of chicken balls and patties	January 2021	August 2021
Modified starch for tapioca pearls	Achieved properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of tapioca pearls	October 2022	October 2022
Tofu coagulant ⁽²⁾	Achieved properties such as optimised solidification and smoothness of tofu	September 2022	January 2023
Modified starch for sauce	Achieved the required rheological properties of sauces	January 2023	February 2023
Development of jam stabiliser	To achieve properties such as texture, binding properties, moisture retention, freeze-thaw stability and component separation of jams	January 2023	February 2023

7. BUSINESS OVERVIEW (Cont'd)

Food additive	Description	Commencement year	Completion year
Development of modified starch for kuey teow	To achieve properties such as elasticity and texture of kuey teow	January 2023	March 2023
Development of modified starch for surimi balls	To achieve properties such as elasticity and texture of surimi balls	January 2023	March 2023
Development of modified starch for dessert or jelly	To prevent syneresis and to enhance texture of desserts or jelly	January 2023	March 2023
Development of modified starch for fried shallots	To achieve properties such as crunchiness, appearance and preservative properties of fried shallots	February 2023	July 2023
Development of modified starch for mochi	To achieve enhanced freeze-thaw stability of mochi	April 2023	September 2023
On-going R&D projects (Products under development)			
Development of modified starch for beef balls and patties	To achieve properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of beef balls and patties	July 2023	⁽³⁾ In progress
Development of modified starch with low dusting properties	To achieve properties such as texture, moisture content, freeze-thaw stability and mouthfeel of processed meat products, as well as to increase the density of starch molecules to minimise generation of dust during handling	August 2023	⁽³⁾ In progress
Development of modified starch for frankfurters / processed meats	To achieve properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of frankfurters / processed meats	July 2023	⁽³⁾ In progress
Future R&D projects (Products to be developed)			
Food grade defoamer	To achieve elimination or minimisation of foam creation during food processing	⁽⁴⁾ January 2024	⁽⁵⁾ N/A
Development of leavening agent	To achieve optimised expansion of doughs and batters in the production of bakery products	⁽⁴⁾ January 2024	⁽⁵⁾ N/A

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Past R&D achievements presented only include developed and commercialised food additive formulations. As at LPD, our Group has completed 10 R&D projects which has resulted in 11 commercialised food additive formulations. As at LPD, our Group has developed 49 food additive formulations, and has commercialised 29 out of the 49 developed food additive formulations. Out of the 29 commercialised food additive formulations, 11 were developed through R&D activities (presented in the table above) and 18 were developed based on formulations that are commonly used in the industry (which were not part of our R&D projects).
- (2) The R&D project for tofu coagulant has resulted in the development of 2 food additive formulations.
- (3) The target completion dates for the on-going R&D projects are subject to the progress of the R&D projects.
- (4) Target commencement dates for future R&D projects.
- (5) The target completion dates for future R&D projects are currently not available and are subject to the commencement of the R&D projects.

For FYE 2020 to 2022, our Group has incurred R&D expenses amounting to RM14,736, RM79,330 and RM130,025 respectively, mainly for staff costs and materials.

7.16 COMPETITIVE STRENGTHS

7.16.1 We source and distribute a wide variety of products as we have a wide network of suppliers and customers

We have an extensive network of suppliers, which allows us to have wide product offerings to meet the different needs of our customers. As at LPD, we have engaged a total of 58 suppliers from 13 countries for the supply of our plant-based agricultural food ingredients which are originated from 18 countries including Malaysia. Please refer to Section 7.3.4 for further details on our supplier network. With our wide network of suppliers, we have developed a product portfolio for our sourcing and distribution business segment comprising a total of 67 SKUs as at LPD, which enables us to address the sourcing needs of our customers for food ingredients.

Further, we have also established long-standing relationships with our suppliers by maintaining loyalty, timely payments as well as commitment to fulfil purchases. Amongst our major suppliers for FYE 2020 to 2022, 6 of our major suppliers have at least 5 years of business relationship with our Group, of which 3 major suppliers have at least 10 years of business relationship with our Group. Please refer to Section 7.9 for further details on our major suppliers. Our long-standing relationships with our suppliers enable us to ensure consistent quality and volume of supplies on top of our wide variety of product offerings. This has in turn allowed us to build a track record with our customers by continuously maintaining consistent quality and delivery of our products.

Additionally, with a wide range of product offerings sourced from an extensive network of suppliers, we have secured a wide range of customers comprising wholesalers, retailers, food manufacturers, F&B businesses and commercial farmers. Our ability to secure a wide range of customers is also a testament to our product quality and our ability to source relevant products to meet our customers' needs, all of which will continue to be our foundation and credentials to continue expanding our business in the future.

