7. BUSINESS OVERVIEW

7.1 HISTORY OF OUR GROUP

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

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

Incorporation/acquisition of our subsidiaries and changes in shareholdings

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

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

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

History and development of our Group and business operations

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

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

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

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

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

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

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

7.1.1 Certification and awards

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

Certifications

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

Note:

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

This assessment comprises 5 ranks, i.e. from black being the lowest rank, to red, blue, green and gold being the highest rank. Our Group received a Blue rank from 2015 to 2020, and a Green rank from 2021 to 2022. This demonstrates our continuous and enhanced efforts in preserving the environment as part of our business operations.

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

7. BUSINESS OVERVIEW *(Cont'd)*

Awards

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

7.2 DESCRIPTION OF OUR BUSINESS

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

(a) cultivation of oil palm; and

(b) production and sale of CPO and PK.

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

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

7.2.1 Cultivation of oil palm

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

Note:

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

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

Plasma Programme requirement

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

Notes:

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

(c) a total of 406.0 Ha of land for Sawit Sendowan Plantation Cooperative located at Desa Puan Cepak has been assigned to PT MKH to develop and manage. There was no agreement entered into with Sawit Sendowan Plantation Cooperative in this respect. However, on 24 December 2012, PT MKH had entered into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative, as detailed in Section 6.5(b)(iv), to continue with the development and management of community/plasma plantations after discussion and agreement between PT MKH and the local farmers. For clarity, the entry into the Cooperation Agreement for Plasma Plantation Development with Sawit Seguntung Jaya Plantation Cooperative is in accordance with the Decree of Kutai Kartanegara dated 21 July 2009 on determination of plasma participants in the partnership program.

(2) In view that PT SPS obtained its IUP on 19 October 2009, PT SPS was required to develop and manage community/plasma plantations with a plantation area of at least 20.0% of the total planted area. Based on the principal agreement entered into with Sawit Seguntung Jaya Plantation Cooperative in September 2016, PT SPS was required to develop and manage approximately 320 Ha plantation area based on the planted area of 1,567 Ha at that point in time.

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

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

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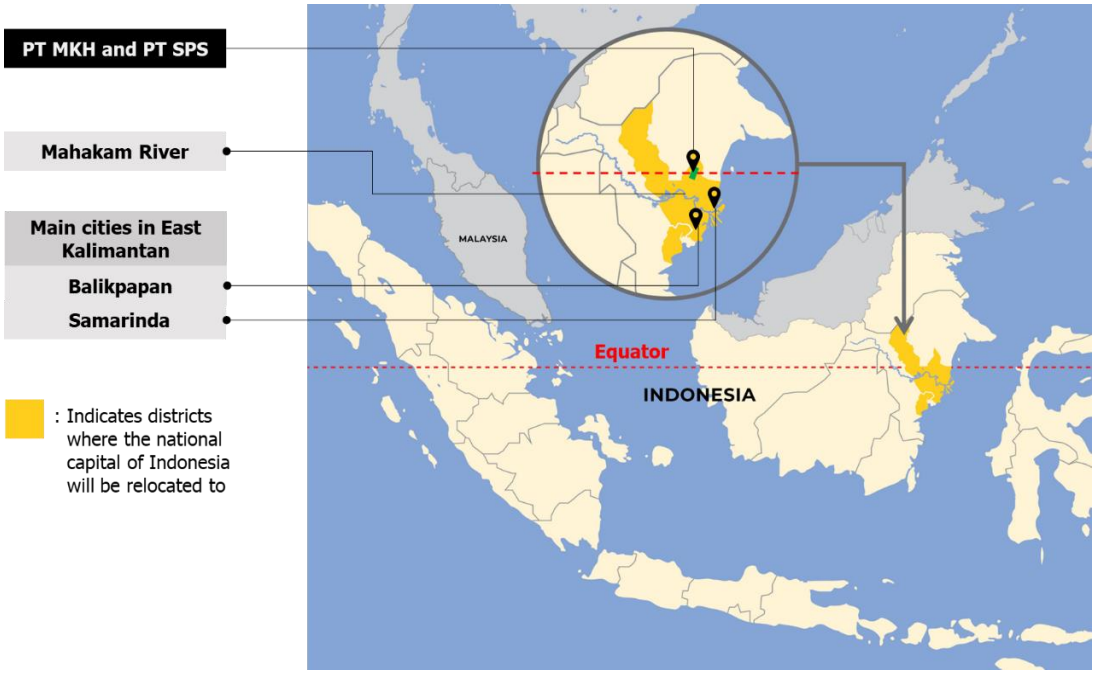
7. BUSINESS OVERVIEW *(Cont'd)*

Location and land profile of our oil palm plantation estates

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



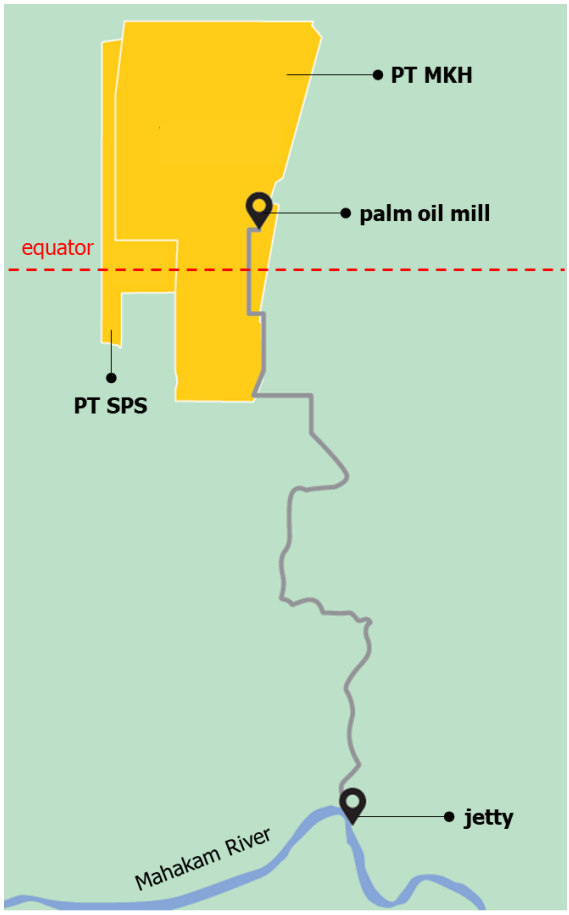
Our palm oil mill is located within the central region of our plantation estate managed by PT MKH. Our plantation estates and palm oil mill are located at approximately 90km from Samarinda, the capital of East Kalimantan; and 200km from Balikpapan, the financial centre of Kalimantan. Further, our plantation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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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



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

Plantation estates

7. BUSINESS OVERVIEW *(Cont'd)*

Palm oil mill

Jetty

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

Age profile of our oil palm

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

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

	PT MKH		PT SPS		Total	
Age Profile	**Ha**	**%**	**Ha**	**%**	**Ha**	**%**
Immature	**-**	**-**	**-**	**-**	**-**	**-**
(0 to 3 years)	-	-	-	-	-	-
Young mature	**-**	**-**	**1,245.4**	**62.4**	**1,245.4**	**7.3**
(4 to 6 years)	-	-	217.8	10.9	217.8	1.3
(7 to 9 years)	-	-	1,027.6	51.5	1,027.6	6.0
Prime mature	**15,012.4**	**100.0**	**751.0**	**37.6**	**15,763.4**	**92.7**
(10 to 12 years)	-	-	733.0	36.7	733.0	4.3
(13 to 16 years)	15,012.4	100.0	18.0	0.9	15,030.4	88.4
(17 to 20 years)	-	-	-	-	-	-
Old	**-**	**-**	**-**	**-**	**-**	**-**
(21 to 25 years)	-	-	-	-	-	-
Replanting	**-**	**-**	**-**	**-**	**-**	**-**
(>25 years)	-	-	-	-	-	-
Total	**15,012.4**	**100.0**	**1,996.4**	**100.0**	**17,008.8**	**100.0**

As at LPD, a majority of our oil palms (i.e. 15,763.4 Ha, or 92.7% of our total planted area) were prime mature oil palms that are in their peak production years, while the remaining were young mature oil palms (i.e. 1,245.4 Ha, or 7.3% of our total planted area) which will soon be entering peak production. As at LPD, none of our oil palms are immature oil palms aged 3 years and below, old oil palms aged between 21 and 25 years, or older than 25 years which are due for replanting. When our oil palms reach old stage at the age of around 22 years, we will commence replanting on a staggered basis, which includes cultivation of oil palm seedlings for about 9 to 12 months and field planting. Please refer to Section 7.4.1 for further details on our planting process of oil palms.

