

8. INDEPENDENT MARKET RESEARCH REPORT



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20 March 2024

The Board of Directors
SUPREME CONSOLIDATED RESOURCES BHD
Lot 919, Block 7, Muara Tebas Land District
Demak Laut Industrial Park
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Malaysia.

Dear Sirs,

Independent Market Research Report on the Outlook of the Food, Beverages and Discretionary Products Distribution Services Industry in Sarawak in conjunction with the Listing of SUPREME CONSOLIDATED RESOURCES BHD on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this independent market research report on the Outlook of the Food, Beverages and Discretionary Products Distribution Services Industry in Sarawak for inclusion in the Prospectus of SUPREME CONSOLIDATED RESOURCES BHD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

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For and on behalf of PROVIDENCE:

ELIZABETH DHOOS
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

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

About ELIZABETH DHOOS:

Elizabeth Dhoos is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Elizabeth Dhoos holds a Bachelor of Business Administration from the University of Malaya, Malaysia.

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1 FOOD, BEVERAGES AND DISCRETIONARY PRODUCTS DISTRIBUTION SERVICES INDUSTRY IN SARAWAK

1.1 INTRODUCTION AND BACKGROUND

Distribution services are activities involving in the efficient movement of goods and services from manufacturers to customers and end consumers. Distributive trade is the intermediary stage comprising all linkages and activities that channel consumer packaged goods for resale or to end consumers or users. Goods passing through the distributive trade are typically sold either without processing or with minimal processing. Operators within the distributive trade may physically breakbulk, sort, grade, mix, pack or repack. Additionally, distributive trade operators may sell directly to end consumers or users and/or other intermediaries who subsequently resell to end consumers or users. In some situations, manufacturers, producers and processors may also sell their goods directly to end consumers or users.

The distributive trade is segmented into wholesale and retail trade. Wholesale trade refers to the resale of goods to resellers, such as retailers or other wholesalers. Retail trade refers to the resale of goods mainly to the end-consumer or users. In some situations, wholesale trade also involves the sales of goods to industrial, commercial, institutional and professional users.

Food and beverages are mass-produced consumer goods that are non-durable, relatively low cost and are consumed or used frequently by consumers or households. This excludes fresh food, produce and products without packaging. As most of these food and beverage items are consumed or used relatively quickly, they are also referred to as fast-moving consumer goods.

Discretionary products are items for which its consumption is not essential or necessary, but rather related to the satisfaction of fulfilling a want or desire.

The key participants in the distribution of food, beverages and discretionary products comprise:

- Principals are mostly brand owners and are responsible for the exclusive supply of products under their brand names. Principals may either manufacture their products, appoint contract manufacturers to manufacture their products or buy finished products which are packed under their brand names; and
- Intermediaries are operators that provide linkages between principals and end-consumers or users. Intermediaries in the food and beverages supply chain include wholesalers and retailers.

It is critical for food, beverages and discretionary products to reach as wide a market coverage of consumers as possible.

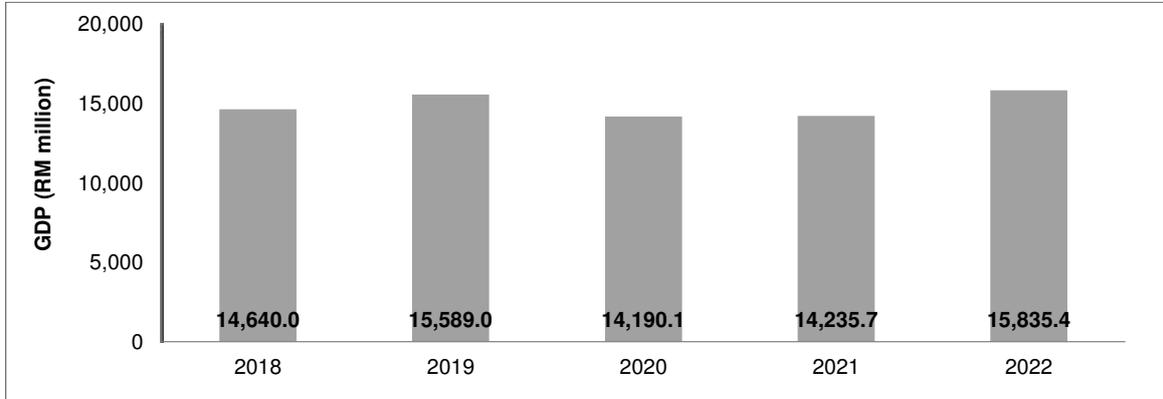
Supreme Consolidated Resources Bhd provides market access and coverage for consumer products in Sarawak and Sabah, where it is principally involved in the distribution of a wide range of third-party brands as well as its own brand of Frozen and Chilled Food Products, Ambient F&B Products as well as Non-F&B Products.