7. BUSINESS OVERVIEW (Cont'd)

7.16.2 Our in-depth knowledge and experience in the food ingredients industry and food technology enable us to meet our customers' requirements

With over 14 years of experience in the food ingredients industry, we have accumulated in-depth industry knowledge and experience as well as understanding on the characteristics and attributes of food ingredients. This allows us to provide advice and recommendations to our customers based on the intended applications of the food ingredients to meet their requirements in food manufacturing, in terms of desired results of the end-products and budget considerations.

Further, we also have an in-house R&D team that possesses food technology knowledge and experience which allows us to develop food additive formulations according to our customers' requirements and intended applications, to achieve certain functions in various aspects such as modifying or enhancing texture, taste, appearance and preservative properties of the end-products. We work closely with our customers by developing and providing formulation samples to assist our customers in their product development. Our food technology capabilities enable us to cater to the needs of a broad customer base in the manufacturing of various types of food, such as processed and frozen food, sauces and gravies, noodles, bakery products, confectioneries, meat replacement (i.e. vegetarian) products and beverages.

In addition, our R&D team continuously carries out R&D to improve our existing food additive formulations, as well as to develop new formulations to expand our offerings. Further, our R&D team also conducts research and analysis on our existing starch products to enhance our sales personnel's understanding of our starch products, allowing them to be better equipped in providing sourcing recommendations to our existing as well as potential customers.

We leverage on our knowledge and experience in the food ingredients industry and food technology expertise to create additional value to our customers in addition to our wide range of product offerings. We believe that we will be able to continue to satisfy the various needs of our customers by providing advice and recommendations, as well as formulation of food additives according to customers' requirements, as well as to attract new customers for the future growth of our business.

7.16.3 We contribute to food security as our products are widely used in food manufacturing and food preparation, hence our business is sustainable and well-positioned for growth

Food security refers to people's consistent physical and economic accessibility to sufficient, safe and nutritious food that meets their dietary needs and food preferences to achieve active and healthy lives. As part of the food ingredients industry value chain, our Group contributes to food security as we are involved in the sourcing, distribution and manufacturing of food ingredients.

Our products are staple food ingredients that are widely used in the manufacturing or preparation of food. Our products are used as inputs in food manufacturing by food manufacturers, and food preparation by F&B businesses and households. For example, starch products such as corn starch, tapioca starch and potato starch are widely used as thickening agents, anti-caking agents and/or gluten free substitutes in many food products such as processed foods, frozen foods, snacks and/or dried noodles. Further, beans and pulses such as soybeans are used in various applications including manufacturing of soy sauce and soybean drinks which are commonly used/consumed. In addition, our beans and pulses such as green mung beans and black matpe beans are also used for crop growing, i.e. bean sprouts.

As our products are widely used in many applications as detailed in Section 7.3.2, our business is resilient to economic downturns as food ingredients are necessary to food manufacturing and food preparation which is a necessity in consumers' daily lives.

7. BUSINESS OVERVIEW (Cont'd)

As the population and economic conditions in Malaysia continue to grow, the demand for food ingredients is expected to grow in tandem as food ingredients are essential in food manufacturing and food preparation. Our Group's revenue increased from approximately RM89.0 million in FYE 2020 to approximately RM122.7 million in FYE 2022, registering a CAGR of 17.4%. As such, our business demonstrates sustainability and we are well-positioned for future growth leveraging on the continuous demand for food and the need to strengthen food security in the country.

7.16.4 We are accredited with various certifications as a testament to our compliance with internationally recognised food quality and safety standards

Over the years of our business operations, we have received several certifications which attest to the product quality and compliance as well as the production standards of our products.

Our Group is in compliance with the ISO 9001:2015 Quality Management System for the scope of trading and repacking of starches, beans, sprouting and food additives. Further, our Group has also been awarded with MeSTI. Our products as well as production facilities and processes have also been inspected and certified compliant with the Halal standards, which allow us to manufacture and distribute Halal-certified products to cater to the Halal market.

Additionally, our production facilities and processes for food additives in our Bukit Minyak Premises have also been certified compliant with the internationally recognised HACCP System and GMP System. Please refer to Section 7.14 for further details on the certifications and accreditations received by our Group.

Due to the nature of our business, our Group places strong emphasis on the quality and safety of our products. Such certificates and accreditations provide confidence to our customers and end-consumers on the compliance of our products, which in turn enhances the reputation of our brands in the food ingredient industry. Additionally, with these certifications and accreditations, we believe that we have a strong foundation and are well-positioned to further grow our business in the local and export markets.

