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## **7. BUSINESS OVERVIEW**

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### **7.1 BUSINESS HISTORY AND MILESTONES**

Our Company was incorporated in Malaysia under the Act on 14 April 2025 as a private limited company under the name of Custom Food Holding Sdn Bhd and was subsequently converted to a public limited company on 28 July 2025, and assumed our present name of Custom Food Holding Berhad.

We are principally a manufacturer of specialty food ingredients and food products focusing on non-dairy creamers, functional lipid powders, as well as malt and cereal products, which are used in a wide range of food and beverage applications. We are also involved in the supply of other food ingredients and food products that we do not manufacture and that are sourced from third party suppliers.

We principally operate in Malaysia with manufacturing facilities in Kulim, Kedah, and Perai, Penang. We also have sales offices in Selangor, Malaysia and Wageningen, the Netherlands.

The history of our Group can be traced back to 1999 when Dato' Saw (our Promoter and Managing Director) together with his father, Saw Ee Chee, each acquired 50.00% equity interest in CFI (then known as West Advance Sdn Bhd, an inactive company) from two unrelated individuals.

In 2000, we acquired a factory in Butterworth, Penang to set up our first spray dryer facility to produce non-dairy creamers. In 2001, CFI entered into a joint-venture agreement with OCSB and Food Empire, a company listed on the Singapore Stock Exchange. Pursuant to the joint-venture agreement, Food Empire emerged as a shareholder of CFI with 35.00% equity interest. The remaining 65.00% equity interest was held by OCSB (61.88%), Dato' Saw (1.56%) and Saw Ee Chee (1.56%). During the same year, we began selling our non-dairy creamers to customers in Malaysia and Singapore.

In 2004, we disposed of all of CFI's property and business assets to Kerry Ingredients (M) Sdn Bhd and ceased our operations. Subsequently, in 2007, Food Empire divested its entire 35.00% stake in CFI to OCSB.

In 2007, we recommenced our operations and ventured into the trading of malt products before resuming our operations as a manufacturer of non-dairy creamers in 2012. In 2022, SGSB acquired a 20.00% equity interest in CFI from OCSB, Dato' Saw, and Saw Ee Chee and in the same year, we acquired the malt and cereal products manufacturing business from Family Cereal, a wholly-owned indirect subsidiary of OCSB.

Following the Acquisition, CFI became a wholly-owned subsidiary of our Company. Please refer to Section 6.1.2 of this Prospectus for details on the Pre-IPO Reorganisation, which includes the Acquisition.

## 7. BUSINESS OVERVIEW

### 7.1.1 Key events and milestones

The key events and milestones of our business operations are as follows:

Year	Key events and milestones
1999	<ul style="list-style-type: none"> <li>Dato' Saw and his father, Saw Ee Chee, each acquired 50.00% equity interest in CFI.</li> </ul>
2000	<ul style="list-style-type: none"> <li>We acquired a factory at Mak Mandin Industrial Estate in Butterworth, Penang. We commenced renovations of the factory in Mak Mandin and set up our first spray dryer facility to produce non-dairy creamers.</li> </ul>
2001	<ul style="list-style-type: none"> <li>CFI entered into a joint-venture agreement with OCSB and Food Empire. Pursuant to the joint-venture agreement, Food Empire emerged as a shareholder of CFI with 35.00% equity interest. The remaining 65.00% equity interest was held by OCSB (61.88%), Dato' Saw (1.56%) and Saw Ee Chee (1.56%).</li> <li>We began selling our non-dairy creamers to customers in Malaysia and Singapore.</li> </ul>
2004	<ul style="list-style-type: none"> <li>We disposed of all of CFI's property and business assets to Kerry Ingredients (M) Sdn Bhd (a manufacturer of specialty food ingredients and a subsidiary of Kerry Group plc, a food and beverage company based in Ireland) and ceased our operations.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Food Empire divested its 35.00% stake in CFI to OCSB, our Promoter and substantial shareholder.</li> <li>We recommenced our operations and ventured into the trading of malt products such as malt extract powder and malted beverage powder.</li> </ul>
2009	<ul style="list-style-type: none"> <li>We acquired a factory in Kulim, Kedah, where our Kulim Factory is located.</li> </ul>
2012	<ul style="list-style-type: none"> <li>We completed the construction of our Spray Dryer Plant 1 and recommenced our manufacturing and sales of non-dairy creamers.</li> </ul>
2015	<ul style="list-style-type: none"> <li>We developed and commercialised a new product, namely fat powder.</li> </ul>
2019	<ul style="list-style-type: none"> <li>We completed the construction of our Spray Dryer Plant 2 and commenced the production of non-dairy creamers and fat powders in our Spray Dryer Plant 2.</li> </ul>
2021	<ul style="list-style-type: none"> <li>We set up an innovation centre for developing customised solutions and tailor-made specialty food ingredients and food products to meet the evolving customer needs and market trends.</li> </ul>
2022	<ul style="list-style-type: none"> <li>SGSB acquired a 20.00% equity interest in CFI from OCSB, Dato' Saw, and Saw Ee Chee.</li> <li>We acquired the malt and cereal products manufacturing business from Family Cereal, a wholly-owned indirect subsidiary of OCSB.</li> </ul> <p>Family Cereal operated at the SJ Factory and owned a vacuum belt dryer for the production of malt products, and a drum dryer for the production of cereal products.</p>

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Year	Key events and milestones
2022	<ul style="list-style-type: none"> <li>CFI acquired CFI BV to focus on the sales and marketing of specialty food ingredients and food products to customers in Europe.</li> </ul>
2023	<ul style="list-style-type: none"> <li>We successfully developed and commercialised a vegan-friendly nutritional lipid powder, namely CUSTOM – Vegan NutriHIFAT.</li> </ul>
2024	<ul style="list-style-type: none"> <li>We completed the construction of our Spray Dryer Plant 3 and commenced the production of functional lipid powders in our Spray Dryer Plant 3.</li> <li>We successfully developed and commercialised lecithin powder with enhanced emulsifying properties that readily disperse in water.</li> <li>We successfully developed and commercialised clouding agent powder, which is used to create a cloudy or opaque appearance in beverages, particularly fruit juices.</li> </ul>
2025	<ul style="list-style-type: none"> <li>We completed the construction of our Spray Dryer Plant 4 for the production of non-dairy creamers and nutritional lipid powders. As at the LPD, Spray Dryer Plant 4 is undergoing commissioning and is expected to commence operations in the fourth quarter of 2025.</li> </ul>

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### 7.2 AWARDS, RECOGNITIONS AND MEMBERSHIPS

As at the LPD, we have been accredited with the following certifications:

Location of operational facilities	Certifications	Issuing party	Validity period
Kulim, Kedah	Food Safety System Certification FSSC 22000	Intertek Certification Limited	10 March 2025 to 20 March 2028
	HACCP Certificate	MOH	8 March 2023 to 7 March 2026
	GMP Certificate	MOH	8 March 2023 to 7 March 2026
	MeSTI Certificate	MOH	8 March 2023 to 7 March 2026
	Roundtable on Sustainable Palm Oil ("RSPO") Supply Chain Certification Standard 2020	Intertek Certification Limited	22 June 2022 to 21 June 2027
	Malaysian Phytosanitary Assurance Scheme	Department of Agriculture Malaysia	15 December 2023 to 31 December 2025
	Veterinary Health Mark Certificate	Department of Veterinary Services Malaysia	14 November 2023 to 31 December 2025
Perai, Penang	Quality Management System ISO 9001:2015	Intertek Certification Limited	17 March 2024 to 29 April 2027
	HACCP Certificate	MOH	13 December 2022 to 12 December 2025
	GMP Certificate	MOH	13 December 2022 to 12 December 2025
	MeSTI Certificate	MOH	13 December 2022 to 12 December 2025

In addition to the above, as at the LPD, we also have the following certifications:

- (i) HALAL certifications from JAKIM for 105 of our non-dairy creamers, functional lipid powders, malt and cereal products, as well as packaged oats, instant coffee and instant tea products. These HALAL certifications are valid through dates ranging from October 2025 to April 2028; and
- (ii) Kosher certifications from Kosher London Beth Din for 43 of our non-dairy creamers and functional lipid powders. These Kosher certifications are valid until March 2026.

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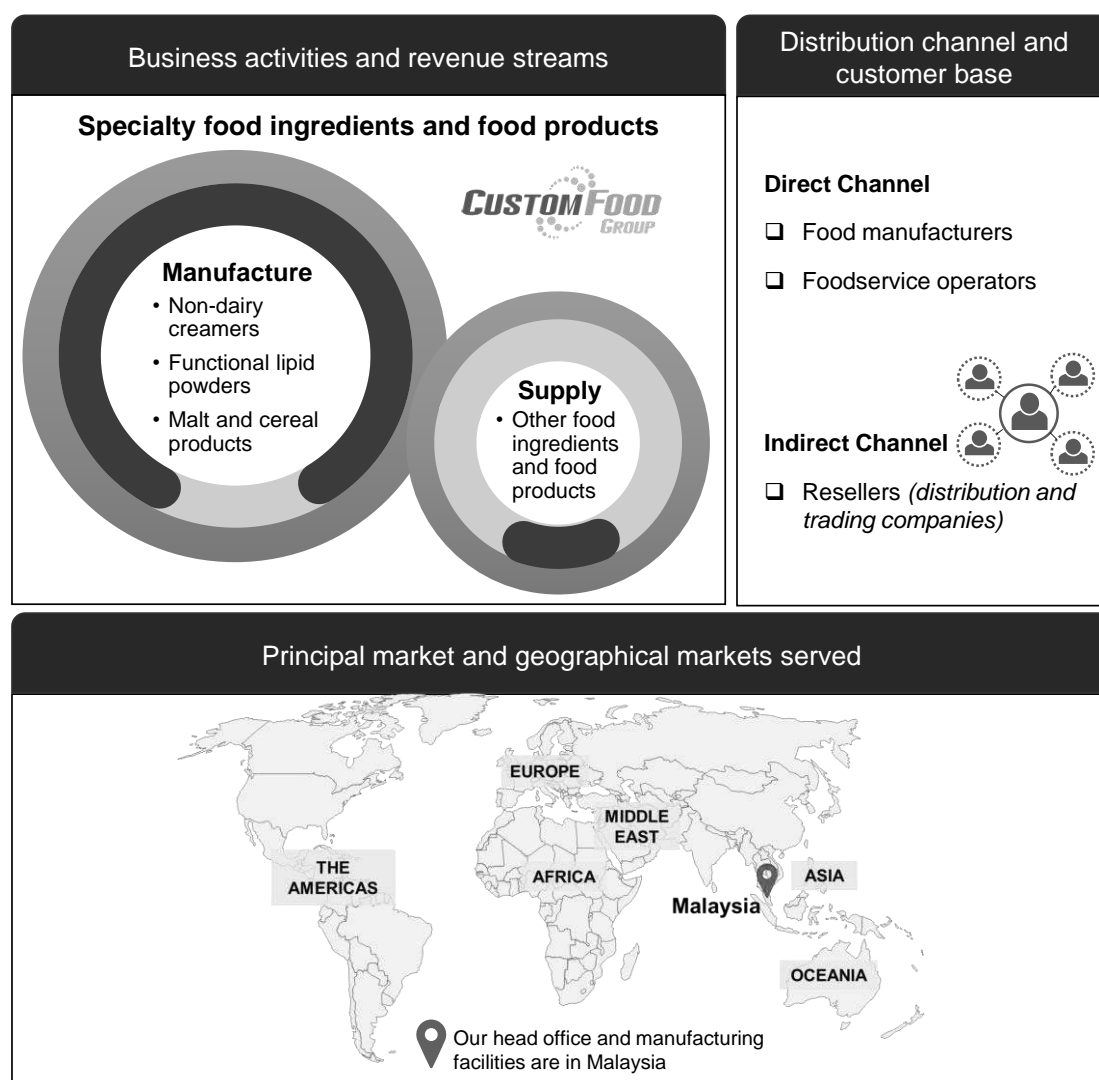
As at the LPD, we are members of the following organisations / associations:

Subsidiary	Organisations / Associations	Member since
CFI	RSPO	November 2016
	Global Organisation for EPA and DHA Omega-3s	July 2023
CFI BV	RSPO	January 2019

### 7.3 OVERVIEW OF OUR BUSINESS

#### 7.3.1 Our business model

Our business model is depicted in the following diagram:

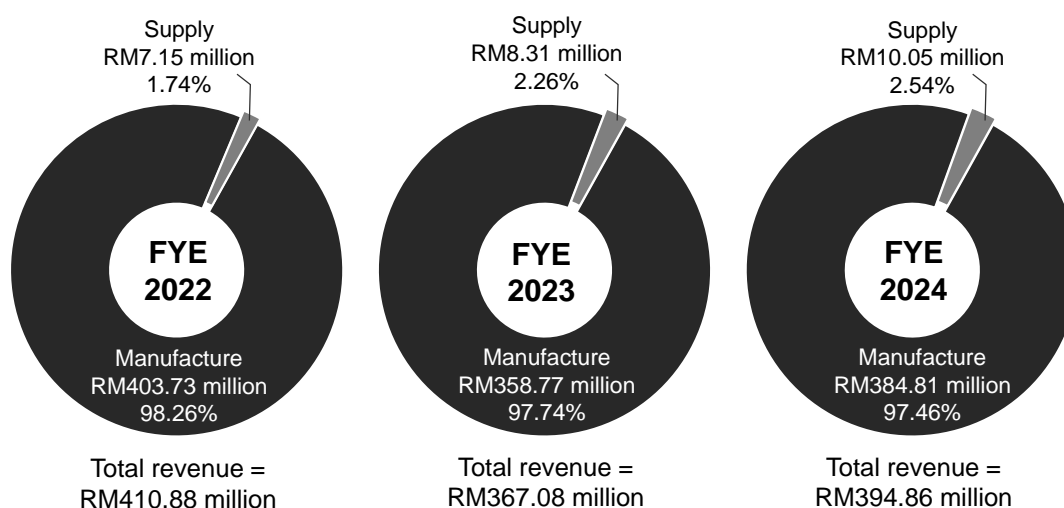


## 7. BUSINESS OVERVIEW

### 7.3.2 Business activities and revenue streams

We are principally a manufacturer of specialty food ingredients and food products focusing on non-dairy creamers, functional lipid powders, as well as malt and cereal products. These ingredients and products are used in a wide range of food and beverage applications. We also supply other food ingredients and food products that we purchase from third party suppliers.

#### Revenue segmentation by business activities



Our Group's business activities are as follows:

#### (i) Manufacture of specialty food ingredients and food products

Specialty food ingredients are refined or specially processed components used in food and beverage production to provide specific functional, nutritional, sensory, or technological benefits. They enable food manufacturers and foodservice operators to enhance food quality or modify its taste, performance or health attributes. Unlike commodity food ingredients, specialty food ingredients are typically used in smaller quantities due to their targeted and concentrated functionalities.

We manufacture specialty food ingredients and food products such as non-dairy creamers, functional lipid powders, as well as malt and cereal products. We collaborate with our customers to innovate and meet their specific requirements for a variety of applications, including bakery, beverage, confectionery, dairy and dairy alternatives, savoury and processed foods, as well as nutraceutical and health foods.

We have two manufacturing facilities as follows:

- (1) a manufacturing facility in Kulim, Kedah, which is equipped with three spray drying plants with a total annual capacity to produce 52,200 tonnes of non-dairy creamers and functional lipid powders, as at the LPD. In addition, once the Spray Dryer Plant 4 has commenced operations, the total annual production capacity of non-dairy creamers and functional lipid powders is expected to increase to 87,200 tonnes; and
- (2) a manufacturing facility in Perai, Penang, which is equipped with one vacuum belt dryer with a total annual capacity to produce 3,600 tonnes of malt products, and two drum dryers with a total annual capacity to produce 3,600 tonnes of cereal products, as at the LPD.

## 7. BUSINESS OVERVIEW

Our manufactured specialty food ingredients and food products are mainly formulated by our in-house R&D team at our innovation centre. As at the LPD, we have a team of 13 personnel who are directly involved in R&D activities at our innovation centre. Our innovation centre is equipped with two pilot-scale plants, and four application labs including a bakery lab, a flavouring lab, a food service lab, and a savoury lab. We conduct continuing R&D to improve product performance and provide customised solutions to our customers.

### (ii) Supply of other food ingredients and food products

We supply a range of food ingredients and food products to our customers which we do not manufacture and that are sourced from third party suppliers. This enables us to provide convenience to our existing customers and attract new customers by offering a wider range of related products.

The products that we supply mainly include (i) malt and cereal ingredients and products (such as instant oats, quick cooking oats, rolled oats, liquid and powdered malt extract, brown rice powder, and muesli); (ii) coffee, tea and cocoa products (such as instant coffee, instant tea, and cocoa powder); (iii) dairy and dairy alternatives (such as goat milk and soy milk powder); and (iv) sweeteners.

Activities related to the supply of other food ingredients and food products mainly involve (i) trading of food ingredients and food products in original packaging; (ii) repackaging bulk products into smaller pouches; and (iii) dry blending multiple ingredients into packaged food products.

Our revenue contributions by business activities and products for the FYE Under Review are set out below:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
<b>Manufacturing of specialty food ingredients and food products</b>	<b>403,727</b>	<b>98.26</b>	<b>358,773</b>	<b>97.74</b>	<b>384,815</b>	<b>97.46</b>
• Non-dairy creamers	304,664	74.15	246,579	67.17	249,008	63.06
• Functional lipid powders	50,660	12.33	60,637	16.52	75,281	19.07
• Malt and cereal products	48,403	11.78	51,557	14.05	60,526	15.33
<b>Supply of other food ingredients and food products <sup>(1)</sup></b>	<b>7,154</b>	<b>1.74</b>	<b>8,305</b>	<b>2.26</b>	<b>10,049</b>	<b>2.54</b>
<b>Total revenue</b>	<b>410,881</b>	<b>100.00</b>	<b>367,078</b>	<b>100.00</b>	<b>394,864</b>	<b>100.00</b>

**Note:**

- (1) Include food ingredients and food products that we do not manufacture and that are sourced from third party suppliers, which are mainly (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

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### 7.3.3 Principal market of our operations and geographical markets served

We principally operate in Malaysia. For the FYE Under Review, we served customers in Malaysia as well as foreign countries in Asia, the Americas, Europe, the Middle East, Oceania, and Africa. For the FYE 2024, our customer base is spread across 43 countries.

For the FYE Under Review, the breakdown of our revenue by geographical markets (based on customers' invoice addresses) is as follows:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	<b>189,360</b>	<b>46.09</b>	<b>157,841</b>	<b>43.00</b>	<b>192,797</b>	<b>48.83</b>
<b>Foreign countries</b>	<b>221,521</b>	<b>53.91</b>	<b>209,237</b>	<b>57.00</b>	<b>202,067</b>	<b>51.17</b>
<b>Asia</b>	<b>168,844</b>	<b>41.09</b>	<b>160,533</b>	<b>43.73</b>	<b>156,229</b>	<b>39.57</b>
- Taiwan	22,755	5.54	32,303	8.80	31,275	7.92
- Philippines	29,848	7.26	35,088	9.56	27,550	6.98
- Türkiye	13,711	3.34	21,225	5.78	23,889	6.05
- Vietnam	24,881	6.05	22,955	6.25	23,217	5.88
- Indonesia	37,727	9.18	14,734	4.01	16,554	4.19
- Others <sup>(1)</sup>	39,922	9.72	34,228	9.33	33,744	8.55
<b>The Americas <sup>(2)</sup></b>	<b>14,505</b>	<b>3.53</b>	<b>18,438</b>	<b>5.02</b>	<b>18,727</b>	<b>4.74</b>
<b>Europe <sup>(3)</sup></b>	<b>27,794</b>	<b>6.76</b>	<b>17,791</b>	<b>4.85</b>	<b>15,572</b>	<b>3.94</b>
<b>Others <sup>(4)</sup></b>	<b>10,378</b>	<b>2.53</b>	<b>12,475</b>	<b>3.40</b>	<b>11,539</b>	<b>2.92</b>
<b>Total revenue</b>	<b>410,881</b>	<b>100.00</b>	<b>367,078</b>	<b>100.00</b>	<b>394,864</b>	<b>100.00</b>

#### Notes:

- (1) Other countries in Asia include Thailand, China, Singapore, Pakistan, South Korea, Sri Lanka, Hong Kong, Bangladesh, India, Myanmar, and Armenia.
- (2) The Americas include Chile, Brazil, Panama, Colombia, the United States of America, Peru, Mexico, Argentina, Paraguay, Costa Rica, and Uruguay.
- (3) Europe includes the Netherlands, Germany, Lithuania, Poland, Belgium, Portugal, Greece, Russia, Italy, Serbia, and Malta.
- (4) Include the Middle East (such as the United Arab Emirates, Jordan, and Lebanon), Oceania (such as Australia), and Africa (such as South Africa, Egypt, and Tanzania).



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### 7.3.4 Distribution channels and customers

We adopt both indirect and direct distribution channels to sell our products.

We utilise the indirect distribution channel by marketing and selling our products to resellers, which do not use our products directly but resell them in their original form to their network of customers. This includes resellers which are mainly companies with principal activities in trading, retailing, wholesaling, distributing, and/or importing food products. Our indirect distribution channel strategy enables us to use the existing networks and infrastructures of our customers to extend our market coverage without the need for significant investments in human and infrastructure resources.

We also utilise the direct distribution channel by marketing and selling our products directly to food manufacturers and foodservice operators. These customers use our specialty food ingredients and food products to manufacture or process their products. Our direct distribution channel strategy enables us to cultivate long-term business relationships with our customers. This is important to facilitate a better understanding of our customers' requirements, which in turn allows us to improve our product formulation and quality, as well as enable us to develop or enhance our product offerings continuously.

The breakdown of our revenue by distribution channels and types of customers for the FYE Under Review is as follows:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
<b>Indirect distribution channel</b>	<b>190,356</b>	<b>46.33</b>	<b>207,636</b>	<b>56.56</b>	<b>218,010</b>	<b>55.21</b>
Resellers <sup>(1)</sup>	190,356	46.33	207,636	56.56	218,010	55.21
<b>Direct distribution channel</b>	<b>220,525</b>	<b>53.67</b>	<b>159,442</b>	<b>43.44</b>	<b>176,854</b>	<b>44.79</b>
Food manufacturers	202,780	49.35	141,020	38.42	160,324	40.60
Foodservice operators	17,630	4.29	18,415	5.02	16,523	4.19
Others <sup>(2)</sup>	115	0.03	7	#	7	#
<b>Total revenue</b>	<b>410,881</b>	<b>100.00</b>	<b>367,078</b>	<b>100.00</b>	<b>394,864</b>	<b>100.00</b>

# Less than 0.01%

#### Notes:

- (1) Include companies with principal activities in trading, retailing, wholesaling, distributing, and/or importing food products.
- (2) Others include sales to our employees for their consumption.

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### 7.4 MODES OF OPERATION

The following are the modes of operation for our manufacturing and supply segments:

#### (i) Sales of our brand of specialty food ingredients and food products

Sales of our brand of specialty food ingredients and food products are based on purchase orders placed by customers. In some cases, we collect down payments from customers upon receipt of purchase orders. The purchase order will specify the product type, specification, quantity, agreed price, as well as other terms such as delivery schedule and location. Typically, our regular customers would place their orders every one to three months.

#### (ii) Sales of contract-manufactured and contract-packed private label brands

We also have arrangements in place for the contract manufacturing and contract packing of non-dairy creamers, malt and cereal products, and other food products under our customers' private label brands. The agreements set out commercial terms including pricing (where relevant and subject to conditions), payment terms, private labelling costs, and other key general terms (such as intellectual property rights, termination, indemnities, and warranty). These agreements do not specify any fixed contract value, and customers are under no obligation to purchase any predetermined quantity of products. Orders are placed on an as-needed basis through purchase orders and invoiced upon delivery. The prices in each purchase order are fixed upon our acceptance.