1.2 INDUSTRY SIZE AND GROWTH

The food, beverage and discretionary products distribution services industry in Sarawak, based on the gross domestic product ("GDP") of wholesale and retail trade, food and beverage and accommodation services, increased from RM14.6 billion in 2018 to RM15.8 billion in 2022 at a compound annual growth rate ("CAGR") of 2.0%. In 2022, the distribution of food and beverage products comprised approximately 35.0% while the distribution of discretionary products comprised approximately 7.0% of the GDP of wholesale and retail trade, food and beverage and accommodation services. For clarity, the distribution of non-food and beverage products such as household and commercial cleaning products fall under discretionary products.

In 2020, the food, beverage and discretionary products distribution services industry in Sarawak, as indicated by the GDP of wholesale and retail trade, food and beverage and accommodation services, was RM14.2 billion, a contraction of 9.0% from the RM15.6 billion in 2019. This contraction is attributable to the COVID-19 pandemic which affected economic and business activities throughout the state. Nonetheless, in line with improving vaccination rates and the gradual reopening of the economy, the food, beverage and discretionary products distribution services industry in Sarawak began showing signs of recovery in 2021 and 2022 respectively. In particular, the food, beverage and discretionary products distribution services industry in Sarawak registered a year-on-year growth rate of 11.2% in 2022 compared to 2021.

PROVIDENCE projects the food, beverage and discretionary products distribution services industry in Sarawak to increase from RM15.8 billion in 2022 to RM17.6 billion in 2026 at a CAGR of 2.7%.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Food, beverage and discretionary products distribution services in Sarawak**

Source: Department of Statistics Malaysia, Ministry of Finance, PROVIDENCE analysis

The growth in the food, beverage and discretionary products distribution services industry in Sarawak correlates to the:

- long term economic growth that supports positive consumer sentiment and spending on food, beverages as well as discretionary products;
- growth in population and economic affluence support demand for food, beverages as well as discretionary products;
- increasing expenditure on food, beverages as well as discretionary products supports its demand;
- growth in tourism and retail sectors that drive demand for food, beverage and discretionary products distribution services;
- foreign investment and domestic investment growth drive demand for food, beverages as well as discretionary products;
- growing halal food industry supports demand for food and beverage distribution services; and
- greater concerns for food security supports demand for food and beverage distribution services.

1.3 DEMAND CONDITIONS: KEY GROWTH DRIVERS**Long term economic growth supports positive consumer sentiment and spending on food, beverages as well as discretionary products**

Economic growth is a catalyst for development and growth in the consumption of food, beverages as well as discretionary products. Between 2018 and 2019, Sarawak's wealth, as depicted by its GDP, increased from RM133.0 billion to RM136.8 billion at a growth rate of 2.8%. In 2020, all economic sectors registered a contraction in growth due to the COVID-19 pandemic. While the COVID-19 pandemic containment measures aided Malaysia's efforts to rein in the outbreak, the tighter operating procedures (such as operating hours, capacity limit on premise, activity restrictions), mobility restrictions and supply-chain disruptions affected economic activity. Additionally, most industries also faced weaker demand conditions both domestically and externally, which further weighed on production and business activities. As a result, Sarawak's GDP contracted by 6.7% in 2020 and GDP dipped to RM127.6 billion (2019: RM36.8 billion).

Sarawak's GDP registered a growth of 3.1% in 2021. The recovery momentum was affected by the reimposition of nationwide containment measures from June to September 2021, following a rapid resurgence of COVID-19 cases. However, unlike the movement restrictions in the second quarter of 2020, more essential economic sectors were allowed to operate, while businesses and households were better adapted to the containment measures and standard operating procedures. External demand also provided additional support to Sarawak's economic growth in 2021.