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

FFB yields

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

With all oil palms at its prime mature stage, plantation estates managed by PT MKH recorded average FFB yields at 29.9MT per Ha, 27.9MT per Ha and 24.2MT per Ha in FYE 2020 to 2022 respectively. On the other hand, our FFB yields in the plantation estate managed by PT SPS stood at 22.7MT per Ha, 14.7MT per Ha and 13.5MT per Ha in FYE 2020 to 2022, respectively.

A summary of our FFB yield profile is shown below:

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

Notes:

(1) Represents the FFB yield in our plantation estates owned and managed by PT MKH and PT SPS. This does not include FFB yield for the plantations of the local cooperatives under the Plasma Programme.

(2) Lower FFB yield in FYE 2021 and FYE 2022 was due to lower FFB harvested from our plantation estates as a result of heavy rainfall from La Nina phenomenon in FYE 2021 and 2022. The average monthly rainfall recorded in our plantation estates increased from 140mm in FYE 2020 to 198mm in FYE 2021, and to 240mm in FYE 2022. Notwithstanding that our plantation estates are equipped with an integrated drainage system to divert excess rainwater to a lake nearby to minimise the risk of flooding, the La Nina phenomenon in FYE 2021 and FYE 2022 resulted in higher-than-expected rainfall which caused flooding to some area in our plantation estates and also affected pollination, which eventually led to lower FFB yield.

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

7.2.2 Production and sale of CPO and PK

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

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

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

Notes:

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

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

Our Group's OER, from FFB processed to CPO produced, stood at 20.7%, 19.4% and 18.5% in FYE 2020 to 2022. On the other hand, our KER, from FFB processed to PK extracted, stood at 4.2%, 3.9% and 4.0%, respectively over the same period.

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

(a) We practise a FFB harvesting interval of 10 to 12 days and collect loose fruits on the ground within 2 days of FFB harvesting to avoid overripe FFB which may increase the FFA content.

(b) We transport the FFB and loose fruits collected to our palm oil mill within 24 hours for processing to achieve maximum oil yield and to avoid overripe FFB which may increase the FFA content.

(c) While the CPO produced by our Group is stored in our storage tanks, we perform regular testing on the FFA content, and perform mixing when required to produce CPO with optimised level of FFA content (below 5.0%) for sale to customers.

Despite having these quality control processes in place, in FYE 2020 to 2022, there were some sales of CPO with FFA content more than 5.0% to our customers. Please refer to Sections 9.1.2 for further details on the claims received from our customers.

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

7.2.3 Infrastructure and facilities in our plantation estates

As at LPD, there are approximately 4,000 workers, who reside in our plantation estates together with their family members. To improve the livelihood and living convenience of our workers and the local community, we are committed to continuously building and upgrading the infrastructure and facilities in our plantation estates. Among the infrastructure and facilities in our plantation estates that we have built are as follows:

(a) A pre-school, a primary school and a junior secondary school (from Grade 7 to Grade 9), to provide education to the children of our estate workers;

(b) A clinic that operates 24-hours a day with medical personnel on duty and essential medical equipment to address the medical needs of the community;

(c) Self-service banking stations with ATM to enable the community to perform transactions including withdrawals, bill payments and fund transfers;

(d) A mobile telecommunications tower, constructed by a local telecommunications company, to provide the community with access to telecommunication services;

7. BUSINESS OVERVIEW *(Cont'd)*

(e) A mini mart that sells daily necessities and groceries;

(f) Recreational facilities such as a football field, badminton courts, sepak takraw courts and basketball courts; and

(g) Prayer facilities comprising mosques and chapels.

The illustrations of our infrastructure and facilities are shown below:

Staff quarters

School

Self-service banking station

Mobile telecommunications tower

7. BUSINESS OVERVIEW *(Cont'd)*

Mini mart

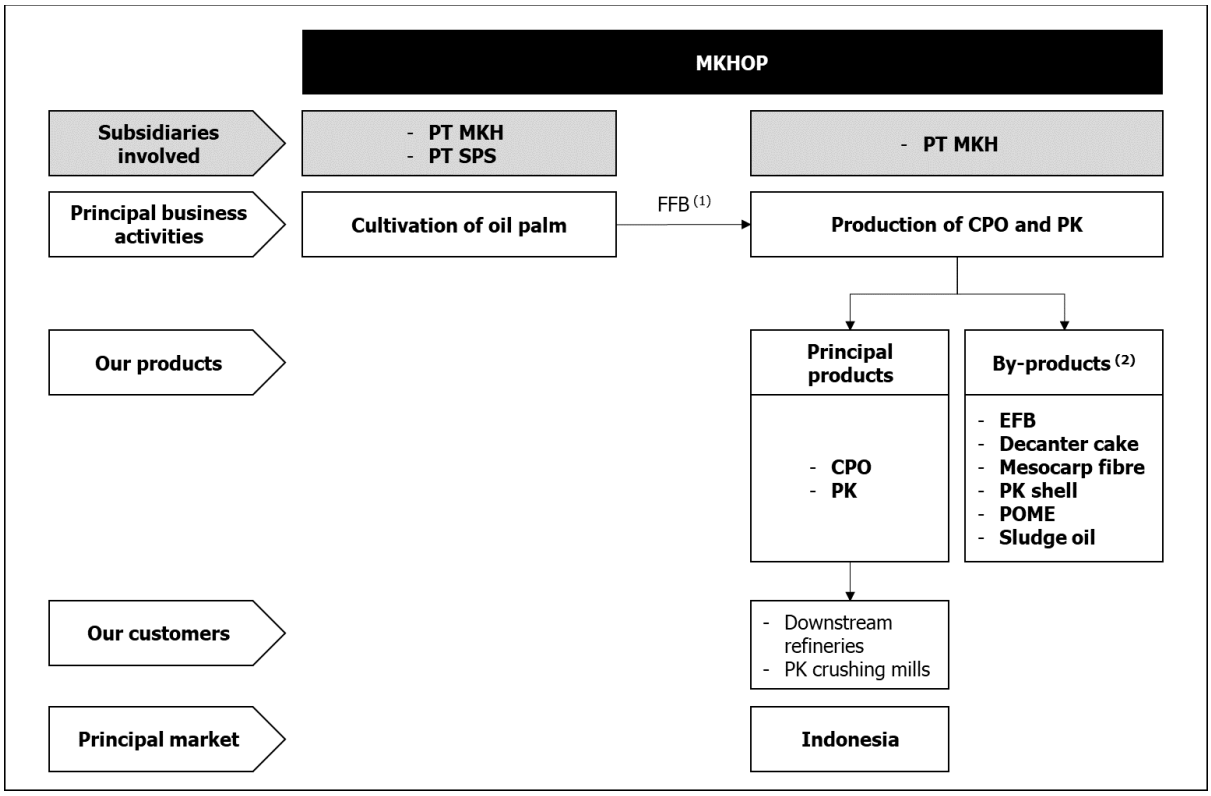
Clinic and ambulance

Mosque

Chapel

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

7.2.4 Business model



7. BUSINESS OVERVIEW *(Cont'd)*

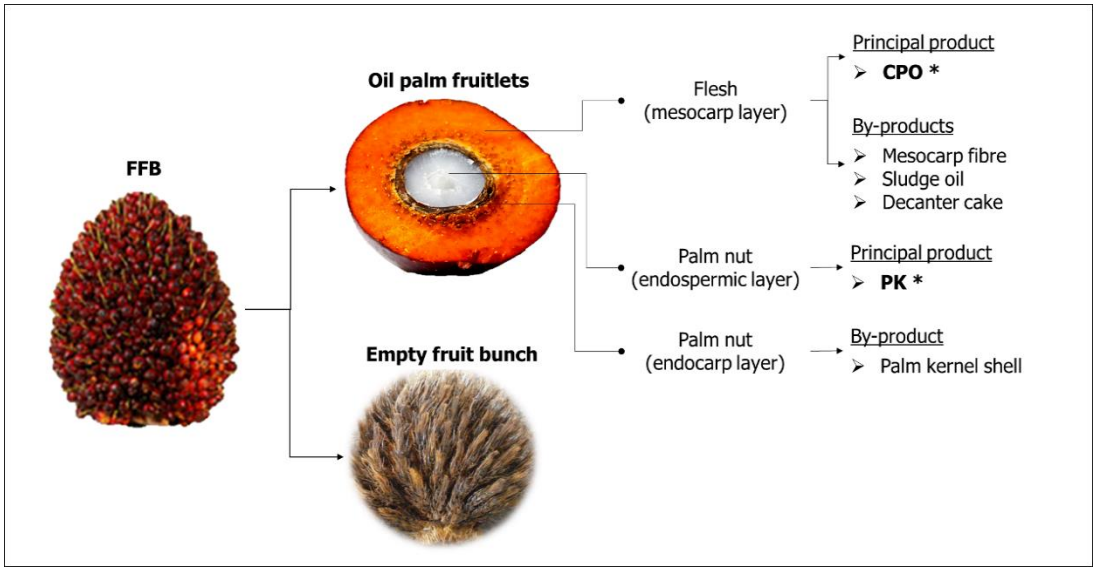
Notes:

(1) Harvested FFB in our plantation estates are sent to our palm oil mill for the production of CPO and extraction of PK. In addition, we sell harvested FFB to neighbouring palm oil mills located within 2 to 3 hours of delivery distance, during the period where our palm oil mill undergoes annual major maintenance.

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

7.2.5 Our products

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



Note:

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

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

Products	Description	Type of customers
CPO	A deep reddish-orange oil extracted from the mesocarp layer of oil palm fruit via the pressing process carried out in our palm oil mill. CPO has a balanced composition of fatty acids in which the level of saturated fatty acids is almost equal to that of unsaturated fatty acids.	Downstream refineries

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

7.3 PRINCIPAL MARKETS AND SEGMENTS

For FYE 2020 to 2022, the sale of CPO was the largest revenue contributor to our Group as it contributed 79.9%, 85.9% and 87.3% to our Group's total revenue, respectively. The breakdown of our Group's revenue by business segments for FYE 2020 to 2022 is as follow:

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

Note:

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

The breakdown of our Group's revenue segmentation by geographical locations for FYE 2020 to 2022 is as follow:

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

Note:

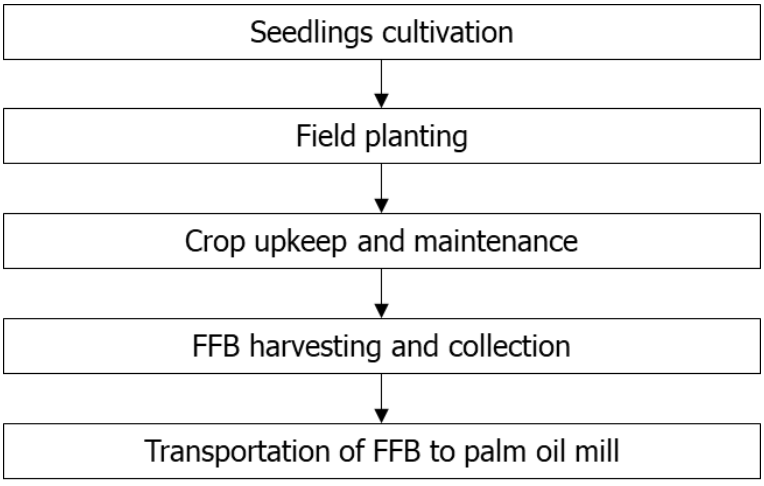
(1) Relates to trading of building materials business in Malaysia which was carried out by our Group. Subsequently, in FYE 2021, our Group had ceased the building materials trading business from 1 January 2021 for the preparation of our Listing.

7.4 BUSINESS PROCESS

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

7.4.1 Planting of oil palms and harvesting of FFB

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



7. BUSINESS OVERVIEW *(Cont'd)*

Seedlings cultivation

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

Field planting

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

Crop upkeep and maintenance

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

(a) Fertilise our oil palms regularly using inorganic fertilisers such as urea, rock phosphate and potash to replenish the nutrients absorbed by our oil palms. We use organic fertilisers, which are by-products from our palm oil mill such as EFB and decanter cake. By re-using these by-products produced from our palm oil mill, we save on the cost of inorganic fertilisers, while maintaining environmental balance;

(b) Ensure that the area surrounding each oil palm is free from other vegetation and crops which may compete with the oil palms for soil nutrients, water and sunlight;

(c) Ensure that leguminous cover crop is established to discourage the growth of competing vegetation and crops; and

(d) Ensure that our oil palms are protected from pests and disease by using approved pesticides and through an organic way by planting beneficial plants such as Antigonon Leptopus, Cassia Cobanensis and Turnera Subulata.

FFB harvesting and collection

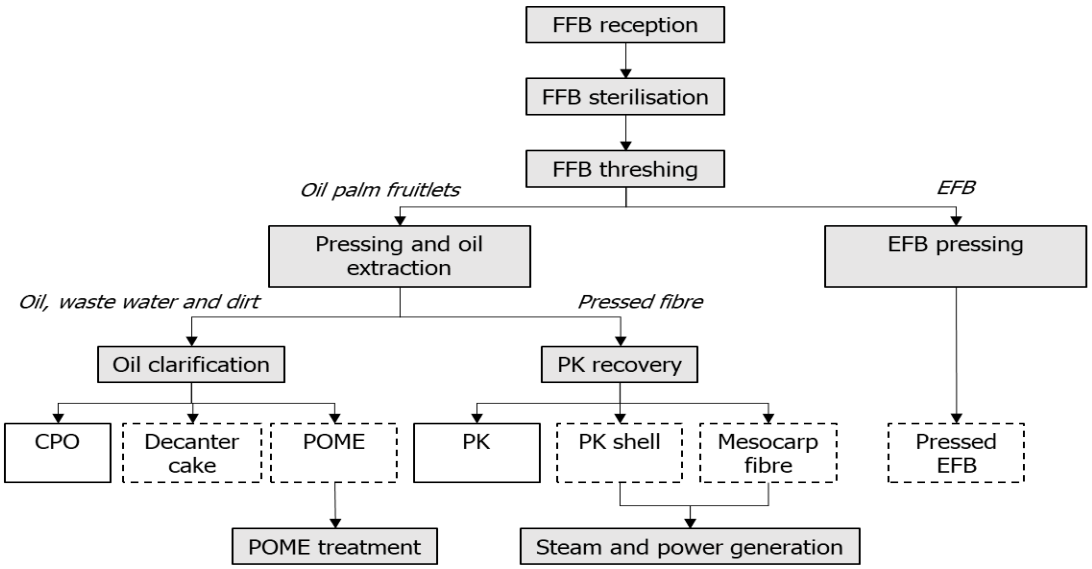
Oil palms generally begin to produce commercial harvests approximately 4 years after planting in the fields. We only harvest the FFB when they reach its peak ripeness to maximise the quality and quantity of palm oil extraction. We collect and transport the FFB harvested to the main pathways using a series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