Generally, we maintain an inventory level of finished goods for our brand of specialty food ingredients and food products of one to two months of sales. For contract-manufactured and contract-packed products, manufacturing and packing are typically carried out after receiving purchase orders from our customers. For selected customers, we may manufacture to stock based on three-month rolling forecasts or historical sales records provided by our customers.

### 7.5 OUR COMPETITIVE STRENGTHS

#### 7.5.1 We have an established track record of 16 years in the manufacturing of specialty food ingredients to serve as a reference and the platform to sustain and grow our business

We have an established track record of approximately 16 years in the manufacturing of specialty food ingredients, dating back to the commencement of our manufacturing operation of non-dairy creamers from 2001 to 2004, and the recommencement of that operation in 2012. Since then, we have expanded our manufactured product offerings from non-dairy creamers to include, amongst others, fat powder in 2015, malt and cereal products in 2022, vegan-friendly nutritional lipid powder in 2023, and lecithin powder, clouding agent powder, and fish oil powder in 2024. Throughout the years, we have been building market awareness of our manufactured specialty food ingredients and food products, and our "Custom Food Group" brand in the domestic and foreign markets.

We have developed and maintained long-term relationships with our customers. As at the LPD, our top five customers for FYE 2024 have been with us for three to 10 years.

In this regard, our track record and established market presence for our manufactured products serve as important references and evidence of our product quality, enabling our Group to grow its business both domestically and in foreign countries.

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### 7.5.2 We have a wide geographical coverage including Malaysia and 42 foreign markets, providing us with a large addressable market

For the FYE 2024, we serve customers in Malaysia and 42 foreign markets in Asia, the Americas, Europe, the Middle East, Oceania, and Africa. This presents us with a large addressable market to grow our business. In addition, our wide geographical coverage minimises over-dependency on any one or small group of countries. Revenue derived from foreign markets collectively accounted for 51.17% of our total revenue for FYE 2024, with Asia contributing 39.57% of our total revenue. Within Asia, Taiwan, the Philippines, Türkiye, Vietnam, and Indonesia were our top five largest exporting countries, representing 7.92%, 6.98%, 6.05%, 5.88%, and 4.19% of our total revenue, respectively, in FYE 2024. This demonstrates our ability to tap into various foreign markets successfully.

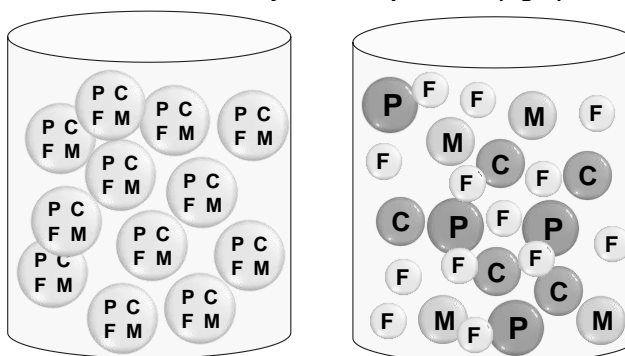
Furthermore, our access to diverse geographical markets has been driven largely by our indirect distribution channels, allowing us to extend our market coverage without the need for significant investments in human and infrastructure resources.

### 7.5.3 We have expertise in microencapsulation technology using spray drying systems to manufacture our non-dairy creamers and functional lipid powders

Microencapsulation is achieved using our spray drying systems, where tiny particles of food ingredients are encapsulated with a protective material to form microscopic capsules. This protective material is designed to protect the sensitive oils used in our non-dairy creamers and functional lipid powders from deterioration caused by exposure to water, oxygen, and light. Successful microencapsulation depends on selecting the appropriate ingredients and applying processing techniques tailored to the specific oil being encapsulated.

Compared to conventional dry blending methods, microencapsulation offers several critical advantages. Each microcapsule contains a uniform blend of nutrients, ensuring that nearly all of the powder maintains a consistent nutritional profile. In contrast, dry-blended powders often exhibit inconsistent particle sizes and densities, resulting in uneven nutrient distribution, segregation during storage, and inconsistent product quality. Our microencapsulated powders deliver improved solubility, smoother mouthfeel, and better dispersibility, helping us to meet the demands of consumers who seek high-performance, stable, and convenient functional food products.

**Illustration of uniform distribution of nutrients in microencapsulated powders (left) compared to inconsistent particle size and uneven distribution of nutrients in dry-blended powders (right)**



*P = Protein, C = Carbohydrate, F = Fat / Oil, M = Miscellaneous*

We are also supported by our in-house R&D team, which works with a diverse range of oils and fats, including palm kernel olein, palm oil, palm olein, palm stearin, hydrogenated coconut oil, MCT oil, high oleic sunflower oil, canola oil, avocado oil, fish oil, and algae oil, tailored to specific nutritional and functional goals during the microencapsulation process. Our R&D team selects input materials for their compatibility and protective properties, such as minimising oxidation, moisture absorption, flavour migration, and nutrient loss. This ensures the products' intended functionality and sensory characteristics throughout their shelf life.

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Further, microencapsulation contributes significantly to production and supply chain efficiency. Our R&D team can develop fully formulated microencapsulated powders that incorporate the necessary macronutrients and micronutrients, tailored to meet specific nutritional and functional targets. These ready-to-use, formulated ingredients are designed to require minimal processing, simplify inventory management and shorten production time.

In addition, our use of the Filtermat and multi-stage tall-form spray drying systems further enhances our capability in the microencapsulation manufacturing process. The multi-stage tall-form spray drying system is particularly well-suited for producing free-flowing powders with controlled moisture content, while the Filtermat spray drying system is designed for drying high-fat-content or heat-sensitive formulations. These systems reduce thermal stress on ingredients, enabling us to achieve better product performance and consistency by preserving the structure, colour, flavour, and nutritional value of the final product.

As at the LPD, we operate two Filtermat spray drying systems (operational since 2012 and 2019), which are primarily used for the production of our non-dairy creamers and fat powders. A third Filtermat spray drying system, operational since 2024, focuses on producing our functional lipid powders, thereby expanding our ability to serve the nutrition and health food market. Additionally, we anticipate commencing operations of a fourth multi-stage tall-form spray drying system in the fourth quarter of 2025, which will be used for the production of our non-dairy creamers and nutritional lipid powders.

### 7.5.4 We have a dedicated innovation centre that supports product development and business growth

Since commencing our innovation centre in 2021, our cumulative investment in pilot-scale plants and application labs has reached RM6.34 million, as at the LPD. This investment has enabled us to conduct trial runs and develop diverse formulations and recipes for our manufactured specialty food ingredients and food products, tailored to specific customer needs. Our R&D capabilities also drive the expansion of our product offerings, allowing us to stay ahead of market trends and capitalise on emerging opportunities.

Our innovation centre houses two pilot-scale plants for spray drying and vacuum belt drying. Complementing these are four application labs including a bakery lab to support small-scale testing and development of baked goods, a flavouring lab to design the processed flavours recipe and conduct testing in snack application, a food service lab to create, test, and improve food and drink products, and a savoury lab to formulate, test, and conduct quality assessment of our savoury food products. As at the LPD, we have a team of 13 personnel who are directly involved in R&D activities at our innovation centre.

Additionally, we have successfully commercialised several new products following the establishment of our innovation centre in 2021, which has enabled us to enter new markets such as nutrition and health food. Please refer to Section 7.11.2 of this Prospectus for details on our achievements in R&D.

### 7.5.5 We can accommodate new and/or small-batch runs before scaling to higher volumes, supported by our R&D and flexible manufacturing facilities

We offer flexible manufacturing capabilities, ranging from large-scale commercial manufacturing to pilot-scale and small-scale production for new or enhanced formulations. This flexibility allows us to accommodate customers with low initial order quantities for our new or enhanced formulations. As these formulations gain market acceptance, we are able to benefit from the increased orders from our customers and scale to higher production volumes.

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For the FYE Under Review, we have developed new / enhanced formulations and supported customers in scaling their purchases. This is evidenced from the increasing purchase order quantities for our lecithin powder and our customised non-dairy creamer (latte-style creamy flavour and milky mouthfeel) from our customers, with volumes increasing in line with market demand.

Our capabilities cover the entire product lifecycle, from product development supported by our pilot-scale plants, application labs, and R&D personnel, to high-volume production. This flexibility gives our customers a strategic advantage, allowing them to innovate, adapt quickly, and accelerate time-to-market. As a result, this positions us as a manufacturing partner for customers operating in the dynamic food and beverage industry.

### 7.5.6 We have quality control facilities and food safety certifications to help ensure product quality and safety

Manufacturing products that meet performance standards, customer specifications, and food safety requirements is paramount to us. To ensure this, our SJ Factory is ISO 9001 certified, and our Kulim Factory holds the Food Safety System Certification FSSC 22000, facilitating consistent product quality and food safety standards. Additionally, our non-dairy creamers, functional lipid powders, and malt and cereal products are manufactured under HACCP, GMP, and MeSTI certifications. These certifications assure our customers of our adherence to recognised quality standards, processes, and quality management systems for our manufactured specialty food ingredients and food products.

Furthermore, our manufacturing plants are equipped with quality control and testing facilities, with checks conducted at all stages of production, from incoming materials to in-process monitoring and final product testing. As at the LPD, we have five registered food analysts, each holding a valid practising certificate under the Food Analyst Act 2011, who are authorised to conduct food analyses and issue Certificate of Analysis to our customers. These measures collectively ensure that our products meet the technical specifications and food safety standards, safeguard our brand reputation, and maintain business relationships.

### 7.5.7 We have both direct and indirect distribution channels to maximise our sales and marketing coverage

We use both direct and indirect distribution channels to maximise our sales and marketing effectiveness and broaden our market reach.

We utilise the direct distribution channel by marketing and selling our products directly to food manufacturers and foodservice operators. Revenue from our direct distribution channel amounted to RM220.53 million (53.67%), RM159.44 million (43.44%), and RM176.85 million (44.79%) of our total revenue in FYE 2022, FYE 2023, and FYE 2024 respectively. Our direct distribution channel strategy allows for more direct engagement with our customers, enabling more efficient communication, better understanding of our customer requests, and greater control over our sales and marketing activities.

We also utilise the indirect distribution channel by marketing and selling our products to our customers, comprising resellers with principal activities in trading, retailing, wholesaling, distributing, and/or importing food products. Revenue from our indirect distribution channel amounted to RM190.36 million (46.33%), RM207.64 million (56.56%), and RM218.01 million (55.21%) of our total revenue in FYE 2022, FYE 2023, and FYE 2024 respectively. Our indirect distribution channel strategy enables us to use the existing networks and infrastructures of our customers to extend our market coverage without the need for significant investments in human and infrastructure resources.

## 7. BUSINESS OVERVIEW

In FYE 2024, we served a diverse customer base of approximately 450 customers through both direct and indirect distribution channels, comprising food manufacturers, foodservice operators, and resellers. This balanced mix of direct and indirect customers provides us with a stable platform for growth, enabling us to capture opportunities across different segments of the food industry while mitigating reliance on any single channel.

In addition, we actively participate in international trade exhibitions and industry events as part of our sales and marketing initiatives. These platforms enable us to showcase our product offerings and engage directly with potential customers, namely food manufacturers, foodservice operators, and resellers. Through these exhibitions, we also gather market intelligence, stay up-to-date on industry trends, and explore new business opportunities.

### 7.5.8 We have an experienced Managing Director and a Key Senior Management team to grow our business

We have an experienced management team headed by our Managing Director, Dato' Saw, who is responsible for spearheading and overseeing the overall direction of our Group. Our Managing Director brings with him more than 30 years of work experience in the food ingredients and food products industry.