Sarawak's economy expanded by 6.5% in 2022 (2021: 3.1%) despite the challenges faced throughout the year. This was contributed by the full upliftment of containment measures, resilient growth in exports, particularly commodity exports, revival of tourism activity and continued policy support. In particular, the reopening of Malaysia's international borders in April 2022 was a turning point for Sarawak's tourism sector which began

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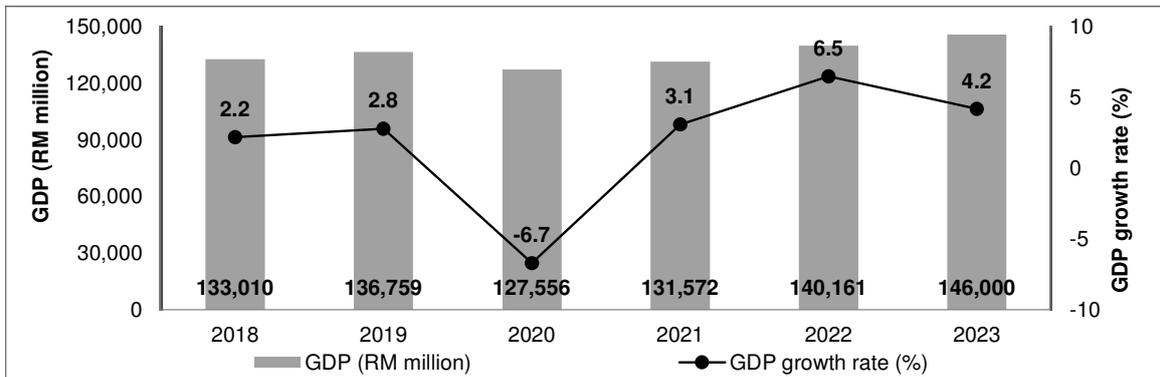


welcoming back international tourists after two years of closure. The border reopening has revitalised Sarawak’s tourism sector and encouraged investments in the tourism, hotels, retail as well as food and beverage sector, which ultimately has supported demand for food, beverage products as well as discretionary products such as household and commercial cleaning products. The economic resilience of Sarawak is further highlighted by the 4.0% to 5.0% GDP growth recorded in 2023, reaching RM146.0 billion, as compared to a 6.5% growth amounting to RM140.1 billion in 2022.¹

According to Malaysia’s Ministry of Finance, Malaysia’s GDP is forecast to expand by between 4.0% and 5.0% in 2024. Malaysia’s 2024 growth projection will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap, New Industrial Master Plan 2030, and the Mid-Term Review of the Twelfth Malaysia Plan.

Economic growth influences consumer sentiment and ultimately consumer spending on discretionary as well as non-discretionary items. Thus, Malaysia’s long term economic growth will encourage consumer spending on food, beverages and discretionary products thereby supporting demand for food, beverage and discretionary products distribution services.

Economic growth in Sarawak



Source: Department of Statistics Malaysia, Ministry of Finance, PROVIDENCE analysis

Growth in population and economic affluence support demand for food, beverages as well as discretionary products

Sarawak’s population has increased from 2.45 million persons in 2020 to 2.47 million persons in 2022 at a CAGR of 0.4%.

In line with the improving labour market, more people are joining the workforce and working longer hours. Consequently, this has increased demand for convenience. Compared to rural dwellers, urban residents have greater spending power and lead busier lives and thus, have greater propensity for a wide range of food options as well as non-food and beverage discretionary products such as cleaning products.

Between 2019 and 2022, the average gross household income in Sarawak increased from RM5,959 to RM6,457 at a CAGR of 2.7%. During the same period, the average gross household income in Bintulu and Miri increased at higher CAGRs of 4.9% and 3.1% respectively, indicating the presence of more affluent populations in these districts.