7.16.5 We have an experienced key senior management team, with strong industry knowledge and functional expertise

Our Group is led by our key senior management team which possesses in-depth industry knowledge and experience in the food ingredients industry. Our Managing Director, Oon Boon Khong has 27 years of experience in the food ingredients business. He has been instrumental to our Group's expansion since our inception in 2009 and will continue to play a pivotal role in the future growth of our Group.

Oon Boon Khong is supported by a team of key senior management comprising:

Name	Designation	Years of relevant working experience
Lim Swee Chuan	Chief Financial Officer	32
Wong Kam Tong	Chief Operating Officer	22
Tan Hong Sheng	Product Manager	6
Cheng Boon Kai	Procurement Manager	12

Each of our key senior management personnel takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

7. BUSINESS OVERVIEW (Cont'd)

7.17 BUSINESS STRATEGIES AND PROSPECTS**7.17.1 We intend to increase our storage capacity by setting up a new regional storage facility in Klang, Selangor**

As at LPD, all our plant-based agricultural products are stored in our Bukit Minyak Premises prior to delivery to our customers. The utilisation rates of the storage space at our Bukit Minyak Premises were recorded at an average of 88.1% for FYE 2020 to 2022. As at LPD, we do not have any storage facility in the central region of Peninsular Malaysia due to limited financial and human resources. In anticipation of our Group's future business growth, we plan to expand our storage capacity by setting up a new regional storage facility in Klang, Selangor, with an approximate built-up area of 30,000 sq ft. In addition to having additional storage capacity, the setup of the new regional storage facility is expected to enhance the efficiency of our business operations in terms of product delivery to our customers, as the new regional storage facility will serve as our regional storage facility to support our business in the central and southern regions of Peninsular Malaysia. With a regional storage facility in Klang, Selangor, we will be able to improve our business operations by providing quicker delivery lead times to our customers in the central and southern regions of Peninsular Malaysia. For FYE 2020 to 2022, revenue from our sourcing and distribution business from the central region (i.e. Selangor, Kuala Lumpur and Negeri Sembilan) and southern region (i.e. Melaka and Johor) of Peninsular Malaysia collectively amounted to RM33.4 million, RM42.1 million and RM55.2 million respectively, which accounted for 38.6%, 43.4% and 49.5% respectively of our revenue generated from our sourcing and distribution business segment.

As at LPD, majority of our Group's imported plant-based agricultural products are shipped through international vessels to Port Klang and thereby transferred to domestic vessels for shipment to Penang Port. International vessels generally call at Port Klang for loading and unloading of cargo as Port Klang is the largest port in Malaysia, and any cargo destined to other ports in Malaysia will be transferred for onward shipment by domestic vessels. However, there are also international vessels that call at Penang Port. The destination port of international vessels are determined by the international vessel operators. As such, majority of our Group's imported products are shipped to Port Klang and transferred to domestic vessels for onward shipment to Penang Port. However, some of our Group's imported products from Thailand and Myanmar can be shipped directly to Penang Port, as international vessels carrying these products call at Penang Port. From January 2023 up to LPD, 55.6% of our plant-based agricultural products were shipped to Port Klang (comprising 54.3% of imported products and 1.3% of products sourced from East Malaysia) and thereafter transferred to domestic vessels for shipment to Penang Port, 41.3% of our imported products were shipped directly to Penang Port, and the remaining 3.1% of our products sourced from Peninsular Malaysia were delivered to Penang through land freight. By having a regional storage facility in Klang, Selangor, we will be able to offload some of our products in Port Klang for storage at our regional storage facility. This will help us save on logistics cost and subsequently transportation cost when the products are delivered directly from our new regional storage facility to our customers in the central and southern regions of Peninsular Malaysia. Our new regional storage facility is expected to save approximately RM0.7 million logistics cost and transportation cost per year.

We expect to set up the new regional storage facility and commence operations in August 2024. Upon the commencement of operations of the new regional storage facility, we will begin sourcing and storing products in the new regional storage facility, and products sold to customers based in the central and southern regions of Peninsular Malaysia will be delivered from the new regional storage facility, if available. For products that are not available in the new regional storage facility, including products that are stored in the cold room facilities in our Bukit Minyak Premises, these products will be delivered to our customers from our Bukit Minyak Premises. As at LPD, our Group has no immediate plan to set up cold room facilities in our new regional storage facility. For avoidance of doubt, our new regional storage facility will not be used to carry out other business activities apart from storing our products.