He is supported by our Key Senior Management as follows:

- Gijsbert van Weelden, our Chief Operating Officer, who brings with him more than 30 years of work experience in the food and beverage manufacturing production and operations. He is currently responsible for overseeing the operations of our Group and management of the operation plants;
- Tan Eng Kiau, our Senior General Manager, who brings with him more than 20 years of work experience in sales and marketing. He is currently responsible for overseeing the sales and marketing, and procurement of our Group;
- Yeow Poh Ling, our Chief Financial Officer, who brings with her more than 30 years of work experience in audit, financial reporting and accounting. She is currently responsible for managing and overseeing all aspects of our Group's corporate finance, treasury and group reporting; and
- Chang Shey Ling, our Deputy General Manager, who brings with her more than 20 years of work experience in quality assurance, and business and product development. She is currently responsible for research and product development, as well as business development of our Group.

We believe our experienced management team will help to sustain and grow our business. Please refer to Sections 5.1.2 and 5.4.3 of this Prospectus for the profiles of our Managing Director and other Key Senior Management respectively.

## 7.6 PRINCIPAL BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

### 7.6.1 Manufacture of specialty food ingredients and food products

#### 7.6.1.1 Overview

We manufacture specialty food ingredients and food products, focusing on non-dairy creamers, functional lipid powders, as well as malt and cereal products. We collaborate with our customers to innovate and meet their specific requirements for a variety of applications, including bakery, beverage, confectionery, dairy and dairy alternatives, savoury and processed foods, as well as nutraceutical and health foods.

## 7. BUSINESS OVERVIEW

The broad definition of food ingredients encompasses all food items used in producing the final ready-to-eat or drink products. Our focus is on manufacturing specialty food ingredients that enhance food and beverage products such as improving their texture, appearance, taste, nutritional value, and convenience. Our manufactured specialty food ingredients are also used in developing products for specific dietary needs and health conditions, thereby expanding consumer choices.

Furthermore, we also manufacture food products in the form of final ready-to-eat or drink products such as our malt and cereal products.

### 7.6.1.2 Our manufactured specialty food ingredients and food products

For the FYE Under Review, we manufacture three product groups of specialty food ingredients and food products, which are non-dairy creamers, functional lipid powders, as well as malt and cereal products.

#### (i) Non-dairy creamers

A non-dairy creamer, also commonly known as a coffee whitener or tea whitener, is a manufactured product in liquid or granular form designed to substitute milk or cream in beverages such as coffee, tea, and chocolate drinks.

Our non-dairy creamers are manufactured and sold in powder form. They are lactose-free but contain milk protein (acid casein), except our vegan creamer, which contains acacia gum to replace milk protein. Our non-dairy creamers' main composition includes vegetable oils and fats, glucose syrup, emulsifiers, stabilisers, thickeners, flavours, colourings, pH buffers and anti-caking agents.



Our non-dairy creamers are formulated for use in a wide range of food products such as coffee, latte, cappuccino, milk tea, chocolate drink, instant cereal drink, seasoning premixes, soups, sauces, ice cream, pudding, milk candies, cereal bar snacks, cakes, biscuits, filled milk, and ready-to-drink products.

We produce various types of non-dairy creamers with the following characteristics:

- **Sensory attributes:** Milky taste, creamy mouthfeel, and good whitening effect;
- **Functional properties:** Good solubility and wettability; and
- **Nutritional and dietary attributes:** Low sugar level, high fibre content, dairy and allergen-free, and vegan friendly.

We have 74, 94, and 109 active formulations for our non-dairy creamers for FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

## 7. BUSINESS OVERVIEW

### (ii) Functional lipid powders

Lipids are a broad category of naturally occurring compounds that are hydrophobic (do not mix with water), with fats and oils being the most familiar examples. Our functional lipid powders are powdered forms of fats or oils engineered to provide specific health benefits or functional properties beyond basic nutrition. These powders are often used in food, beverage, nutraceutical, and health supplement formulations where delivering lipids in a stable and convenient form is essential.

We manufacture the following types of functional lipid powders:



- Fat powders:** These are a powdered form of vegetable fats, typically derived from sources such as palm oil or coconut oil, with a fat content of up to 80%. These powders offer good emulsion stability and serve as a convenient, shelf-stable fat source for various food applications. Our fat powders can be formulated for functional purposes, including use as a whipping agent in whipped topping powder, a clouding agent in beverages or as an ingredient in food mixes, filled milk, seasoning premixes, processed meats, confectionery, and bakery products.

Our fat powders' main composition includes palm oil or coconut oil, milk protein (acid casein), glucose syrup, emulsifiers, stabilisers, thickeners, flavours, pH buffers, and anti-caking agents.

The following is our range of fat powders:

Product type / Brand	Characteristics	Applications
Standard palm oil or coconut oil powder / CUSTOM – HIFAT	<ul style="list-style-type: none"> <li>- Imparts creaminess and whitening effect</li> <li>- Flexibility in fat source</li> <li>- Easy storage</li> <li>- Stable shelf life</li> <li>- Good emulsifying property</li> </ul>	Seasoning premixes, processed meats, soups, sauces, batter, ice cream, bread, pancakes, cakes, muffins, biscuits, cookies, filled milk, cheese powder, and pasta products
Clouding agent / CUSTOM – Cloud	<ul style="list-style-type: none"> <li>- Add cloudiness to beverages</li> <li>- Odourless and neutral in taste</li> <li>- Stable shelf life</li> <li>- Applicable at variable temperatures</li> <li>- Natural appearance and consistency of the end product</li> </ul>	Fruit powder premix, carbonated drinks, and fruit beverages
Whipped topping powder / CUSTOM – Whip	<ul style="list-style-type: none"> <li>- Good aeration</li> <li>- Excellent volume</li> <li>- Stable structure</li> <li>- Easy to prepare and handle</li> <li>- Stable shelf life</li> </ul>	Beverage topping, milkshake, ice cream, mousse, pastry topping, pastry filling, desserts, and cream filling



## 7. BUSINESS OVERVIEW

We have 16, 18, and 26 active formulations for our fat powders for FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

- **Nutritional lipid powders:** These are powdered forms of beneficial lipids specifically developed to deliver nutritional benefits. They are typically used in functional foods, nutraceuticals, and infant formulas.

We produce our nutritional lipid powders from refined or natural cold-pressed oils such as MCT oil, high oleic sunflower oil, canola oil, olive oil, soybean oil, avocado oil, and Sacha Inchi oil that contain Omega 3, 6 and 9 fatty acids, except for MCT oil.



We also produce DHA / EPA powder and lecithin powder, both with their respective beneficial properties.

Our nutritional lipid powders' main composition includes refined or natural cold-pressed oils, glucose syrup, emulsifiers, stabilisers, thickeners, flavours, pH buffers, and anti-caking agents. In addition, we formulate our nutritional lipid powders with milk protein derived from acid casein or a vegan alternative formulated with acacia gum.

We also offer customised blends formulated with various nutritional lipid sources to achieve specific fatty acid profiles. These blends can be tailored to support the nutritional needs of different target groups, including those with specific dietary needs.

The following is our range of nutritional lipid powders:

Brand	Product type	Characteristics	Applications
CUSTOM – NutriHIFAT	MCT, sunflower, canola, soybean, and Sacha Inchi oil powder	<ul style="list-style-type: none"> <li>- Contains up to 80% nutritional oil</li> <li>- Contains Omega 3, 6 or 9 fatty acids / MCT</li> <li>- Neutral in flavour and blends well with other products</li> </ul>	Nutrition beverages and supplements, functional food and beverages, and meal replacement products
CUSTOM Vegan – NutriHIFAT	MCT, sunflower, canola, olive, and avocado oil vegan powder	<ul style="list-style-type: none"> <li>- Same features as above</li> <li>- Plant-based / vegan option using acacia gum</li> </ul>	Nutrition beverages and supplements, functional food and beverages, and meal replacement products

## 7. BUSINESS OVERVIEW

Brand	Product type	Characteristics	Applications
O'Life DHA / EPA powder	Encapsulated DHA / EPA	<ul style="list-style-type: none"> <li>- Omega-3 fatty acids sourced from fish and/or algae with various concentrations of DHA and EPA content</li> <li>- Contains up to 50% fat, 22% DHA and 25% EPA content</li> <li>- Low odour</li> <li>- Stable shelf life</li> </ul>	Infant formula, functional food and beverages, nutritional beverages and supplements
CUSTOM – Lec	Lecithin powder	<ul style="list-style-type: none"> <li>- Excellent emulsifier that prevents the separation of oil and water</li> <li>- Maintain food stability</li> <li>- Provides choline as a nutrient</li> <li>- Helps prevent food from sticking to heating equipment or contact surfaces</li> </ul>	Bakery and nutrition products

We have a total of 12, 23, and 46 active formulations for our nutritional lipid powders for the FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

- Flavours:** These are ingredients that are used to impart or enhance a specific taste or aroma in food and beverages. Our manufactured flavoured lipid powders include, amongst others, butter-flavoured fat powder, cheese powder, soft serve powder, and instant coconut powder.

Our flavours range of products' main composition includes dairy derivatives such as milk powder, cheese, butter, vegetable fats, sweeteners, emulsifiers, and stabilisers.



## 7. BUSINESS OVERVIEW

Our range of flavours includes, amongst others, the following:

Product type / Brand	Characteristics	Applications
Butter-flavoured fat powder / CUSTOM – HIFAT	<ul style="list-style-type: none"> <li>- Imparts creaminess, mouthfeel, and butter flavour</li> <li>- Offers the same flavour, taste and mouthfeel as pure butter powder</li> <li>- Substitute for block butter</li> <li>- Stable shelf life</li> </ul>	Cakes, bread, muffins, biscuits, mashed potatoes, seasoning, and dairy blends
Cheese powder / CUSTOM – CHEESE	<ul style="list-style-type: none"> <li>- Imparts cheese flavour and creamy taste</li> <li>- Enhances the texture and mouthfeel of end products</li> <li>- Offers convenience and easy handling</li> <li>- Easily blends with other dry ingredients</li> </ul>	Seasoning, sauces, dips, soup, cakes, bread, cream filling, and dairy blend
Soft serve powder / CUSTOM – Soft	<ul style="list-style-type: none"> <li>- Ready-to-use, cold water-soluble soft serve ice cream powder that is easy to operate, has a longer shelf life, and is available in various flavours</li> </ul>	Ice cream
Instant coconut powder / CUSTOM – Instant coconut powder	<ul style="list-style-type: none"> <li>- Ready-to-use water-soluble coconut powder with aromatic coconut milk flavour, creamy texture, and whitening effect.</li> <li>- Natural and rich coconut aroma retained</li> <li>- Convenient and easy to use</li> <li>- Long shelf life compared to fresh coconut</li> </ul>	Milk tea, coffee, instant drinks, curries, cream filling, reconstituted coconut milk for desserts, whipped cream, and mousse

We have a total of 16, 26, and 37 active formulations for our flavours range of products for the FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

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### (iii) Malt and cereal products

We manufacture the following types of malt and cereal products:

- Malt products:** These are food products derived from cereal grains, commonly barley, that have undergone a controlled germination process known as malting. During malting, the grain is soaked in water, allowed to sprout, and then dried to stop the germination process. This process activates the enzymes that break down the starches in the grain into sugars, which gives malt its characteristic sweetness and nutritional profile.



Our malt products' main composition includes malt extracts, glucose syrup, emulsifiers, stabilisers, thickeners, flavours, and colourings.