Average gross household income by district in Sarawak

District	Average gross household income (RM)		CAGR (%)
	2019	2022	
Kuching	7,376	7,588	0.9
Miri	7,235	7,932	3.1
Bintulu	8,324	9,645	4.9

¹ TYT: Sarawak records strong economic growth RM146 bln in 2023 thanks to Premier’s leadership, DayakDaily, 9 February 2024

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District	Average gross household income (RM)		CAGR (%)
	2019	2022	
Sibu	6,140	6,645	2.6
Sarawak (overall)	5,959	6,457	2.7

Source: Department of Statistics Malaysia, PROVIDENCE analysis

Collectively, the increase in population and average gross household income depicts a growing population that has increasing spending power. This is expected to support demand for industry players that are involved in distribution services for food, beverage as well as discretionary products.

Increasing expenditure on food, beverages as well as discretionary products supports its demand

Between 2019 and 2022, the total expenditure of households in Sarawak on food, beverage well as discretionary products (including cleaning products) increased from RM1,788 to RM2,034 at a CAGR of 4.4%. Within the total food and beverages category expenditure group, the oils and fats; milk, cheese and eggs; meat; vegetables and personal care, social protection and miscellaneous goods and services segments have increased at CAGRs of 15.6%, 13.6%, 7.9%, 5.4% and 4.6% respectively, indicating that demand for these segments are growing faster than the overall food and beverages category expenditure group. Many of the items within these segments are Frozen and Chilled Food Products as well as Ambient F&B Products. The total personal care, social protection and miscellaneous goods and services expenditure group, which includes cleaning and hygiene products, increased at a CAGR of 3.4% during the same period. Growth in monthly household expenditure in Sarawak is primarily driven by urban households.

Composition of monthly household expenditure in Sarawak

Expenditure group	Urban			Rural			Total		
	2019 RM	2022 RM	CAGR %	2019 RM	2022 RM	CAGR %	2019 RM	2022 RM	CAGR %
Food and beverages	806	926	4.7	725	817	4.1	770	879	4.5
- Fish and seafood	149	180	6.5	145	161	3.6	147	172	5.4
- Meat	140	179	8.5	134	161	6.3	137	172	7.9
- Breads and cereals	93	82	-4.1	75	70	-2.3	85	77	-3.2
- Vegetables	84	99	5.6	81	93	4.7	82	96	5.4
- Other food products	73	82	4.0	65	72	3.5	70	78	3.7
- Coffee, tea, cocoa & non-alcoholic beverages	63	59	-2.2	57	61	2.3	61	60	-0.5
- Rice	55	53	-1.2	58	56	-1.2	56	54	-1.2
- Milk, cheese and eggs	50	72	12.9	39	57	13.5	45	66	13.6
- Fruits	49	57	5.2	36	41	4.4	43	50	5.2
- Oils and fats	25	38	15.0	19	28	13.8	22	34	15.6
- Sugar, jam, honey, chocolate and confectionery	24	24	0.0	17	17	0.0	21	21	0.0
Personal care, social protection and miscellaneous goods and services ^a	307	332	2.6	174	199	4.6	249	275	3.4
Total	1,918	2,183	4.4	1,625	1,833	4.1	1,788	2,034	4.4

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^a Includes cleaning and hygiene products

Source: Department of Statistics Malaysia, PROVIDENCE analysis

Over the long term, higher disposable income and growing affluence among the urban and rural population will support demand for necessity and discretionary expenditure. This is expected to positively influence demand for distribution services of food, beverage as well as non-food and beverage discretionary products.

Growth in tourism and retail sectors drive demand for food, beverage and discretionary products distribution services

Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal and/or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involve tourism expenditure

The tourism sector in Malaysia is an important economic sector that has experienced growth over the years and has been identified as a key driver for growth in the services sector. Tourism is a key source of foreign currency earnings for Malaysia, contributing to GDP growth, investment and employment as well as strengthening the services account in the nation's balance of payment. Malaysia's tourism industry encompasses leisure and business tourism, and includes the accommodation, shopping, tourism products, food and beverage as well as inbound and domestic transportation sub-sectors.

Sarawak's tourism receipts increased from RM8.1 billion in 2018 to RM8.7 billion in 2019 before Malaysia closed its international borders to curb the spread of the COVID-19 virus. After the World Health Organisation (WHO)'s declaration of COVID-19 as a pandemic on 11 March 2020, the Government imposed the movement control order ("MCO"), barring entry of international tourists beginning 18 March 2020. As a result, Sarawak's tourism receipts fell to RM3.4 billion in 2020 and RM1.9 billion in 2021. The reopening of Malaysia's international borders in April 2022 and the transition to the endemic phase of the pandemic supported growth of Sarawak's tourism industry, evidenced by the recovery in tourism receipts to RM5.4 billion in 2022 (2021: RM1.9 billion).

