

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. 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 quantity to be supplied, pricing per MT, delivery period and payment terms, amongst others.

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.

9. RISK FACTORS (CONT'D)

9.1.3 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.

9.1.4 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 within a short period of time and without any suitable or prompt replacement may cause an adverse effect on our business operations and financial performance.

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

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

The future growth of our Group and the successful development of our future business strategies are dependent on, amongst others, the timely and cost-effective for the rebuilding of Factory No. 9, our ability to attract appropriate personnel to expand our headcount, 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.

9. RISK FACTORS (CONT'D)

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 we fail to attract and recruit appropriate personnel to expand our headcount. We may not be able to successfully execute our 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 future plans and business strategies. There can also be no assurance that if our future plans and business strategies have been implemented that they will be commercially successful. As such, failure to execute our future plans and business strategies successfully may adversely affect our growth and financial performance.

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

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 others, 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 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.

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.

9.1.7 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. RISK FACTORS (CONT'D)

9.1.8 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 has been 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 taking longer time to make payments during the COVID-19 pandemic period.

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 price fluctuation 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 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.

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.

9. RISK FACTORS (CONT'D)

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

9. RISK FACTORS (CONT'D)

- (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. RISK FACTORS (CONT'D)

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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