Transportation of FFB to palm oil mill

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

7. BUSINESS OVERVIEW *(Cont'd)*

7.4.2 Production of CPO and extraction of PK



: Palm oil milling process

: Main products

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

FFB reception

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

FFB sterilisation

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

FFB threshing

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

7. BUSINESS OVERVIEW *(Cont'd)*

Pressing and oil extraction

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

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

Oil clarification

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

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

PK recovery

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

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

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

EFB pressing and oil recovery

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

Steam and electricity generation

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

POME treatment

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

7.5 OPERATING CAPACITIES AND OUTPUT

Our Group's FFB processing utilisation rate in our palm oil mill was 89.4%, 85.2% and 75.0%, respectively over FYE 2020 to 2022. The following sets out our annual FFB processing capacity, actual FFB processed and utilisation rates for FYE 2020 to 2022:

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

Notes:

(1) Our palm oil mill has a processing capacity of 90MT FFB per hour. Our annual FFB processing capacity is calculated based on 2 working shifts per day with 10 operating hours per shift, over 300 available processing days in a year.

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

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

7.6 SALES AND MARKETING STRATEGIES

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

(a) Direct approach and referrals

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

(b) Corporate website

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

7.7 TECHNOLOGY USED

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

Oil palm plantation

Technology	Description
Monitoring facilities	We use the following monitoring facilities in our plantation estates: (a) Close-circuit television (CCTV) installed at entrance and boundaries of our plantation estates, jetty, palm oil mill and security checkpoints for security purposes (b) Drones that can be remotely controlled by our estate workers to monitor the physical appearance of our oil palm trees (e.g. the colour and shape of leaves) to ensure that our oil palm trees are at a healthy state. Further, aerial scanning and monitoring using drones help us to determine any occurrence of fire at the surrounding areas of our estates, which enables our Group to undertake proactive actions to prevent the fire to be spread to our estates (c) A mobile application custom made by a third party company for our Group, namely RondaApp, which allows our estate workers to record the growth conditions of our oil palms and update the status of FFB collection and evacuation using their mobile devices. In addition, it allows our estate workers to report any issues faced such as damage to road conditions, unhealthy oil palms or pest attack at certain areas The information updated and reported by the estate workers will be transmitted and recorded in our database, as well as escalated to the relevant personnel to attend. RondaApp enables the plantation management team to monitor and take timely steps to mitigate or resolve matters such as to apply pesticides or to arrange for maintenance and repair work to roads The usage of the above monitoring facilities provides real time monitoring within the plantation which optimises the efficiency of managing our plantation estates by automating the management process and allowing us to have real time and consistent data for quick and timely decision making
Mechanical-assisted collection and evacuation of FFB	We use the following mechanical-enhanced equipment for the collection and evacuation of FFB from field to our palm oil mill:

7. BUSINESS OVERVIEW *(Cont'd)*

Technology	Description
	From field to collection points along the main pathways of our plantation estates (a) In addition to powered wheelbarrows which we use to transport harvested FFB from fields to the collection points at the main pathways of our plantation estates, we have modified our powered wheelbarrows by replacing the wheels with continuous tracks, which helps to distribute pressure more evenly over a larger surface area to reduce the incidence of compaction and rutted path especially after rainfalls Further, we use farm ATVs and UTVs for FFB collection on mineral soil as farm ATVs and UTVs can be maneuvred faster as compared to crawler dumpers. Crawler dumpers are capable in transporting FFB on both mineral soil (harder soil) and peat soil (softer soil). Using crawler dumpers to transport FFB on peat soil enables us to reduce the incidences of compaction and rutted path on field which peat soil are prone to especially after rainfall The collection of FFB using powered wheelbarrows and crawler dumpers is carried out by a team comprising several harvesters, while the collection of FFB using farm ATVs and UTVs are carried out by individual harvesters (b) We have integrated hydraulic lifting arms into our powered wheelbarrows as well as farm ATVs and UTVs, to transfer FFB to the collection bins at the collection points, with minimal labour required as we eliminated the manual transfer process At collection points (a) Empty collection bins are placed at several designated collection points along the main pathways of our plantation estates whereby FFB collected from fields are transferred to the collection bins (b) Once the collection bins are fully loaded with FFB, we will transport the fully-loaded collection bins to our palm oil mill with trucks. This has increased the efficiency and maximised the utilisation of our trucks as it has eliminated the waiting time required for the collection bins to be fully loaded From collection points to palm oil mill (a) At the collection points, the trucks will hook on the fully-loaded collection bins, and thereafter deliver them to our palm oil mill for processing (b) Our trucks can lift and tilt the collection bins for ease of unloading of FFB at our palm oil mill By adopting the above mechanisation for FFB collection and evacuation, we have improved our labour productivity in terms of FFB harvested per manday

7. BUSINESS OVERVIEW *(Cont'd)*

Technology	Description
Biological protection of oil palm crop	We adopt the following pest management practices that emphasise on using natural/biological methods to resolve pest problems: (a) Reducing the application of agrochemicals through the use of natural alternatives such as planting of beneficial plant including *Antigonon Leptopus*, *Cassia Cobanensis* and *Turnera Subulata* along the main pathway of our plantation estates to combat pests (b) Rearing barn owls for pest control in our plantation estates The above pest control practices are more sustainable and in line with ISPO requirements as it is less damaging to the environment
Integrated drainage system	Our plantation estates are equipped with an integrated drainage system which comprises a network of canals and drains as well as water control equipment such as pumps, stoppers and water gates. Our drainage system spans across the entire plantation estates for water management as detailed below: (a) Pumps, stoppers and water gates installed at canals and drains play the role in controlling the water table of our estates to maintain the optimised moisture level of our soil (b) During the wet seasons, the system assists in discharging excessive rainwater to a lake nearby through canals and drains, thus minimising the risks of flood. The lake is connected to a river nearby through natural streams (c) During the dry seasons, the system assists in using the rainwater stored to maintain the moisture level of the soil our oil palms (d) In addition to our integrated drainage system, we have weather stations installed at several locations of our plantation estates to monitor and record rainfall

Palm oil mill

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

Technology and mechanisation	Description
Indexer system	Indexer system is a system used in palm oil milling under the sterilisation process to handle cages filled with FFB in the sterilisation bay. The system comprises a hydraulic cylinder which provides a consistent pulling or pushing force to carry the filled cages towards the sterilisers for sterilisation process The indexer system assists in automating the sterilisation process to control the timing, steaming cycle and cage movement, thereby ensuring consistent sterilisation with minimal human intervention
Conveyor system	Conveyor system is used to connect multiple stations in our palm oil mill, including loading ramp, sterilisers, threshing machines,

Technology and mechanisation	Description
	digesters, pressing machines, oil clarification machines and cake breakers. The conveyor system is a rail track that continuously handles the FFB and other semi-processed products (e.g. oil palm fruitlets, EFB and pressed fibre) across multiple machines Our conveyor system is an automated system which can be operated with minimal amount of labour required, thereby improving the overall efficiency of our milling activities

7.8 INTERRUPTIONS TO BUSINESS AND OPERATIONS

Save for the temporary interruption to our business operations during the outbreak of the COVID-19 pandemic leading to several measures being undertaken by our Group to prevent the outbreak of the virus in our plantation estates, we had not experienced any other interruptions to our business which had a significant effect on our operations in FYE 2020 to 2022 and up to LPD.