Tourism receipts in Sarawak

	2018	2019	2020	2021	2022
Tourism receipts (RM million)	8,145	8,671	3,385	1,935	5,431

Source: Department of Statistics Malaysia, PROVIDENCE analysis

The retail of food and beverage products is provided by supermarkets, grocers, wholesalers and specialised food and beverage retailers. The foodservice industry encompasses activities involved in preparing and serving food and beverages to people consuming food away from home. This includes all types of restaurants, institutional food operations at locations such as schools and hospitals, other specialty vendors such as food truck operators and catering businesses. Together, these industries form a major customer base of food and beverage distributors.

In 2020, arising from the COVID-19 pandemic, at-home consumption of food and beverages increased while out-of-home consumption was severely affected by the containment measures and operating capacity restrictions imposed by the Government to curb the spread of the virus. Food delivery began gaining momentum in 2020 as the foodservice industry adapted to cope with pandemic-related restrictions and movement controls. The foodservice sector began showing recovery in the last quarter of 2021 as more consumers resumed dining-in. This recovery comes after a long period of decline in 2020 to early 2021 due to the COVID-19 pandemic where containment measures and operating restrictions were imposed to curb the spread of the virus.

The reopening of Malaysia's international borders in April 2022 and the transition to the endemic phase has supported and retail spending as it boosts human traffic at shopping malls. Several malls have begun strengthening their food and beverage lineup with new tenants, as well as introducing new eateries, lifestyle retail concepts and key supermarket chains which attract more end consumers of food and beverage products. The growth in Sarawak's retail industry is evidenced by the growth in shopping mall area, which increased from 930,584 square meters in 2018 to 1.1 million square meters in 2022 at a CAGR of 3.9%. The occupancy rates for shopping malls in Sarawak have been gradually recovering post COVID-19 pandemic in line with improving consumer sentiment and retail spending, as occupancy rates have risen from 73.9% in 2020 to 76.5% in 2023.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Supply of shopping malls and occupancy rates in Sarawak**

	2018	2019	2020	2021	2022	2023	CAGR (%)
Area (square meters)	930,584	1,005,136	1,038,299	1,084,338	1,084,338	1,084,230	3.9
Occupancy rate (%)	Not available	80.5	73.9	76.0	76.9	76.5	

Source: National Property Information Centre, Department of Statistics Malaysia, PROVIDENCE analysis

The growth in the tourism, retail and foodservice sectors will positively impact the growth in demand for food, beverage and discretionary distribution services. As these sectors grow, the volume of food and beverage products required to satisfy end consumer demand increases, thereby supporting demand for food and beverage distribution services. Cleaning products are essential for maintaining the general hygiene and sanitisation of tourism, retail and foodservice establishments. Thus, growth in the tourism, retail and foodservice sectors will positively impact demand for cleaning products.

Foreign investment and domestic investment growth drive demand for food, beverages as well as discretionary products

Malaysia recorded a total of RM329.5 billion worth of approved investments in the services, manufacturing and primary sectors in 2023 across 5,101 projects. From the total investments approved, foreign investments accounted for RM188.4 billion or 57.2%, while domestic investments accounted for RM141.1 billion or 42.8%. The services sector accounted for the largest share of the total investments in 2023, amounting to RM168.4 billion (51.1%), followed by the manufacturing sector with RM152.0 billion (46.1%) and the primary sector with RM9.1 billion (2.8%). Foreign investments comprised 34.4%, 84.5% and 22.0% of approved investments in the services, manufacturing and primary sectors respectively. During the year, the services sector comprised the information and communications (RM63.7 billion), real estate (RM61.0 billion), utilities (RM11.1 billion), distributive trade (RM11.1 billion) and support services (RM10.5 billion) segments. Malaysia's manufacturing sector, which attracted RM152.0 billion in approved investments, saw an 80.3% increase compared to 2022 (2022: RM84.3 billion). The electrical and electronics (RM85.4 billion), machinery and equipment (RM22.6 billion), chemicals and chemical products (RM8.9 billion), non-metallic mineral products (RM8.8 billion), transport equipment (RM7.1 billion) and plastic products (RM4.1 billion) industries collectively made up 89.5% of total approved investments for the manufacturing sector in 2023.²

Between 2018 and 2022, Sarawak has attracted domestic and foreign direct investments in utilities, education, shipbuilding, logistics, oil and gas services and equipment and basic metal products.