7. BUSINESS OVERVIEW (Cont'd)

By setting up the new regional storage facility, we will also be able to provide better service and timely delivery to our customers located in the central and southern regions of Peninsular Malaysia. We will also be able to further expand our customer base within the central and southern regions of Peninsular Malaysia due to closer proximity to our potential customers. In order to expand our customer base within the central and southern regions of Peninsular Malaysia, 2 out of 3 Sales Executives who are to be recruited by our Group will also be responsible for the sales activities in the central and southern regions of Peninsular Malaysia. Please refer to Section 7.17.3 for further details on the expansion of our team to support our business growth. Additionally, having the new regional storage facility will free up the storage space of our Bukit Minyak Premises, which will in turn allow us to increase the inventory levels of our Bukit Minyak Premises to serve more customers as part of our continuous effort to grow our business.

The total cost for this initiative, including rental and renovation, hiring of additional staff as well as acquisition of racking systems and lorries, is estimated to be RM[•] million, which will be fully funded via proceeds from our Public Issue. In addition, we have also allocated RM[•] million from the proceeds of our Public Issue to purchase inventories for our new regional storage facility. As at LPD, we are in the midst of identifying a suitable premise in Klang. Please refer to Section 4.9 for further details on the breakdown of the total estimated costs and indicative timeline for the setup of the new regional storage facility and the certificate of registration of food premises and business/ storage license required for the operations of the new regional storage facility.

7.17.2 We plan to continue expanding our sourcing and distribution business by increasing our inventory levels

From FYE 2020 to 2022, revenue generated from our sourcing and distribution business segment recorded CAGR of 13.5% from RM86.6 million to RM111.5 million. Our Group intends to continue expanding our sourcing and distribution business to fuel our business growth by increasing our inventory levels, as it is crucial to have sufficient and readily available inventory to meet the demand for our products from customers. Through higher inventory levels, we will be able to drive our revenue growth by increasing our sales volume to our existing customers as well as securing new customers. By having higher inventory level on hand, we will be well-equipped to offer products in larger quantities on immediate basis to meet the demand from our existing customers, hence reducing the need for our customers to source the same products from alternative suppliers to fulfil their needs. Further, higher inventory level ensures consistent product availability and prompt order fulfilment, in turn allowing us to seek and secure new customers. In addition, as some of our supplies may be affected during non-harvest seasons, in particular certain types of soybeans and wheat starch, having higher inventory level for these products will enable us to continue to fulfil customers' orders during non-harvest seasons. Moreover, having higher inventory level during favourable market conditions allows our Group to gain competitive advantage from unexpected price fluctuations by offering better pricing to our customers in the event of any increase in market prices.

7. BUSINESS OVERVIEW (Cont'd)

The total estimated cost for the expansion of our sourcing and distribution business through increasing our inventory levels is RM[•] million, of which RM[•] million will be utilised to purchase inventory for our Bukit Minyak Premises and the remaining RM[•] million will be utilised to purchase inventory for the new regional storage facility, all of these will be fully funded via proceeds from our Public Issue. The details of proposed allocation for the purchase of inventory are as follows:

	Allocation	
	RM'000	%
<u>Bukit Minyak Premises</u>		
Starch products	[•]	[•]
Beans and pulses	[•]	[•]
Grain products	[•]	[•]
Total allocation	[•]	100.0
<u>New regional storage facility</u>		
Starch products	[•]	[•]
Beans and pulses	[•]	[•]
Grain products	[•]	[•]
Total allocation	[•]	100.0

7.17.3 We intend to expand our team to support our business growth

As our business continues to expand, we intend to expand our team in Bukit Minyak Premises to carry out our day-to-day business activities as well as to support our future business growth. As at LPD, our Group employs a total of 99 employees. We intend to expand our team in Bukit Minyak Premises by recruiting 8 additional employees, which comprise:

- (a) 1 Business Development Manager – To identify business opportunities such as new markets and industries, as well as to develop and execute strategic plans for the future growth of our Group.
- (b) 1 Group Accountant – To handle our Group's finance-related matters, including but not limited to, preparing account and financial reports, monitoring our cash flow as well as working capital and budgeting.
- (c) 1 R&D Executive - To enhance our in-house R&D activities, which primarily focus on developing new food additives formulations to expand our food additives offerings, as well as continuously improving our existing food additives formulations.
- (d) 1 QA&QC Executive – To maintain our QA&QC procedures and monitor the implementation of our QA&QC procedures at various stages of our operations to uphold the quality of our products.
- (e) 3 Sales Executives – To expand our sales team and continue securing new customers as well as to provide services to our existing customers such as providing prompt responses to sales enquiries and sales orders, as well as building and maintaining customer relationships.
- (f) 1 Logistics Executive – To plan and arrange product delivery to customers as well as tracking product shipments to ensure successful product delivery.

Recruitment of the abovementioned employees is necessary to support our business operations as we continue to expand. The total estimated cost for the recruitment of employees is approximately RM[•] million, which will be fully funded via proceeds from our Public Issue.

Please refer to Section 4.9 for further details on the breakdown of the total estimated costs of recruitment.