The following is our range of malt products:

Product type / Brand	Characteristics	Applications
Malt extract powder / CUSTOM – Malt	<ul style="list-style-type: none"> <li>- Instantised powder which dissolves easily in water</li> <li>- Available in different colours ranging from light to dark colours</li> </ul>	Instant malted drinks, coffee, chocolate, ice cream, biscuits, cookies, bread, cakes, cream filling, and breakfast cereal / muesli
Malted chocolate milk powder / CUSTOM – MaltCoco	<ul style="list-style-type: none"> <li>- Instantised powder which dissolves easily in water</li> <li>- Variety of taste profiles to suit target market</li> <li>- Selection of particle size to suit specific application</li> </ul>	Instant chocolate malt drinks, mocha drinks, ice cream, chocolate bars, cookies, cakes, biscuits, bread, and cream filling
White malted beverage powder / CUSTOM – MaltedMilk	<ul style="list-style-type: none"> <li>- Instantised powder which dissolves easily in water</li> <li>- Variety of taste profiles to suit target market</li> <li>- Selection of particle size to suit specific application</li> </ul>	Instant malted drinks, coffee, chocolate, ice cream, biscuits, cookies, bread, cakes, cream filling, and breakfast cereal / muesli
Malted beverage crunchy / CUSTOM – Crunchy	<ul style="list-style-type: none"> <li>- Crunchy and crispy texture</li> <li>- Selection of particle size to suit specific application</li> </ul>	Beverage and dessert toppings, filling in sweets and pastries, dipping sauce or spread

## 7. BUSINESS OVERVIEW

Product type / Brand	Characteristics	Applications
Honey powder / CUSTOM – Honey	<ul style="list-style-type: none"> <li>- Instantised powder which dissolves easily in water</li> <li>- Easy to handle and longer shelf life compared to honey</li> </ul>	Instant nutritious drinks, seasoning premixes, candies, biscuits, breakfast cereal / muesli, bread, cakes, ice cream, and other bakery products

We have a total of 39, 48, and 51 active formulations for our malt products for the FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

- **Cereal products:** These are made from cereal grains such as oats, wheat, rice, corn, soy, or barley, processed into flakes and powders. They are designed for quick preparation and consumption, often as part of a convenient breakfast or functional food formulation.

Our cereal products' main composition includes multigrains, such as wheat, corn, soy, rice, oats and malted barley, as well as sweeteners.



The following is our range of cereal products:

Product type / Brand	Characteristics	Applications
Instant malt extract cereal / CUSTOM – Cereal	<ul style="list-style-type: none"> <li>- Easy to use</li> <li>- Specialty and functional types available based on the customer's needs</li> <li>- Chocolate, mango, matcha, and strawberry flavours</li> </ul>	Instant cereal drinks, seasoning premixes, cakes, biscuits, cookies, cereal bars, and cooked food
Cereal powder / CUSTOM – Cereal	<ul style="list-style-type: none"> <li>- Able to dissolve and hydrate easily in water, milk or formula to form a smooth porridge</li> <li>- Imparts natural sweetness from wheat and rice flour</li> </ul>	Baby porridge premix, and baby finger food
Hydrolysed oat powder / CUSTOM – Oat	<ul style="list-style-type: none"> <li>- Imparts natural sweetness from oats</li> <li>- Good solubility in water</li> <li>- Plant-based source of protein and fibre</li> </ul>	Instant drinks, chocolate drinks, ready-to-drink, nutritious drinks, cereals, biscuits, cakes, and cookies
Oat powder / CUSTOM – Oat powder	<ul style="list-style-type: none"> <li>- Selection of particle sizes available to suit specific applications</li> <li>- Provides a thickening effect</li> </ul>	Instant nutritious drinks, biscuits, cookies, cakes, pancakes, and bread

## 7. BUSINESS OVERVIEW

We have a total of 18, 21, and 24 active formulations for our cereal products for the FYE 2022, FYE 2023, and FYE 2024 respectively. An active formulation refers to a specific formula with at least one sale in the respective financial years.

### 7.6.2 Supply of other food ingredients and food products

We also supply a range of food ingredients and food products to our customers which we do not manufacture and that are sourced from third party suppliers. This enables us to provide convenience to our existing customers and attract new customers by offering a wider range of related products.

Activities under our supply segment involve the following:

- Trading, where we buy the food ingredients and food products, and sell them in their original packaging;
- Repacking, where we would break bulk the food ingredients and food products, and repack them into smaller pouch packages; and
- Dry blending, where we blend multiple food ingredients and package them into food products.

Under our supply segment, we distribute food ingredients and food products that are sold either unbranded or under our suppliers' brands. In some instances, we undertake contract packing arrangements, where the food ingredients and food products are repacked or blended, and subsequently sold under our customers' private label brands.

The types of food ingredients and food products that we supply mainly include the following:

- **Malt and cereal ingredients and products:** Instant oats, quick cooking oats, rolled oats, liquid and powdered malt extract, brown rice powder, and muesli;
- **Coffee, tea and cocoa products:** Instant coffee powder, instant tea powder, freeze-dried coffee, cocoa powder, agglomerated coffee, and instant chicory powder;
- **Dairy and dairy alternatives:** Goat milk powder and soymilk powder; and
- **Sweeteners:** Maltodextrin.

## 7.7 OPERATIONAL FACILITIES

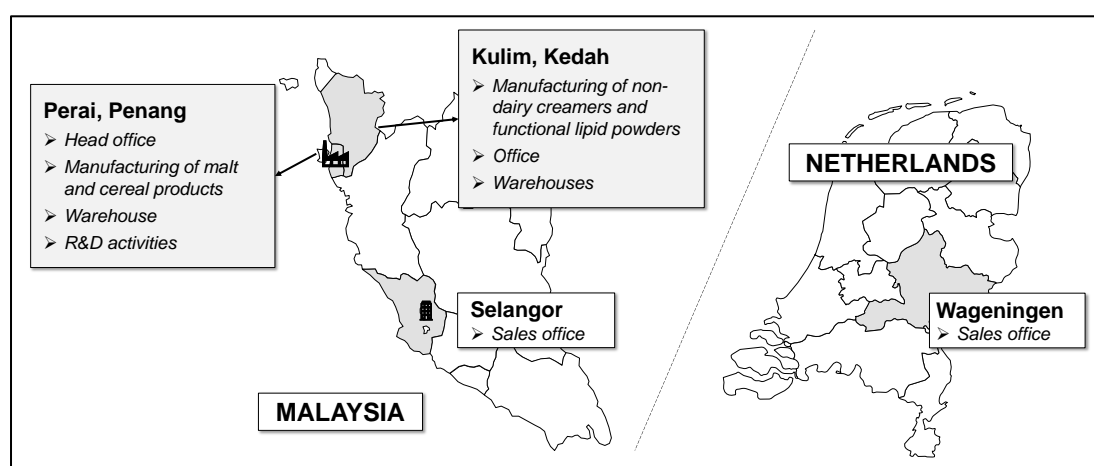
As at the LPD, the locations of our operational facilities are as follows:

Companies within our Group	Main functions	Approximate built-up area (sq. m.)	Ownership	Address
CFH and CFI	Head office, manufacturing of malt and cereal products, and R&D activities	6,663	Rented	2931, Lorong Jelawat 1, Kawasan Perusahaan Seberang Jaya, 13700 Perai, Penang

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Companies within our Group	Main functions	Approximate built-up area (sq. m.)	Ownership	Address
CFI	Warehouse	4,481	Rented	2587, Lorong Jelawat 1, Kawasan Perusahaan Seberang Jaya, 13700 Perai, Penang
	Office, warehouse and manufacturing of non-dairy creamers and functional lipid powders	26,203	Owned	Lot 24, Lorong Perusahaan 2B, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah
	Warehouse	4,048	Rented	No. 53A & 53B, Lorong Perusahaan 2, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah
	Sales office	335	Rented	Unit D3A-1-1 (First Floor) Block D3A, Dana 1 Commercial Centre, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor
CFI BV	Sales office	78	Rented	Generaal Foulkesweg 9, 6703BH, Wageningen, the Netherlands

The following diagram sets out the main functions for each of our operational facilities:



## 7. BUSINESS OVERVIEW

### 7.8 KEY MACHINERY AND EQUIPMENT

As at the LPD, the key machinery and equipment that we use for our manufacturing operations include the following:

#### Kulim Factory (Kedah)

Key machinery and equipment	Brief description	Number of lines / units	Age as at the LPD <sup>(1)</sup> (years)	Net book value as at 31 December 2024 (RM'000)
<b>Spray dryer</b>		<b>3 lines <sup>(2)</sup></b>		
- Spray Dryer Plant 1	Focuses on the manufacturing of non-dairy creamers and functional lipid powders		13	1,363
- Spray Dryer Plant 2	Focuses on the manufacturing of non-dairy creamers and functional lipid powders		6	8,541
- Spray Dryer Plant 3	Focuses on the manufacturing of functional lipid powders		1	16,432
Blending equipment	To blend and mix the feed input	1 unit	9	60
Down packaging equipment	To pack the food ingredients into pouches	1 unit	7	197

#### Notes:

- (1) Age refers to the number of years since the machinery and equipment became operational.
- (2) A spray dryer line includes the equipment to mix and emulsify the feed input, the spray drying equipment, and the packaging equipment.

#### SJ Factory (Penang)

Key machinery and equipment	Brief description	Number of lines <sup>(1)</sup>	Average age as at the LPD <sup>(2)</sup> (years)	Net book value as at 31 December 2024 (RM'000)
Drum dryer	To manufacture cereal products	2 lines	17	4,012
Vacuum belt dryer	To manufacture malt products	1 line	18	2,570



## 7. BUSINESS OVERVIEW

### Notes:

- (1) A line includes the equipment to mix and emulsify the feed input, the drum drying equipment or the vacuum belt drying equipment, and the packaging equipment.
- (2) Average age refers to the average number of years since the machinery and equipment became operational.

## 7.9 PRODUCTION CAPACITY, OUTPUT AND UTILISATION

### (i) Manufacturing of non-dairy creamers and functional lipid powders

Our non-dairy creamers and functional lipid powders are manufactured using our spray dryer plants, and their production capacity, production output, and utilisation rate are as follows:

Non-dairy creamers and functional lipid powders	Number of lines	Production capacity <sup>(1)</sup> (tonnes)	Production output (tonnes)	Utilisation rate (%)
FYE 2022	2	48,000	41,583	87
FYE 2023	2	50,400 <sup>(2)</sup>	36,939	73
FYE 2024	3	52,200 <sup>(3)</sup>	39,942	77

### Notes:

- (1) Production capacity is calculated based on machine capacity running 24 hours per day, averaging 310 days a year (365 days a year, less 15% for downtime, cleaning, repair and maintenance).
- (2) In FYE 2023, there were upgrading works involving the installation of additional spray nozzles and increasing air flow, resulting in an increase in production capacity from 48,000 tonnes to 50,400 tonnes.
- (3) In FYE 2024, Spray Dryer Plant 3 commenced operations, and it has a smaller production capacity compared to the other two.

### (ii) Manufacturing of malt products

Our malt products are manufactured using our vacuum belt dryer, and their production capacity, production output, and utilisation rate are as follows:

Malt products	Number of line	Production capacity <sup>(1)</sup> (tonnes)	Production output (tonnes)	Utilisation rate (%)
FYE 2022	1	3,600	3,036	84
FYE 2023	1	3,600	3,195	89
FYE 2024	1	3,600	3,261	91

## 7. BUSINESS OVERVIEW

### Note:

- (1) Production capacity is calculated based on machine capacity running 24 hours per day, averaging 328 days a year (365 days a year, less 10% for downtime, cleaning, repair and maintenance).