Approved manufacturing projects in Sarawak

	2018	2019	2020	2021	2022
Total investment (RM million)	8,659.7	2,582.5	15,730.5	5,667.9	1,285.7

Source: Malaysian Investment Development Authority ("MIDA"), PROVIDENCE analysis

Sarawak registered total investments of RM21.4 billion in 2023, attributable to among others, initiatives under the Post COVID-19 Development Strategy (PCDS) 2030 and the introduction of green economy elements such as hydrogen and carbon trading. The manufacturing sector was the major contributor, followed by the primary sector and the services sector.³ The Government of Sarawak has announced several new investments in collaboration with foreign investors that aim to boost the state's economy. These include:

- In October 2023, China-based LONGi Green Energy Technology Co, Ltd held a groundbreaking ceremony for a new monocrystalline ingot manufacturing plant with a forecast investment of RM1.3 billion. This is the first solar manufacturing factory in Bintulu Samalaju Industrial Park;⁴
- In September 2023, Tan Sri Abang Johari Openg announced that two major manufacturing projects in Bintulu will be the cornerstones of Sarawak's green hydrogen economy, namely the H2biscus and H2ornbill projects

² Malaysia Resilient Ascent – Securing Historic RM329.5 billion in Investments, Generating Close to 130,000 Jobs in 2023, MIDA

³ Sarawak records RM21.4 bil in investments last year - Sarawak Deputy Premier, NST, 6 March 2024

⁴ Longi Malaysia Breaks Ground on Its New RM1.3 Billion Bintulu Samalaju Plant, MIDA

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which are expected to be operational in Bintulu Petchem Industrial Park in 2027. The H2biscus project is expected to produce 7,000 tonnes per annum of green hydrogen for domestic use; 600,000 tonnes per annum of blue ammonia; 630,000 tonnes per annum of green ammonia; and 460,000 tonnes per annum of green methanol for export. Sarawak is looking at Japan and Singapore as the export market. Sarawak Economic Development Corporation's subsidiary company SEDC Energy is working with Samsung Engineering, Posco Holdings and Lotte Chemicals in developing a green hydrogen derivative facility. SEDC Energy is collaborating with Japanese companies Sumitomo Corporation and Eneos on the H2ornbill project that will develop large-scale production of green hydrogen;⁵

- Sarawak recorded RM16.7 billion worth of investments in the first three quarters of 2023. The newly-approved manufacturing investments included RM6.3 billion for graphite, RM769.0 million for chemicals and chemical products and RM62.0 million for steel pipes. The state had also received new investment proposals from foreign and domestic investors, among which included RM5.0 billion for components for electric vehicle batteries, RM2.6 billion for green metals and RM1.5 billion for medical gloves;⁶ and
- Petroleum Sarawak ("**Petros**") will continue to drive the development of oil and gas industries, as part of the Post COVID-19 Development Strategy (PCDS) 2030. Petros is already participating in 17 blocks offshore Sarawak, and has started its drilling activities in Onshore SK433 and completed the subsurface studies in Limbang / Lawas area. Petros will continue to be actively involved in upstream projects, especially in rejuvenating onshore exploration and commercialisation. For the midstream and downstream projects, Sarawak is investing in its 10-year Sarawak Gas Roadmap, with four hubs namely in Bintulu, Samalaju, Miri and Kuching. From these four hubs, Petros will promote domestic gas utilisation across Sarawak by developing gas distribution infrastructure, promote petrochemical industries and provide sustainable, reliable and affordable energy to the household, commercial and industrial customers. The four key projects are gas to power in Miri; gas to power in Samalaju; pipeline from Kidurong to Samalaju; and Kuching Gas Hub, he said, adding that the state is currently developing gas distribution systems via VPA and pipeline, Gas Power Plants and Petrochemical complexes. Currently, Petros is planning to complete Miri Combined-cycle gas turbine (CCGT) and Samalaju Pipeline by 2027. Next, Sarawak will be developing the Kuching Gas Hub to promote and accelerate the development of gas-based industry in Kuching.⁷

Malaysia aims to attract quality investments, as this will be key in driving a more sustainable economic recovery for Malaysia and to achieve its aspirations of becoming a high-income nation. Foreign investment and domestic investment are important contributors to the country's economic growth and the Government has been proactive in encouraging growth based on productivity, innovation and shared prosperity in order for wages to continue rising. Foreign investment also plays an important role in supporting Malaysia's move to become a high-income technology-based economy.