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

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

7.8.1 Impact to our operations

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

Further, to prevent the occurrence of COVID-19 cases in our plantation estates, our Group has imposed strict control at the entry points of our plantation estates to prohibit unauthorised personnel from entering our plantation estates, whereby all the entrances to our plantation estates were closed since 30 March 2020 till date. During this period, non-employees and non-authorised personnel were not allowed to enter our plantation estates, and our employees were not allowed to leave our plantation estates without permission from management. Further, third party truck drivers who enter our plantation estates for delivery of supplies or collection of CPO and PK are not allowed to leave the trucks and mingle with our employees. With this measure in place, we have been able to prevent any occurrence of COVID-19 cases in our plantation estates up to LPD.

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

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

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

As at LPD, the infection control measures include amongst others:

(a) wearing of face masks in our premise;

(b) COVID-19 rapid test kit antigen (RTK-Ag) test for employees who left and enter our plantation estates; and

(c) prohibition of non-employees (e.g. third party truck drivers) from leaving their trucks and mingling with our employees while entering our plantation estates for delivery of supplies or collection of CPO and PK.

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

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

To comply with the SOPs imposed until LPD, our Group has incurred costs related to COVID-19 testing, disinfection, purchase of masks, hand sanitisers and self-test kits, amongst others, which amounted to approximately RM3.0 million. As at LPD, we are not in breach of any laws relating to COVID-19 restrictions which may lead to penalties by the relevant authorities.

7.9 SEASONALITY

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

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7. BUSINESS OVERVIEW *(Cont'd)*

7.10 MAJOR CUSTOMERS

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

FYE 2020

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

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2021

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

7. BUSINESS OVERVIEW *(Cont'd)*

FYE 2022

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

Notes:

(1) Represents the country(ies) in which the major customers operate.

(2) Length of business relationship with our major customers is calculated based on the commencement date of our first business transaction with these customers up to the end of each respective financial year.

(3) Comprises PT Sari Dumai Sejati and PT Kutai Refinery Nusantara, which are part of Apical Group Ltd. Apical Group Ltd is mainly involved in the processing, refining and trading of palm oil.

(4) Comprises PT Sinar Mas Agro Resources and Technology Tbk and PT Binasawit Abadipratama, which are part of Golden Agri-Resources Ltd. Golden Agri-Resources Ltd is mainly involved in oil palm plantation, palm oil milling, downstream refining of palm oil as well as production and distribution of palm and oilseed-based products comprising bulk and branded products, oleochemicals, sugar and other vegetable oils.

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

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

Amongst our major customers for FYE 2020 to 2022, Apical Group of Companies ranked first with revenue contribution of 38.7%, 72.1% and 83.5% respectively. For FYE 2021 and FYE 2022, sales to Apical Group of Companies were more than double from the sales in FYE 2020. This was due to an increase in sales secured through the first annual sale and purchase agreement entered into with Apical Group of Companies through PT Sari Dumai Sejati which was effective in February 2021. As at LPD, our Group has an annual sale and purchase agreement with agreement term of approximately 1 year with PT Kutai Refinery Nusantara (part of Apical Group of Companies) for sale of CPO and PK. The annual sale and purchase agreement stipulates monthly sale and purchase obligations between our Group and PT Kutai Refinery Nusantara, thereby providing certainty on our sales to PT Kutai Refinery Nusantara. For avoidance of doubt, our sale and purchase agreement with PT Sari Dumai Sejati entered in February 2021 was concluded without renewal, as it Apical Group of Companies has elected to use PT Kutai Refinery Nusantara for continued purchase of CPO and PK from us. In view of the high revenue contributions from Apical Group of Companies and certainty provided to our Group from the annual sale and purchase agreement with PT Kutai Refinery Nusantara, we are dependent on Apical Group of Companies for the sale of CPO and PK. In the event that Apical Group of Companies ceases to purchase from our Group and/or ceases to renew the annual sale and purchase agreement due to reasons beyond our control (e.g. change in business directions and/or change in procurement strategy or procedure), we may experience prolonged disruptions to our business and financial performance if we are unable to replace the loss of sales with alternative customers in a timely manner.

Apart from Apical Group of Companies which we have annual sale and purchase agreement with, our Group also has annual sale and purchase agreement with PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as at LPD, for sale of PK. Revenue contribution from Golden Agri-Resources Group of Companies was at 16.7%, 6.6% and 9.1% for FYE 2020 to 2022 respectively, which was not as substantial compared to Apical Group of Companies. Notwithstanding this, we are dependent on Golden Agri-Resources Group of Companies as our financial performance and results of our operations may still be adversely affected if the annual sale and purchase agreement with Golden Agri-Resources Group of Companies is not renewed and they cease to purchase from us, and if we are unable to replace the loss of sales with alternative customers in a timely manner.

7. BUSINESS OVERVIEW *(Cont'd)*

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

(i) We have established long-term business relationships with Apical Group of Companies (7 years as at LPD) and Golden Agri-Resources Group of Companies (9 years as at LPD). We believe that our long-term business relationships and our ability to continuously meet their requirements over the years have made us a trusted supplier to these major customers.

(ii) We are able to secure sales from other customers, including customers that are registered under our tender platform. As at LPD, we have a total of 14 companies registered under our tender platform, of which 7 of these companies are our major customers for FYE 2020 to 2022. Amongst the 14 companies registered under our tender platform, 10 companies are sizable companies that are involved in downstream refining located in Indonesia which require CPO to carry out refinery activities. As these companies are well-established with sizable operations, our management is of the view that our Group will be able to maintain our volume of sales to these customers. As for the remaining 7 companies registered under our tender platform who are not our major customers for FYE 2020 to 2022, our Group has only transacted with 4 of these companies since their registration in our tender platform. Amongst these 4 companies, our Group transacted with 2 companies in the FYE 2020 to 2022, and the aggregate sales to these companies were approximately RM9.73 million in FYE 2020, RM2.55 million in FYE 2021 and RM0.16 million in FYE 2022. As at the LPD, the length of business relationship with the 4 companies which we have transacted with ranged from 3 years to 9 years. Moving forward, as our production output increases following the expansion of our plantation estates as detailed in Section 7.15.1, our Group may expand the number of companies registered under our tender platform by approaching other downstream refineries in Indonesia. Nevertheless, we may be subject to increased price fluctuations if all sales are carried out through the e-bidding tendering process as the sales are exercised at auction prices from tenders which are generally subject to higher discounts requested by customers to compensate for freight costs, as opposed to the fixed quantum of discounts pre-agreed in the annual sale and purchase agreements. As such, our financial performance may face greater fluctuations with less certainty in the event of termination of the annual sale and purchase agreements.

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

(iv) As a commodity supplier, it is relatively easier for us to secure replacement customers as there is consistent demand for our products in the market as our products are rather homogenous and standardised worldwide with pricing capable of making reference to price quotes at commodity exchange. As such, our Group believes that any loss of our major customers, including Apical Group of Companies which contributed substantially to our Group's revenue in the FYE 2020 to 2022, is not expected to lead to major impact to our Group's ability in securing sales from other customers as we can sell our products to other established and sizable companies involved in downstream refining and PK crushing due to consistent demand for CPO and PK in the market as palm oil has a wide range of food and non-food applications. For example, palm oil is used in the production of cooking oil, margarine, bakery shortening and confectionery fats food applications; and the ingredients from oleochemical products derived from palm oil are used in the manufacturing of personal and hygiene care products such as soaps, cosmetics, sanitisers and detergents. Please refer to Section 8 (IMR Report) for further details of the applications and the demand for palm oil, which will sustain the demand for CPO and PK.

7. BUSINESS OVERVIEW *(Cont'd)*

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

There has been no dispute with any of our major customers for FYE 2020 to 2022.