### (iii) Manufacturing of cereal products

Our cereal products are manufactured using our drum dryers, and their production capacity, production output, and utilisation rate are as follows:

Cereal products	Number of lines	Production capacity <sup>(1)</sup> (tonnes)	Production output (tonnes)	Utilisation rate (%)
FYE 2022	2	3,000	1,871	62
FYE 2023	2	3,600 <sup>(2)</sup>	1,827	51
FYE 2024	2	3,600	2,077	58

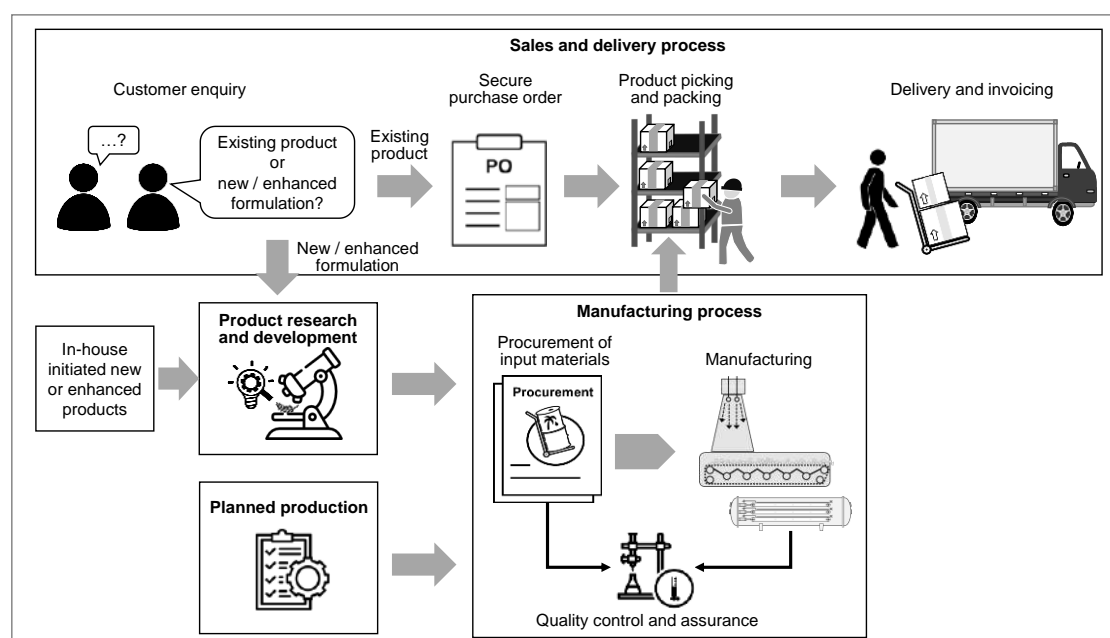
### Notes:

- (1) Production capacity is calculated based on machine capacity running 24 hours per day, averaging 328 days a year (365 days a year, less 10% for downtime, cleaning, repair and maintenance).
- (2) In FYE 2023, we replaced the old drum dryer with a new drum dryer, resulting in a change in production capacity from 3,000 tonnes to 3,600 tonnes.

## 7.10 PROCESS FLOW

### 7.10.1 Manufacturing of specialty food ingredients and food products

The diagram below illustrates the general process flow of our manufacturing segment:



## 7. BUSINESS OVERVIEW

### (i) Sales and delivery process

#### (a) Customer enquiry

Our sales process starts with an enquiry or quotation request from existing or potential customers. We then conduct a preliminary consultation to understand their specific requirements and the desired specifications for our specialty food ingredients and food products in their intended application.

For requests involving our existing products, we proceed directly to the purchase order stage. However, if a new or enhanced formulation is sought, the request will be sent to our R&D team.

#### (b) Secure purchase order

A purchase order will be issued by our customer once the required product, quantity, delivery schedule, and pricing are confirmed and our customer accepts the quotation.

#### (c) Product picking and packing

If the requested items are in stock, we will issue picking slips to our warehouse personnel so they can pick and pack the required quantity. If the products are not in stock, we will promptly inform the production department of the required items and quantities.

#### (d) Delivery and invoicing

We will typically deliver the products via land transportation for Peninsular Malaysia customers, and sea freight for East Malaysia and international customers. All domestic and international deliveries are handled through third-party logistics providers. The delivery cost is integrated into our product prices, and we do not impose separate charges for shipping.

Customers can also collect their orders directly from our warehouses. Upon receipt of the goods, a signed and stamped delivery order serves as delivery confirmation. Our invoice will be enclosed with the delivery order.

For customers in Malaysia, the delivery of goods would typically take at least one week. For foreign customers, the delivery of goods would typically take at least one month to reach the shipment destination.

### (ii) Product research and development

#### (a) New product idea proposal

The process starts with a new or enhanced product idea submitted to our R&D team. These proposals can originate from direct customer enquiries or internal initiatives to expand our Group's product line. Each proposal would detail the proposed product specifications, anticipated outcomes, known challenges, and target cost to facilitate evaluation.

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## 7. BUSINESS OVERVIEW

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Our R&D team then assesses the request to determine if the proposed changes to an existing product are minor or significant. For minor modifications, our R&D team directly prepares samples with varying ratios of product components, potentially including new ones or removing existing ones, and proceed to trial runs. Examples of minor changes include alterations or replacements of raw materials from different suppliers, and the addition or removal of certain constituents to achieve a specific simple taste profile, such as less sweet.

Conversely, significant changes to an existing product or the creation of a new product would necessitate a feasibility study. These significant changes may arise from requests from our customers, or from our R&D initiatives to develop new products and/or improve our existing products in areas such as appearance, creaminess, and mouthfeel. Significant changes may require changes to the normal process flow or the addition of new equipment.

### (b) Feasibility study for significant changes

We conduct a feasibility study in-house. The feasibility study evaluates the ability to meet customer or product outcome requirements and specifications. It also checks the availability of necessary resources (e.g. manpower, machinery, and input materials), assesses compliance with regulatory standards, estimates production costs, gauges market demand, and includes financial modelling to determine economic viability and attractiveness.

If the feasibility study confirms the product concept is economically viable, we will move to the development phase. This involves sourcing new input materials or using existing ones. New input materials are evaluated for their composition, including allergen content, regulatory compliance, and specific storage conditions. These new input materials are then appropriately labelled and stored separately from regularly used input materials to prevent cross-contamination.

### (c) Conducting trial runs

Our R&D team will then prepare a trial run report outlining the proposed formulation, process parameters, hazard and allergen information, product storage conditions, product labelling requirements, shelf-life study plans, and product allocation strategy. Trial runs are then conducted on the pilot-scale plants. During this stage, important design outputs such as formulation details, processing conditions, product characteristics, and sensory evaluation results are recorded.

### (d) Internal and customer product acceptance

After the trial runs, product samples are produced and subject to controlled taste tests involving both in-house staff and external participants. If a potential customer has submitted an R&D request for new product proposal, the product samples are also provided to them for acceptance testing. Alternatively, they may participate in our controlled taste tests.

Once a product is accepted, the finalised formulation and required processes and parameters are documented and stored securely. The formulation is then ready for production.

## 7. BUSINESS OVERVIEW

### (iii) Manufacturing process

Our manufacturing facilities operate according to a planned production schedule considering purchase orders received, forecast orders, and stock requirements.

#### (a) Procurement of input materials

Once the production schedule is finalised, we verify the availability of all necessary input materials. Our production team determines the required type and quantity of each input material based on the formulation of our specialty food ingredients and food products to be manufactured. If needed, we will order the required input materials from our suppliers, considering our current inventory of input materials at our operational facilities.

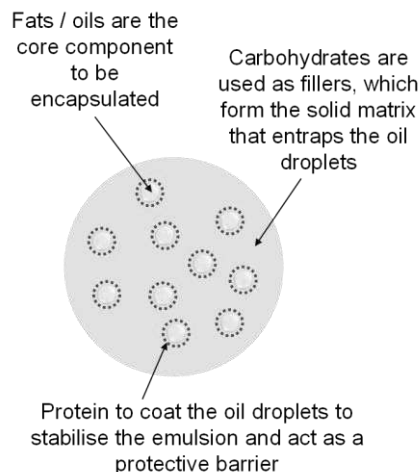
#### (b) Manufacturing

##### 1. Microencapsulation manufacturing process for the production of non-dairy creamers and functional lipid powders

###### i. Wet mix preparation

The wet mix typically comprises three main ingredients, namely fats / oils, proteins, and carbohydrates:

- Fats / oils are the core component that need to be encapsulated before being converted into powder form. Examples of fats / oils that we use include palm oil, sunflower oil, fish oil, and algae oil.
- Proteins act as encapsulation agents. They stabilise the oil droplets by forming a cohesive film around them, which acts as a protective barrier against water, oxygen and light. This helps preserve the quality and stability of the encapsulated oil. Examples of proteins that we use include acid casein, whey protein concentrate, and skim milk powder. For the vegan range, acacia gum / specialty starch is used as the encapsulation agent.
- Carbohydrates are typically used as fillers in the formulation, contributing to the final powder's overall structure and physical properties. They form the solid matrix that entraps the oil droplets and provides structure to the microcapsules. Examples of carbohydrates that we use include glucose syrup, polydextrose, and lactose powder.



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## 7. BUSINESS OVERVIEW

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### ii. Emulsification process (feed preparation)

The emulsification process involves mixing oil with water in the presence of an emulsifier to form a stable oil-in-water or water-in-oil emulsion. There are three main ingredients, namely oils, proteins, and carbohydrates, which must be individually pre-dissolved before being combined to achieve a stable emulsion, as follows:

- **Oil phase preparation**

The oil ingredients are pre-melted in a designated oil-melting tank. Certain emulsifiers are also pre-melted together with the oil at controlled temperatures. It is critical to regulate both the temperature and duration of heating, especially for oils rich in unsaturated fatty acids. Overheating oils, beyond their slip melting point, can accelerate oxidation, leading to the formation of peroxides, aldehydes, and ketones, which are degradation by-products that cause off-flavours and rancid odours. This oxidative damage is irreversible and will compromise the final powder quality, regardless of how well the emulsion is prepared afterwards.

- **Protein phase preparation**

Protein ingredients are dissolved in water in a separate tank equipped with a specially engineered agitator to ensure the ingredients are spread out evenly while keeping air from getting into the mixture. This is crucial because proteins can trap air and create foam. If air is introduced and too much foam forms during this phase, the mixture would become unstable and would affect the ability to protect the oil during spray drying and reduce the overall effectiveness of microencapsulation, which may lead to faster spoilage and loss of nutrients.

- **Carbohydrate phase preparation**

Carbohydrates are typically added in substantial amounts as bulking agents or fillers. Proper dissolution requires a balanced amount of water. Insufficient water can lead to high viscosity and poor solubility of other water-phase ingredients such as stabilisers and flavours. Conversely, excessive water may ensure complete dissolution, but it increases energy loss during the spray drying process, thereby raising processing costs due to higher energy consumption.

Once all the respective components are properly dissolved, the oil phase is gradually added to the aqueous phase (the dissolved protein and carbohydrate). The mixture is then emulsified at a specific temperature, mixing time, and shear force to form a stable oil-in-water emulsion.

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### iii. Spray drying process

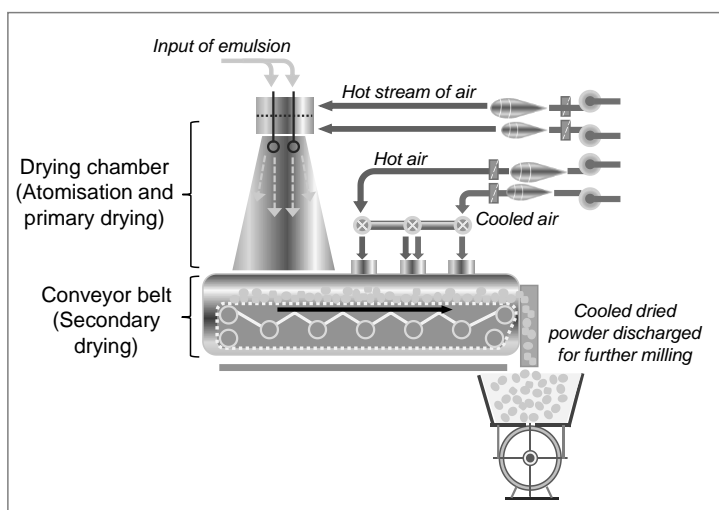
Spray drying is a process that transforms liquids or slurries into dry powders by atomising the liquid into small droplets and then drying them rapidly with hot air. For our lipid-based products, the spray drying process is essential to ensure stability, solubility, and the retention of desired properties like taste and texture.