Growth in investments create opportunities for greater employment, better affluence as well as improvement in the current living conditions of the population. Collectively, this contributes to more positive consumer sentiment and spending. Greater consumer spending on food, beverages and discretionary products creates growth opportunities for food, beverage and discretionary distribution services.

Growing halal food industry supports demand for food and beverage distribution services

Malaysia aspires to become a global hub for the production and trade of halal products and services, as outlined in the 2006 Third Industrial Master Plan. Typically, awareness and observance of halal has been the highest within food and beverage, making halal compliance in this area of great importance. Halal food and beverages refer to food and beverages which have been prepared as prescribed by the Islamic law. Halal food and beverages require that halal requirements are complied with at all stages of the production and supply chain, including procurement of raw materials and ingredients, logistics and transportation, as well as packaging and labelling.

Based on the Global Islamic Economy Indicator, Malaysia was ranked first in 2021, supported by its Islamic finance, halal food, recreation and media ecosystems. In the global halal food category of the Global Islamic Economy Indicator, Malaysia was also ranked first in 2021.

In 2021, the global Muslim population spent an estimated USD1.3 trillion on food, and this is expected to reach USD1.7 trillion by 2025. With the increase in global expenditure by the Muslim population as well as the growing popularity of halal food, many countries are taking initiatives to capitalise on this growth potential. Malaysia,

⁵ Two major hydrogen manufacturing projects in Bintulu to be cornerstones for Sarawak, says premier, Malay Mail, 4 September 2023

⁶ Sarawak records over RM16bil in first three quarters of 2023, says Deputy Premier, The Star, 29 November 2023

⁷ Business-friendly policies make Sarawak top investment destination, says Awang Tengah, Borneo Post, 30 October 2023

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which has a majority Muslim population, is well positioned to be the centre for the promotion, distribution and production of halal food.

As the Government is focused on increased food production as well as making Malaysia an international halal hub, food and beverage distribution services industry players in Malaysia are able to leverage on the country's strength in halal certification and the Government's promotional efforts to capture the halal market.

Greater concerns for food security supports demand for food and beverage distribution services

Food security refers to the availability of food within a nation and the ability of its people to access, afford and source sufficient food supplies. The significance of food security plays an imperative role in fostering a growing need for food ingredients. As societies achieve food security, individuals are better positioned to fulfil their dietary requirements and pursue healthier lives, leading to increased demand for food, thereby supporting demand for food and beverage distribution services.

1.4 INDUSTRY DYNAMICS

Dependency on imports

The food and beverage industry in Sarawak has a certain degree of dependency on the imports of food and beverage intermediary and finished products such as flour, beans, grains, animal fats as well as processed foods. Sarawak also imports discretionary products such as cleaning products. While food and beverages as well as discretionary products are subject to certain levels of imports, distribution services are provided primarily by local industry players in Sarawak.

Industry challenges

Food ingredients are susceptible to price fluctuations as a result of demand and supply conditions in the global market. Price fluctuations are due to environmental factors and market factors that affect the demand and supply equilibrium. Environmental factors include adverse weather conditions. Market factors include economic fluctuations and speculations, as well as government policy and regulation changes.

1.5 COMPETITIVE LANDSCAPE

Food and beverage distribution services enable the wide market coverage of food and beverage products to consumers. There are distinct barriers to entry, with industry players possessing business relationships with brand principals, having extensive distribution network in their region of coverage, possessing ample warehousing and cold storage facility space, as well as having sufficient financial resources to be able to procure food and beverage products.