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

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

Contracting parties	PT MKH as the Seller and PT Kutai Refinery Nusantara (part of Apical Group of Companies) as the Purchaser
Description	The sale and purchase of CPO between the Seller and Buyer
Product quantity	CPO (5,000MT per month)
Term	1 February 2023 to 31 January 2024 (the agreement may be extended based on mutual agreement of the parties at latest 1 month prior to the expiration of the term)
Price and payment	(i) Pricing determined based on the auction price published by PT Perkebunan Nusantara on spot trading day. (ii) Downpayment of 90.0% shall be paid prior to loading of products and settlement of remaining 10.0% shall be paid after the products are loaded.
Obligations of the Seller	(i) The product delivered by the Seller must comply with the standards and criteria, and must be in accordance with the product quantity pursuant to the terms of the agreement. (ii) The Seller's obligations, among others: (a) perform the obligations pursuant to the terms of the agreement; (b) always comply with the laws and regulations that apply from time to time, especially those in connection with the performance of the agreement; (c) bear all costs incurred for transportation and accommodation for the third party inspection team (if any); and

7. BUSINESS OVERVIEW *(Cont'd)*

(d) be responsible for all licences and/or certifications in the performance of the agreement and release and hold harmless the Buyer from any and all losses arising directly or indirectly from the failure of the Seller to complete all such permits and/or certifications;

(e) provide sufficient equipment and tools and vehicles in good and ready-to-use condition in performing the agreement.

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

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

Termination (i) The agreement terminates if (a) the term expires; (b) the Seller is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders; and (c) terminated due to Force Majeure Event.

(ii) The Buyer is entitled to unilaterally terminate the agreement, without claim in any form from the Seller and all damages resulting therefrom shall be fully borne by the Seller, including but not limited to the following events:

(a) the Seller does not perform its obligations under the agreement well based on the Buyer's assessment;

(b) the Seller assigns the agreement whether in part or in whole to another party without prior written approval from the Buyer;

(c) the Seller does not perform its obligations under the agreement, does not remedy a violation under the agreement, and/or does not complete performance of the agreement in accordance with the schedule determined by the Buyer upon written notification from the Buyer;

(d) the Seller does something in relation to the agreement without the knowledge or approval from the Buyer, or does something that may directly or indirectly detriment the Buyer;

(e) the Seller violates one or more provisions under the applicable laws, decree, or government regulations, whether related or unrelated to the field under the agreement which may prevent the Seller from performing the agreement or cause and/or result in the imposition of sanction by the government or other competent authorities on the Buyer, whether directly or indirectly, whether in the form of penalty, administrative sanction or other types of sanction

7. BUSINESS OVERVIEW *(Cont'd)*

(iii) The Buyer will firstly serve 2 written warnings to the Seller within a 3-business day interval prior to unilateral termination by the Buyer. If the agreement is unilaterally terminated by the Buyer due to the above reasons, the Seller must cease the implementation of the agreement and comply with the deadline set forth by the Buyer to dissolve and return its workforce and return materials, equipment and tools borrowed from the Seller (if any) and the price of the products that has not been accepted by the Seller will be deducted by the Buyer's losses (and if there is a shortfall, should be paid by the Seller).

(iv) In addition to termination provisions above, the Buyer is entitled to, without reason, unilaterally terminate the agreement, without claim in any form from the Seller. The termination shall be notified in writing to the Seller within 30 days prior to the effective date thereof.

(v) In the event of termination of the agreement, the Seller is required to return guarantee, downpayment and/or advance payment granted by the Buyer (if any), if the guarantee, downpayment and/or advance payment granted by the Buyer are higher than the price of the products for the quantity provided and/or delivered by the Seller to the Buyer.

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

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

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

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

Governing law Laws of the Republic of Indonesia

7. BUSINESS OVERVIEW *(Cont'd)*

(ii) Sale and purchase agreement with PT Kutai Refinery Nusantara for sale of PK

Contracting parties	PT MKH as the Seller and PT Kutai Refinery Nusantara (part of Apical Group of Companies) as the Purchaser
Description	The sale and purchase of PK between the Seller and Buyer
Product quantity	PK (600MT per month)
Term	1 June 2022 to 31 May 2023 (1 July 2023 to 31 December 2023 based on an addendum dated 24 May 2023)[(1)] (the agreement may be extended based on mutual agreement of the parties at latest 1 month prior to the expiration of the term)
Price and payment	(i) Pricing determined based on the auction price published by PT Astra Agro Lestari Tbk on spot trading day. (ii) Downpayment of 90.0% shall be paid after the sales contract is signed by the parties and settlement of remaining 10.0% shall be paid after the products are received by the Buyer.
Obligations of the Seller	(i) The product delivered by the Seller must comply with the standards and criteria, and must be in accordance with the product quantity pursuant to the terms of the agreement. (ii) The Seller's obligations, among others: (a) perform the obligations pursuant to the terms of the agreement; (b) assume and pay compensation for all actions of the Seller and/or its employees or appointed representatives, whether intentional or due to negligence, that cause damages to the Buyer; (c) be responsible for all licences and/or certifications in the performance of the agreement and release and hold harmless the Buyer from any and all losses arising directly or indirectly from the failure of the Seller to complete all such permits and/or certifications; (d) bear all costs incurred for transportation and accommodation for the third party inspection team (if any); and (e) provide sufficient equipment and tools and vehicles in good and ready-to-use condition in performing the agreement.
Assignment	(i) The Buyer is entitled to assign a part or all parts of the agreement to other parties without any approval and without any claim in any form from the Seller and/or other third parties, whether inside or outside the court; and (ii) The Seller agrees to not assign the agreement to any third parties without a written approval from the Buyer.

7. BUSINESS OVERVIEW *(Cont'd)*

Dispute settlement

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

Termination

(i) The agreement terminates if (a) the term expires; (b) the Seller is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders; and (c) terminated due to Force Majeure Event.

(ii) The Buyer is entitled to unilaterally terminate the agreement, without claim in any form from the Seller and all damages resulting therefrom shall be fully borne by the Seller, including but not limited to the following events:

(a) the Seller does not perform its obligations under the agreement well based on the Buyer's assessment;

(b) the Seller assigns the agreement whether in part or in whole to another party without prior written approval from the Buyer;

(c) the Seller does not perform its obligations under the agreement, does not remedy a violation under the agreement, and/or does not complete performance of the agreement in accordance with the schedule determined by the Buyer upon written notification from the Buyer;

(d) the Seller does something in relation to the agreement without the knowledge or approval from the Buyer, or does something that may directly or indirectly detriment the Buyer;

(e) the Seller violates one or more provisions under the applicable laws, decree, or government regulations, whether related or unrelated to the field under the agreement which may prevent the Seller from performing the agreement or cause and/or result in the imposition of sanction by the government or other competent authorities on the Buyer, whether directly or indirectly, whether in the form of penalty, administrative sanction or other types of sanction

(iii) The Buyer will firstly serve 2 written warnings to the Seller within a 3-business day interval prior to unilateral termination by the Buyer. If the agreement is unilaterally terminated by the Buyer due to the above reasons, the Seller must cease the implementation of the agreement and comply with the deadline set forth by the Buyer to dissolve and return its workforce and return materials, equipment and tools borrowed from the Seller (if any) and the price of the products that has not been accepted by the Seller will be deducted by the Buyer's losses (and if there is a shortfall, should be paid by the Seller).

(iv) In addition to termination provisions above, the Buyer is entitled to, without reason, unilaterally terminate the agreement, without claim in any form from the Seller. The termination shall be notified in writing to the Seller within 30 days prior to the effective date thereof.

7. BUSINESS OVERVIEW *(Cont'd)*

(v) In the event of termination of the agreement, the Seller is required to return guarantee, downpayment and/or advance payment granted by the Buyer (if any), if the guarantee, downpayment and/or advance payment granted by the Buyer are higher than the price of the products for the quantity provided and/or delivered by the Seller to the Buyer.