#### Exterior view of our spray drying plant



As at the LPD, we operate three Filtermat spray drying systems, which are multi-stage spray dryers with an integrated conveyor belt, designed for drying high-fat-content or heat-sensitive formulations. Additionally, we will operate a fourth multi-stage tall-form spray drying system scheduled to commence operations in the fourth quarter of 2025. Our multi-stage tall-form spray drying system features a tall drying chamber and an external fluid bed, designed to produce free-flowing powders with controlled moisture content and improved stability.

#### Illustration of the Filtermat spray drying process



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## 7. BUSINESS OVERVIEW

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The following are the key processes involved in the Filtermat spray drying process:

- **Atomisation and primary drying (top section)**

The emulsion is passed through homogenisers, which reduce the oil droplet size and ensure uniform dispersion throughout the mixture. During atomisation, the emulsion is discharged from a high-pressure nozzle into the drying chamber. The nozzle sprays the emulsion into a fine mist of uniform droplets, increasing the surface area available for drying.

In the primary drying stage, thermal energy from the hot air stream facilitates water evaporation, removing approximately 80% to 85% of the water from the emulsion. It is crucial to use the correct pressure and inlet temperature, tailored to the specific product characteristics, to ensure consistent powder quality. Excessive shear force or excessively high drying temperatures can damage the powder's matrix, resulting in products with high surface oil.

- **Deposition onto the conveyor belt (Filtermat)**

The semi-dried particles settle onto a moving perforated conveyor belt or mesh mat (the Filtermat) at the bottom of the drying chamber, which would move slowly through a controlled drying zone to further remove moisture from the particles.

- **Secondary drying (bottom section)**

Secondary drying occurs at the beginning of the conveyor belt, where an additional 5% to 15% of moisture is removed. A lower inlet temperature is used during this heating process, which prevents the powder from melting and clumping.

- **Cooling and discharge**

At the cooling stage, the powder is gradually cooled to ambient temperature, after which it undergoes milling to achieve the desired particle size before packaging. This step is critical because the powder needs sufficient time and the correct temperature to cool down. Packaging powder at high temperature can lead to product caking due to the condensation of water vapour on the powder surface.

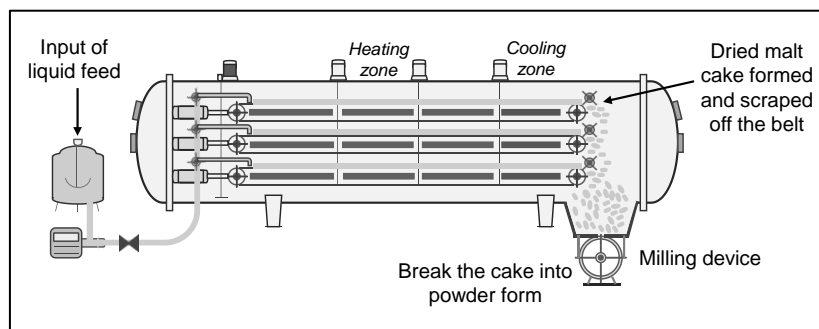


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### 2. Vacuum belt drying for the production of malt products

Vacuum belt drying is a continuous, low-temperature drying method well-suited for heat-sensitive materials such as malt extracts. It operates under a high vacuum, which significantly lowers the boiling point of water, allowing for drying at much lower temperatures (25 to 30°C) compared to atmospheric drying methods (100°C). This process helps preserve the desirable characteristics of malt products, such as flavour, aroma, colour, nutritional components (i.e. antioxidants, amino acids, vitamins, and minerals), and solubility.

#### Illustration of the vacuum belt drying process



The following are the key processes involved in vacuum belt drying:

- **Feed mixing**

The liquid malt extract, a viscous syrup, is mixed with the chosen flavourings, glucose syrup, and other dry ingredients in a mixing tank equipped with an agitator. The feed mixture's viscosity is an essential parameter for vacuum belt drying. It must be within a range that allows easy pumping and uniform spreading onto the belt. The mixture also needs to be completely homogenous with no undissolved solids before being fed into the vacuum belt dryer.

- **Feeding system**

The prepared liquid feed is continuously fed into the vacuum chamber of the vacuum belt dryer using a metering pump to ensure a consistent and controlled flow rate. A distribution system then evenly spreads a thin layer of the liquid feed onto the multi-layered moving conveyor belt. The thickness of this layer is a critical parameter affecting the drying rate and final product quality.

- **Vacuum chamber and conveyor belt system**

The core of the vacuum belt dryer is a large, enclosed chamber maintained under a vacuum. Inside the chamber, multiple continuous conveyor belts move slowly through different heating and cooling zones.

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- **Heating and cooling zones**

Independently controlled heating plates are located beneath each conveyor belt. These plates, through which steam circulates, conductively transfer heat through the conveyor belt to the thin layer of malt extract.

Under high-pressure vacuum, the moisture in the malt extracts evaporates at a significantly lower temperature than it would at atmospheric pressure. A vacuum system, which typically includes vacuum pumps and condensers, continuously removes the evaporated water vapour from the vacuum chamber.

The vacuum belt dryer is divided into several heating zones with progressively lower temperatures to ensure a controlled drying process. This prevents overheating and preserves the product's quality attributes. Towards the end of the vacuum belt dryer, there is a cooling zone where the dried malt extract is cooled before discharge. This helps to stabilise the product and prevent sticking.

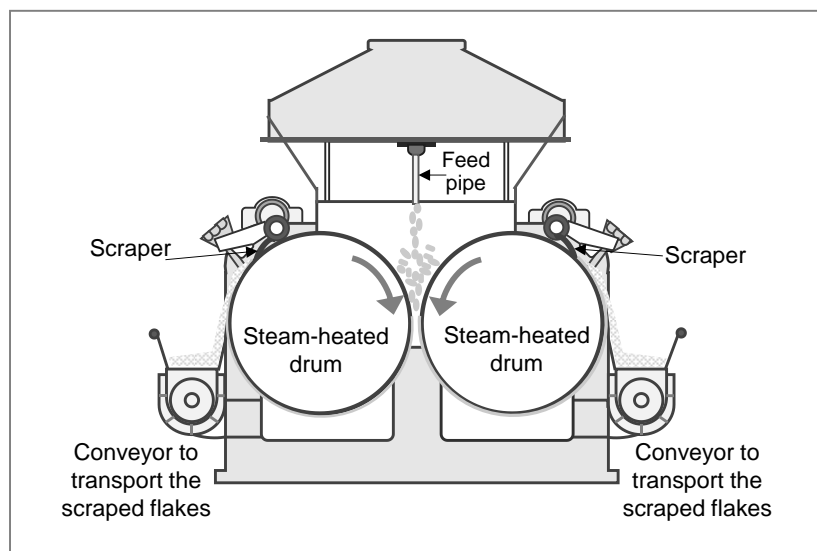
- **Product discharge and post-processing**

As the dried malt extract reaches the end of the conveyor belt, it forms a solid sheet or cake. The dried malt cake is then scraped off the belt. A milling device is integrated at the discharge end to break the cake into powder form, to achieve the desired final malt product.

### 3. Drum drying for the production of cereal products

Drum drying is a method for producing cereal products including instant malt extract cereal and baby cereal. The drum drying process involves applying a thin layer of cereal slurry onto the surface of one or more heated rotating drums, where the water evaporates quickly, leaving behind a thin, dried film that is then scraped off as flakes or powder.

**Illustration of the drum drying process**



## 7. BUSINESS OVERVIEW

The following are the key processes involved in drum drying:

- **Feed preparation**

Cereal grains such as wheat and corn starch / flour / grits, and other ingredients, such as sugar, salt, and flavourings, are mixed with water to form a slurry. For baby cereal, a partial hydrolysis step precedes feeding the slurry to the drum dryer.

- **Cooking and drying**

The cereal slurry is fed onto the drum surface at 150 to 160°C to cook it. This process gelatinises the starches, allowing them to absorb water readily. The drums are hollow metal drums made of stainless steel that are heated internally by steam under pressure. The surface temperature of the drum is controlled depending on the product and desired drying rate.

The heat is rapidly transferred to the slurry as the thin layer of cereal slurry comes into contact with the hot drum surface. The high temperature causes the water in the slurry to evaporate quickly. The rapid drying and the gelatinised starch structure contribute to the porous texture of the dried film.

- **Scraping and product collection**

A scraper is used to continuously scrape off the thin, dried film of cereal product. The dried product comes off the drum as flakes or sheets. These flakes are then collected and undergo further processing, such as milling or flaking, to achieve the desired final cereal product.

(c) **Quality control and assurance**

We maintain QA laboratories at our Kulim Factory and SJ Factory to perform the necessary tests. We conduct multiple quality tests at various stages throughout our manufacturing process, as outlined below:

- **Incoming input materials and packaging materials**

Each batch of input materials and packaging materials is subject to visual inspection, quantity verification, and reconciliation with the delivery order before unloading at our warehouses. Subsequently, samples are taken from the delivered materials for QA testing. The incoming materials are placed in a holding area whilst waiting for approval from our QA department. The acceptance criteria for input materials is determined by the input material specification or the Certificate of Analysis provided by our suppliers. If the quality is deemed acceptable, the delivery order is signed and stamped to signify acceptance. Conversely, should the quality be unacceptable, we will reject the delivery.

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- **Wet-mix feed before the drying process**

Each batch of wet-mix feed undergoes testing for pH levels, total solids content, total soluble solids content, and colour. Upon confirmation of acceptable results, the tested batch is released for subsequent processing. Conversely, if any test result is unacceptable or falls outside the specified limits, our production team must initiate immediate corrective actions.

- **Packed finished goods**

Every batch of finished goods is evaluated for its physical, chemical, and microbiological properties to ensure it meets our product specification. The products are then placed in a designated holding area pending the result of our QA inspection. If the batch passes the quality assessment, it will be released to our warehouses for storage. However, if the quality is unacceptable, the batch will undergo further investigation, and a decision will be made whether to rework or dispose of the product through approved waste removal companies.

As at the LPD, we have 28 personnel in our QA department. The following is a list of tests and analyses, amongst others, that are carried out in our QA laboratory:

Tests	Parameters	Objectives
<b>Physical properties</b>		
Angle of repose / flow rate test	Flowability	Evaluate ease of handling and filling performance
Oven drying method / infrared moisture analyser	Moisture content	Ensure shelf stability and prevent microbial growth
Sieve analysis / laser diffraction	Particle size distribution	Assess consistency in texture and solubility
Solubility index / dispersibility test	Solubility / dispersibility	Ensure proper reconstitution in end-use applications
Visual inspection	Appearance	Verify that the product is free from lumps, discolouration, or foreign matter
Visual comparison / Colourimeter	Colour	Ensure consistent product appearance
<b>Chemical properties</b>		
Enzymatic assay	Sugar / carbohydrate content	Monitor the sweetness level and nutritional values
Kjeldahl method / Dumas method	Protein content	Validate nutritional profile
Muffle furnace ashing	Ash content	Estimate total mineral content
pH meter	pH levels	Assess acidity / alkalinity
Refractometer / oven drying	Total solids / Brix	Verify concentration in extracts or liquid feeds

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Tests	Parameters	Objectives
Soxhlet extraction	Fat content	Confirm formulation compliance and energy value
Titration / AOAC method	Acid value	Assess fat or oil breakdown during storage
	Free fatty acid	Measure fat degradation and quality
	Peroxide value	Detect oxidative rancidity in lipid-based powders

AOAC = Association of Official Analytical Collaboration

In addition to the procedures above, we also implement microbiological testing as a critical component of our food quality and safety assurance programme. This encompasses detecting and quantifying microorganisms that may compromise the safety, shelf life, and regulatory compliance of our manufactured specialty food ingredients and food products. Our suite of microbiological analyses includes total microorganism plate counts to assess the overall microbial burden, as well as specific analysis for yeast, moulds, coliforms, *Escherichia coli*, *Bacillus cereus*, and *Salmonella*. The majority of these tests are performed using agar plate methods, involving the cultivation of samples on selective media to facilitate colony growth and enumeration. These relevant tests ensure that our finished goods meet the microbiological specifications, mitigate the risk of foodborne illness, and uphold consistent product quality.

