9. RISK FACTORS

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

9.1 Risks relating to our business and operations

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

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

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

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

- Intercontinental Specialty Fats Sdn Bhd;
- Lee Oilmills Sdn Bhd;
- NGO Chew Hong Oils & Fats (M) Sdn Bhd; and
- PGEO Edible Oils Sdn Bhd.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) population growth;

(b) Government subsidy programmes and initiatives; and

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

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding that our revenue and PAT were at an upward trend from FYEs 2021 to 2023, there is no assurance that we will be able to sustain our current levels of revenue and profitability in the future as our financial performance is dependent on several factors, among others, availability of supplies of RBD palm olein oil, CPO price fluctuation, the increase in operating costs, the ability to retain our existing customers and to secure new customers as well as the execution of our business strategies and future plans as stated in Section 7.22 of this Prospectus.

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

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

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

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

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

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

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

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

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

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

9.1.12 We may face credit risks

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

We are aware of the consequences arising from our exposure to credit risk and have implemented credit risk management policies through the application of credit terms approval and monitoring procedures on an on-going basis.
We perform a background check on new customers and normally a cash term will be imposed for new customers. Credit terms are only granted to existing customers with good standing and payment records.

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

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

9.2 Risks relating to our industry in which we operate in

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

We are susceptible to the risk of price fluctuation of RBD palm olein oil products, which is dependent on prices of the raw material, i.e. CPO. As CPO is a major commodity, its pricing is volatile and dependent on global supply and demand factors, including but not limited to, weather conditions such as flooding or dry spells, global economic conditions, inflationary pressure, and new policies or regulations. If there is a significant increase in the cost of raw materials, our GP margins and financial conditions may be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

9.3 Risks relating to our Shares

9.3.1 There is no prior market for our Shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) a solvency statement from our Directors.

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

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

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

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

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

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