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

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

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

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

Governing law Laws of the Republic of Indonesia

Note:

(1) In view that our Group intends to set up a PK crushing facility to facilitate the expansion of our processing capabilities and product offerings to produce CPKO and PKE as detailed in Sections 4.9.1(c) and 7.15.3, we had on 24 May 2023 signed an addendum with PT Kutai Refinery Nusantara pertaining to the term of the sale and purchase agreement for the sale of PK from yearly renewal to a period from 1 July 2023 to 31 December 2023. If our Group intends to continue with the said agreement after the expiration, we will further extend the term of the said agreement subject to mutual agreement of both parties.

7. BUSINESS OVERVIEW *(Cont'd)*

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

Contracting parties	PT MKH as the Seller and PT Binasawit Abadipratama (part of Golden Agri-Resources Group of Companies) as the Purchaser
Description	The sale and purchase of PK between the Seller and Buyer
Product quantity	PK (600MT per month)
Term	1 June 2022 to 31 May 2023 (renewal for period from 1 June 2023 to 31 December 2023)[(1)] (the agreement may be extended upon request of the Purchaser by notifying the Seller in writing at latest 30 calendar days prior to the expiration of the term and the Seller must respond to such request within 10 business days upon receipt of such written notice)
Price and payment	(i) Pricing determined based on the average of PT Astra Agro Lestari Tbk's PK daily price in the preceding month. (ii) Downpayment of 90.0% shall be paid within 4 business days after the invoice issued by the Seller and settlement of remaining 10.0% shall be paid within 5 business days after the products are received by the Buyer and the invoice is issued by the Seller.
Obligations of the Seller	The Seller must warrant to the Purchaser that the quality of PK during delivery to the Purchaser conforms to the specifications under the agreement.
Assignment	The agreement, in whole or in part, may not be assigned by either party to any third party without obtaining prior written approval from the other party.
Dispute settlement	In the event of dispute whether in relation to the performance of the agreement or interpretation of its provisions, the parties agree to settle the dispute through amicable discussion within 45 calendar days as of the date of notice of dispute from one party to the other party. Failure to settle the dispute through amicable discussion, the parties agree to settle the dispute through legal means and the parties choose general and permanent legal domicile at the Registrar Office of Central Jakarta District Court, Indonesia.
Termination	(i) The agreement terminates if (a) the term expires; (b) terminated before the expiration of term based on mutual agreement of the parties; and (c) terminated due to Force Majeure Event. (ii) The Purchaser is entitled to terminate the agreement by way of written notice to the Seller if the Seller does not perform its obligations under the agreement.

7. BUSINESS OVERVIEW *(Cont'd)*

(iii) Each party is entitled to unilaterally terminate the agreement without claim in any form from the other party if solely based on consideration of either party against the other party, such party has carried out the following actions:

(a) either party has received warning letters for 2 consecutive times within an interval of 14 calendar days from the other party, and the party does not its obligations under the agreement, does not remedy a violation under the agreement; and

(b) either party is declared bankrupt by court or has commenced bankruptcy process at the court or declared liquidated by the shareholders, or change of ownership(2)

(iv) The cancellation, termination and/or expiration of the agreement does not eliminate all outstanding and or pending obligations of the parties, and or sanctions that must be complied with/carried out by the respective parties in accordance with the agreement.

Covenants

(i) The parties agree that each party is obliged and hereby covenants and binds themselves to maintain public order and work safety at the work location and in the community around the work location and or community environment directly or indirectly related to the work and work location as stipulated in the agreement in accordance with the applicable laws and regulations.

(ii) The Purchaser covenants and binds itself to maintain harmonious working relations with employees/workers who work for the Seller who carry out and perform the work of the Purchaser based on the agreement or with other third parties, including but not limited to parties related to the Purchaser and the competent authorities.

(iii) The Seller covenants and binds itself to release the Purchaser from all claims, lawsuits, and payments of any kind relating to disputes that arise between the Seller and the employees/workers who work for the Purchaser, who carry out and perform the work of the Seller based on the agreement or with any third party, including but not limited to parties related to the Purchaser and competent authorities, and will fulfil all provisions stipulated under the laws and regulations in the field of manpower.

Force majeure

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

Governing law	Laws of the Republic of Indonesia

Notes:

(1) In view that our Group intends to set up a PK crushing facility to facilitate the expansion of our processing capabilities and product offerings to produce CPKO and PKE as detailed in Sections 4.9.1(c) and 7.15.3, we are in the midst of discussing with PT Binasawit Abadipratama to renew the term of the sale and purchase agreement for a period from 1 June 2023 to 31 December 2023 instead of yearly renewal. The sale and purchase of PK continues to-date with terms unchanged, in accordance with the expired agreement.

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

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7. BUSINESS OVERVIEW *(Cont'd)*

7.11 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

For our plantation business, our Group's purchases mainly comprise fertilisers, spare parts, diesel and petrol as well as FFB which collectively accounted for 58.4%, 71.2% and 96.0% of our Group's total purchases in FYE 2020 to 2022.

Save for spare parts which we source from local and overseas suppliers, the supplies that we purchase are generally readily available and can be sourced from local suppliers in Indonesia. In FYE 2020 to 2022, we did not face any difficulties in sourcing our supplies from local and overseas suppliers.

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

(a) The prices of some fertilisers such as urea, potash and borate purchased from suppliers, are in line with crude oil prices as the key raw material to manufacture these fertilisers is a by-product of crude oil;

(b) The prices of FFB purchased from local cooperatives under our Plasma Programme, are based on prices determined by the Indonesian Government which fluctuate in line with the prevailing CPO prices;

(c) The prices of CPO purchased from neighbouring third party palm oil mills, fluctuate according to their supply and demand conditions;

(d) The prices of diesel and petrol purchased from suppliers, move in accordance to the prevailing global crude oil prices; and

(e) The prices of chemicals such as herbicides purchased from suppliers, are based on their supply and demand conditions.

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

The breakdown of the purchase of supplies by our Group for FYE 2020 to 2022 is as follows:

		Audited					
		FYE 2020		FYE 2021		FYE 2022	
Supplies	**Source [1]**	**RM'000**	**% of total purchases**	**RM'000**	**% of total purchases**	**RM'000**	**% of total purchases**
Plantation business							
Fertiliser	Local	20,282	23.1	20,296	26.2	23,080	27.1
Spare parts[2]	Local and overseas	14,898	16.9	13,766	17.7	22,720	26.6
Diesel and petrol	Local	7,219	8.2	9,371	12.1	18,181	21.3
FFB[3]	Local	8,976	10.2	11,819	15.2	17,947	21.0
Chemical[4]	Local	1,660	1.9	1,397	1.8	1,529	1.8
Lubricant	Local	314	0.4	1,007	1.3	1,192	1.4
Tyre	Local	292	0.3	523	0.7	656	0.8
CPO[5]	Local	3,070	3.5	7,501	9.7	-	-
PK[6]	Local	478	0.5	468	0.6	-	-
Trading business							
Building materials[7]	Overseas	30,741	35.0	11,376	14.7	-	-
Total purchases		**87,931**	**100.0**	**77,524**	**100.0**	**85,305**	**100.0**

Notes:

(1) Local refers to purchases from Indonesian suppliers, while overseas refer to purchases from non-Indonesian suppliers.

(2) Includes spare parts such as hardware, tools and equipment purchased to replace parts for our machinery and equipment.

7. BUSINESS OVERVIEW *(Cont'd)*

(3) Refers to FFB purchased from local cooperatives under our Plasma Programme.

(4) Refers to herbicides, pesticides and rat baits which are used to protect our oil palms from pests and diseases.

(5) Refers to CPO with FFA content of above or close to 5.00% purchased from neighbouring third party palm oil mills.