In the FYE 30 September 2023, Supreme Consolidated Resources Bhd generated a revenue of RM199.6 million from the provision of market access and coverage for consumer products Sarawak and Sabah, where it is principally involved in the distribution of a wide range of third-party brands as well as its own brand of Frozen and Chilled Food Products, Ambient F&B Products as well as Non-F&B Products. In 2022, the value of the food, beverage and discretionary products distribution services industry in Sarawak was RM15.8 billion. Thus, in comparison to the value of value of food, beverage and discretionary products distribution services industry in Sarawak of RM15.8 billion, Supreme Consolidated Resources Bhd secured a market share of 1.3%.

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Financial performance of industry players that are involved in the provision of food and beverage distribution services

The following sets out the latest available financial performance of private and public listed firms in Malaysia that are involved primarily in the provision of food and beverage distribution services as well as discretionary products with revenues up to RM800.0 million^e:

Industry player	Latest available financial year ended	Segmental revenue (RM)	Group revenue ^d (RM)	Profit before tax (RM)	Profit before tax margin (%)	Profit after tax (RM)	Profit after tax margin (%)
Chill Master Industries Sdn Bhd	31 May 2022		35,691,916	1,155,555	3.2	855,555	2.4
CK Group comprising:							
- CK Alliance Sdn Bhd	31 August 2022		276,973,954	6,613,601	2.4	4,922,431	1.8
- CK Distributors Sdn Bhd	31 August 2022		175,524,185	3,713,365	2.1	2,792,176	1.6
Choon Hua Food Products Sdn Bhd	31 December 2022		81,824,183	870,329	1.1	613,322	0.8
Eldaco (KL) Sdn Bhd	31 December 2022		841,973	-269,723	-32.0	-237,781	-28.2
Farm Fresh Berhad ^a	31 March 2023	517,913,000	629,690,739	52,174,237	8.3	49,934,274	7.9
H&D Food Processing Sdn Bhd	31 December 2022		61,906,413	3,153,128	5.1	2,384,410	3.9
Hong Yong Seafood Supplies Sdn Bhd	30 June 2022		215,057,702	8,781,855	4.1	6,570,382	3.1
Kim Teck Cheong Consolidated Berhad ^a	30 June 2023	584,356,966	729,389,513	34,479,051	4.7	25,105,968	3.4
LF Logistics Services (M) Sdn Bhd	31 December 2022		187,694,251	16,973,387	9.0	12,872,841	6.9
SDS Group Berhad ^a	31 March 2023	178,493,000	283,667,000	32,767,000	11.6	24,837,000	8.8
Spritzer Berhad ^a	31 December 2022	22,776,000	433,300,000	45,200,000	10.4	36,965,000	8.5
Supreme Consolidated Resources Bhd ^c	30 September 2023	199,643,000	199,643,000	12,882,000	6.5	9,218,000	4.6
Sing Chew Coldstorage Sdn Bhd	31 December 2022		90,883,285	5,944,068	6.5	3,721,032	4.1
Unified Marketing Sdn Bhd	31 December 2022		11,323,956	217,929	1.9	167,518	1.5
Wellspire Holdings Berhad ^b	31 December 2022	123,366,764	123,366,764	5,901,896	4.8	2,955,062	2.4

Notes:

The key industry players were identified based on publicly available sources, such as the internet, published documents and industry directories. The following criteria was adopted in identifying comparable industry players based on publicly available sources:

- Companies that are involved in the distribution of food and beverage products in Sarawak; and/or
- Companies that are involved in the distribution of food and beverage products in Peninsular Malaysia.

^a Listed on the Main Market of Bursa Malaysia Securities Berhad

^b Listed on the ACE Market of Bursa Malaysia Securities Berhad

^c Listed on the LEAP Market of Bursa Malaysia Securities Berhad

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



^d May include revenue derived from other businesses as segmental revenue is not publicly available from the audited financial statements of the identified private companies from the Companies Commission of Malaysia

^e For information purposes, DKSH Holdings (Malaysian) Berhad, Fraser & Neave Holdings Berhad and Harrisons Holdings (Malaysia) Berhad are also involved in the distribution of food and beverage products. However, the financial performance of these companies were excluded from the table above as their Group revenues in the latest available financial year exceed RM1.0 billion.

Latest available as at 29 February 2024

Source: Various annual reports, company websites, Companies Commission of Malaysia, PROVIDENCE analysis