(6) Refers to PK purchased from neighbouring third party palm oil mills for reselling to our customers.

(7) Refers to building materials purchased for the trading business carried out by our Group until 31 December 2020. Our Group had ceased the purchase of building materials since 1 January 2021 onwards following the cessation of trading business by our Group for the preparation of our Listing.

For spare parts which we sourced from local suppliers in Indonesia and overseas suppliers, as well as for building materials which we solely sourced from overseas suppliers, the breakdown of these purchases by country for FYE 2020 to 2022 is as follows:

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

7.12 MAJOR SUPPLIERS

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

FYE 2020

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

FYE 2021

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

FYE 2022

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

7. BUSINESS OVERVIEW *(Cont'd)*

Notes:

(1) Represents the country in which the major suppliers operate.

(2) Calculated as the value of purchases divided by total purchases for the respective financial years.

(3) Length of business relationship with our major suppliers is calculated based on the commencement date of our first business transaction with these suppliers up to the end of each respective financial year.

In FYE 2020 to 2022, our Group has a supplier base of 301 suppliers, 257 suppliers and 230 suppliers respectively, for our plantation business. In FYE 2020 to 2022, purchases from our top 5 major suppliers accounted for 52.6%, 63.9% and 62.9% of our total purchases, respectively. During the same period, products purchased from our top 5 major suppliers for our plantation business were fertiliser, diesel, CPO and FFB.

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

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

There has been no dispute with any of our major suppliers for FYE 2020 to 2022.

7.13 R&D

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

(a) Enhancement of mechanisation process

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

7.14 COMPETITIVE STRENGTHS

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

Oil palms reach their prime maturity and experience peak production period from around 10 to 20 years. Prime mature oil palms can generally produce over 25MT of FFB per Ha per year. As at LPD, our prime mature oil palms which are aged between 10 and 16 years, made up approximately 92.7% of our total planted area, whereby 4.3% aged between 10 and 12 years and 88.4% aged between 13 and 16 years. The remaining 7.3% of our oil palms are young mature oil palms between the ages of 4 and 9 years, and will begin to reach peak maturity starting from 2024 onwards. As at LPD, none of our oil palms are categorised as old oil palms (aged between 21 and 25 years) or due for replanting (aged above 25 years). Please refer to Section 7.2.1 for further details on the age profile of our oil palm.

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

As a result of the ideal age profile of our oil palms whereby majority of them are in the early or mid-years of prime mature stage, as well as the topographical profile of our plantation estates, we achieved average FFB yields of 29.3MT per Ha, 26.7MT per Ha and 23.2MT per Ha for FYE 2020 to 2022, respectively. In comparison, according to the latest available information published by the Plantation Office of East Kalimantan, the average FFB yield in East Kalimantan was 17.4MT per Ha in 2020. Our Group's FFB yield is relatively high in comparison to the average FFB yield in East Kalimantan.

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

Our key senior management team is headed by our Executive Director, Dato' Lee Khee Meng, who has substantial knowledge and exposure in the oil palm plantation business and has successfully led our Group in business expansions over the years.

Dato' Lee Khee Meng is supported by the following key senior management:

Name	Designation	Years of relevant working experience
Chen Wei Chyong	Executive Director	21
Tang Hee Teik	General Manager of Industrial and Agricultural Development	25
Tan Soo Hoon	Group Financial Controller	22
Keng Ching Tong	Group Company Secretary	19
Lee Kong Seng	Project Manager	26

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

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

The potential for our future revenue growth is promising in line with the increasing demand for edible oils and fats globally. According to the IMR Report, from 2020 to 2022, the total global consumption of major edible oils increased from 239.27 million MT to 243.07 million MT at a CAGR of 0.79%. Palm oil is the highest consumed edible oils, outstripping the consumption of other major edible oils and fats. In 2022, palm oil accounted for 30.98% of total global consumption of major edible oils and fats. On the other hand, palm kernel oil was the eighth most consumed edible oil globally, accounting for 3.24% of total global edible oils and fats consumption in 2022. Global demand for major edible oils is expected to grow in line with the growing demand for food as a result of increasing world population.

Global demand for palm oil as the most consumed edible oil and fat benefits the oil palm industry in Indonesia. According to the IMR Report, Indonesia is the world's largest consumer market for CPO; and in 2022, CPO consumption in Indonesia amounted to 19.47 million MT, accounting for 25.85% of global CPO consumption of 75.31 million MT. From 2020 to 2022, consumption of CPO in Indonesia increased from 16.71 million MT to 19.47 million MT at a CAGR of 7.94%.

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

7. BUSINESS OVERVIEW *(Cont'd)*

7.15 BUSINESS STRATEGIES AND PROSPECTS

7.15.1 We plan to expand our oil palm plantation business through the expansion of plantation estates

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

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

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

Notes:

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

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

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

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

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

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

Setup of the PK crushing facility	**Estimated total cost**
	RM'000
Construction of the PK crushing facility	[●]
Purchase and installation of machinery and equipment	[●]
Purchase and installation of 2 CPKO storage tanks with a total capacity of 2,500MT	[●]
	[●]

The total setup cost is estimated to be approximately RM[●] million, of which RM[●] million will be funded from the proceeds to be raised from our Public Issue, with RM[●] million allocated for the construction of the PK crushing facility and RM[●] million allocated for the purchase and installation of machinery and equipment and CPKO storage tanks. The remaining RM[●] million will be funded through bank borrowings and/or internally generated funds. The setup of the PK crushing facility requires the Building Approval *(Persetujuan Bangunan Gedung)*, a permit granted by the local authority or central government to building owners to build, change, expand, reduce, and/or maintain buildings in accordance with applicable building technical standards. The application for Building Approval, which was submitted via Building Management Information System on 26 May 2023, has been verified by the said system on 29 May 2023. Our Group has subsequently in early June 2023 had a consultation with the officer of Ministry of Public Works and Housing *(Kementerian Pekerjaan Umum dan Perumahan Rakyat)* and we expect to obtain the Building Approval from local authority by 2nd quarter of 2023. In addition, upon completion of the setup of the PK crushing facility in 1st quarter of 2024, we are required to obtain the Feasibility Certificate *(Sertifikat Laik Fungsi)*, a certificate for buildings that have been completed and have met the technical

7. BUSINESS OVERVIEW *(Cont'd)*

feasibility requirements according to the building function. We expect to obtain the Feasibility Certificate by 1st quarter of 2024 and commence the operations of the PK crushing facility by 2nd quarter of 2024. Please refer to Section 4.9.1(c) for further details on the utilisation of proceeds from our Public Issue.

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

Tentative timing	Key events
2nd quarter of 2023	• To obtain the Building Approval *(Persetujuan Bangunan Gedung)* from local authority
	• To commence construction of the PK crushing facility
1st quarter of 2024	• To complete construction of the PK crushing facility
	• To commence installation of machinery and equipment and CPKO storage tanks
	• To obtain the Feasibility Certificate *(Sertifikat Laik Fungsi)*
2nd quarter of 2024	• To complete installation of machinery and equipment and CPKO storage tanks
	• To commence operations of the PK crushing facility

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

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

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

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

As at LPD, our existing staff quarters comprise 399 blocks (2,727 units) of wooden houses and are fully occupied. We plan to progressively construct 59 blocks (289 units) of new houses using a combination of bricks, concrete and wood which are safer and less exposed to hazards.

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

7. BUSINESS OVERVIEW *(Cont'd)*

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

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

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

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

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

With our expanded electricity supply system in place, we expect to reduce the diesel fuel cost used by the generators in other regions of our plantation estates of approximately RM3.8 million, RM4.6 million and RM8.6 million in FYE 2020 to 2022, which represented 2.1%, 2.8% and 4.6% of our total cost of sales, respectively. This will promote self-sustainability and enhance our reputation as we place emphasis on environmental governance and responsibility.

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