We also maintain a dedicated sensory panel composed of in-house employees to perform the following sensory evaluations:

- **Colour:** To verify visual conformity with established product standards;
- **Mouthfeel / texture:** To ensure consistent attributes such as creaminess or smoothness;
- **Odour:** To identify any undesirable olfactory characteristics, including rancidity, sourness, or staleness;
- **Taste:** To assess the product's flavour profile against the defined standard; and
- **Aftertaste:** To detect any persistent off-flavours or bitterness.

### 7.10.2 Supply of other food ingredients and food products

The diagram below illustrates the general process flow of our supply segment:



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### Secure purchase order

The process typically begins with an enquiry or request for quotation from existing or potential customers, where they will specify the type and quantity of products they intend to purchase. Once their selection is finalised, they issue a purchase order for us to fulfil. The purchase order outlines the product type, brand (if relevant), quantity, and agreed price, along with additional terms such as the delivery location, schedule, and payment conditions.

### Order processing and procurement

Once we have received the purchase order, we first check our inventory for stock availability, as we maintain supplies of commonly purchased products. We promptly place orders with our suppliers if the requested items are not in stock.

We source these food ingredients and food products from domestic and foreign suppliers. Imported products undergo customs clearance in their country of origin, where any applicable export duties and tariffs are paid. Upon arrival in Malaysia, the products go through local customs clearance, with any required import duties and tariffs settled. These items are transported to our warehouses. Products originating in Malaysia are transported directly from our suppliers' premises to our warehouses.

### Receipt of products

Once we have received the products at our warehouses, we will perform stock counts, inspections, and quality control checks. The stock count verifies that the quantity received matches the purchase order and the supplier's delivery order. Additionally, a visual inspection ensures the products are free from any physical defects.

### Repackaging and dry blending

For products that require repackaging, bulk quantities will be repacked into smaller pouches. For products that require dry blending, relevant food ingredients will be mixed and dry-blended before being packed into smaller pouches. These packages are then labelled with relevant product information.

### Storage of products

Products that pass inspection are then stored at our warehouses until the scheduled delivery date.

### Delivery to customers

All outgoing deliveries undergo a final quality check before a delivery summary order is generated in our ERP system. Upon receipt of the goods, customers sign and stamp the delivery order as proof of delivery.

## 7.11 RESEARCH AND DEVELOPMENT

### 7.11.1 R&D activities

Our Group does not have a R&D policy as at the LPD. However, we carry out R&D activities which focuses on product innovation, enhancing nutritional profiles, developing novel flavours and textures, optimising processing and formulations, and ensuring the quality standard of our manufactured specialty food ingredients and food products. Our R&D is an ongoing process where we aim to improve product performance and provide customised solutions to a variety of applications such as baking, beverage, confectionery, savoury, dairy blends, and nutritional products.

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Our R&D activities include the following:

- **Exploring and evaluating new and diverse input materials:** This includes plant-based sources for creamers, lipids, grains, and alternative sweeteners and flavourings;
- **Improving the nutritional value of our products:** This encompasses fortification with vitamins and minerals, increasing fibre and protein content, reducing sugar, salt and fat, and developing allergen-free and clean label options;
- **Creating appealing sensory experiences:** This involves developing new flavour profiles, optimising textures (e.g. creaminess, crispiness, and solubility), and ensuring desirable appearance across all product categories;
- **Advancing processing and formulation techniques:** This includes optimising extraction, encapsulation, drying, and other manufacturing processes to improve efficiency, stability, and functionality. It also involves developing innovative formulations for various applications;
- **Conducting analytical testing:** This involves utilising laboratory techniques to analyse the chemical composition, nutritional content, and physical properties of our manufactured specialty food ingredients and food products;
- **Performing shelf-life studies:** This includes determining the stability and quality of our manufactured specialty food ingredients and food products over time under various storage conditions;
- **Ensuring product safety and compliance:** This involves adherence to all relevant food safety and labelling regulations for various and different exporting countries; and
- **Understanding and meeting consumer and market needs:** This includes conducting consumer research and feasibility studies to identify market and cultural trends and preferences.

### 7.11.2 Achievements in R&D

Our achievements in R&D are supported by the commercialisation of the following specialty food ingredients:

Year*	Products / Brand	Key advantages
2021	Nutritional lipid powder using canola oil / Custom – NutriHIFAT	<ul style="list-style-type: none"> <li>- Encapsulation of nutritional oil containing a variety of healthy fatty acids such as Omega-3, Omega-6 and Omega-9</li> <li>- Able to target customers and markets that are focused on health, wellness and dietary supplements</li> </ul>
2023	Clean label and vegan-friendly high-fat powder / CUSTOM Vegan – NutriHIFAT	<ul style="list-style-type: none"> <li>- Encapsulation of various sources of oil with plant-based acacia gum, an emulsifier that allows for a high oil load</li> <li>- Able to target customers and markets with specific dietary needs, as well as the broader market that are seeking vegan-friendly and plant-based options</li> </ul>

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Year*	Products / Brand	Key advantages
2024	Fish oil powder / O'Life DHA	<ul style="list-style-type: none"> <li>- Encapsulation of DHA powders with low fish oil odour containing Omega-3 fatty acids with various DHA and EPA content</li> <li>- Able to target customers and markets that are focused on general health and wellness, and infant and child nutrition</li> </ul>
	Clouding agent powder / CUSTOM – Cloud	<ul style="list-style-type: none"> <li>- Replace titanium dioxide which has been banned as a food additive in certain jurisdictions, such as the European Union in 2022 and the Gulf Cooperation Council in 2023, due to potential health concerns</li> <li>- Able to target customers seeking to replace titanium dioxide</li> </ul>
	Lecithin powder / CUSTOM – Lec	<ul style="list-style-type: none"> <li>- Encapsulation of lecithin powder, which is naturally difficult to dissolve in water, and provides instantised lecithin powder as a nutritious ingredient</li> <li>- Able to target customers and markets that require functional food and beverage ingredients, particularly for protein powders, meal replacement, as well as for bakery and confectionery applications where anti-sticking and pan-release properties are valued</li> </ul>
	Enzyme-modified flavoured powder, Butter-flavoured fat powder / CUSTOM - HIFAT	<ul style="list-style-type: none"> <li>- Ability to produce a highly concentrated, authentic, and stable flavour profile with an enhanced mouthfeel as enzyme-modified powders mimic and accelerate natural flavour development</li> <li>- Due to its concentrated flavour profile, the powder is cost-effective for manufacturers, as a much smaller amount is needed to achieve the desired effect</li> </ul>

\* Year of commercialisation

### 7.11.3 R&D facilities and personnel

Our R&D activities are carried out at our innovation centre in SJ Factory which comprises application labs, sensory booth, and pilot-scale plants, as follows:

#### (i) Application labs

Our innovation centre has four application labs, as follows:

**Bakery lab:** To support small-scale testing and development of baked goods, allowing formulation adjustments and quality evaluation. The bakery lab is equipped with ovens, microwave ovens, benchtop mixers, and bread makers.

#### Our innovation centre





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**Flavouring lab:** To design the processed flavours recipe and conduct testing in snack application. The lab is equipped with snack coating tumblers, an overhead stirrer, a viscometer, and a hot plate.

**Food service lab:** To create, test, and improve food and drink products. The lab is equipped with tea brewer, soft serve machine, and bar counter for sensory evaluation.

**Savoury lab:** To formulate, test, and conduct quality assessment of our savoury food products such as soup, sauces, ready meals, and meat applications. The savoury lab is equipped with hood and stove, moisture analyser, incubator, and heating plate.

**Our application labs, shown clockwise from the top-left, include our bakery, flavouring, food service and savoury labs**



### (ii) Sensory booth

We provide a controlled environment for the sensory evaluation of food and beverage products. Each sensory booth is individually designed to minimise distractions and bias, offering a neutral and consistent setting for panelists to assess flavour, aroma, texture, appearance, and overall acceptability.

### Sensory booth



### (iii) Pilot-scale plants

We have the following two types of pilot-scale plants, namely pilot spray dryer and pilot vacuum belt dryer:

**Pilot spray dryer:** It converts liquid formulations into dry powder by atomising and rapidly drying them with hot air. It is used for developing lipid-based powdered food ingredients. It is equipped with a mixing tank, oil melting tank, homogeniser, high-pressure pump, and drying chamber.

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**Pilot vacuum belt dryer:** It removes moisture from heat-sensitive materials under reduced pressure, allowing drying at a lower temperature. The pilot vacuum belt dryer is used for drying heat-sensitive food ingredients while retaining nutrients and flavours. It is equipped with a ribbon blender tank, high-temperature cooker, cooling system, and vacuum chamber.

(L-R) a pilot spray dryer, and a pilot vacuum belt dryer



As at the LPD, we have a team of 13 personnel who are directly involved in R&D activities at our innovation centre, which is led by our Deputy General Manager, Chang Shey Ling.

### 7.11.4 R&D expenditure

Our R&D expenditure accounted for 0.28%, 0.35%, and 1.03% of our total revenue for the FYE 2022, FYE 2023 and FYE 2024 respectively. The details of our R&D expenditure are set out below:

	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
<b>Operational expenditure</b>			
- R&D-related staff cost	525	681	844
- Material cost	125	305	236
- Utilities and miscellaneous costs	173	185	125
<b>Capital expenditure</b>			
- Purchase and upgrade of laboratory and R&D equipment	322	129	2,844
<b>Total R&amp;D expenditure</b>	<b>1,145</b>	<b>1,300</b>	<b>4,049</b>

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### 7.12 TECHNOLOGIES USED

The technologies used in the manufacturing of our specialty food ingredients and food products include the following:

#### (i) Formulation

Formulation is the key technology in manufacturing our non-dairy creamers, functional lipid powders, as well as malt and cereal products. It is the science of designing ingredient blends to create functional, stable, nutritious, and appealing food products. Our formulations leverage the following principles:

- **Rheology and colloid science:** Controlling viscosity, stabilising emulsions, preventing separation of oil and water, and optimising solubility. These principles ensure desired flow properties, stability, and consumer-perceived quality.
- **Thermodynamics:** Understanding fats' melting and crystallisation behaviour, which governs product texture, mouthfeel, and stability. This knowledge is critical for optimising processes such as spray drying (preventing nozzle clogging) and ensuring shelf-life stability (avoiding fat bloom or graininess in stored products).
- **Sensory science:** Enhancing product palatability by strategically using flavour masking agents (such as sweeteners and modifiers), and encapsulation techniques to neutralise unpleasant flavours from functional ingredients like Omega-3 or plant proteins, ensuring consumer appeal while maintaining nutritional integrity.
- **Nutritional science:** Fortifying products with vitamins, minerals, and bioactive compounds while maintaining bioavailability and regulatory compliance.

#### (ii) Microencapsulation

Microencapsulation is a key technology that protects sensitive ingredients (such as lipids, flavours, or vitamins) by coating them with a protective matrix (such as acid casein or acacia gum). For our non-dairy creamers, microencapsulation prevents fat oxidation and improves shelf life. For our functional lipid powders, microencapsulation stabilises Omega-3, MCT and other nutritional oils against degradation. No microencapsulation technology has been used in the production of our other products. Please refer to Section 7.10.1 of this Prospectus for further details on the microencapsulation manufacturing process.

#### (iii) Emulsification

Emulsification is crucial for creating stable oil-in-water or water-in-oil mixtures, particularly in our non-dairy creamers, where it ensures uniform fat dispersion for smooth texture and solubility. For our functional lipid powders, emulsifiers (such as lecithin, monoglycerides, or diglycerides) help encapsulate hydrophobic bioactive compounds. We utilise high-pressure homogenisation mixers to achieve these stable emulsions.

#### (iv) Spray drying

Spray drying converts liquid mixtures into free-flowing powders by atomising them with hot air, making it essential for our non-dairy creamers and functional lipid powders to achieve instant solubility. Key parameters such as inlet / outlet temperatures, feed viscosity, and atomisation must be optimised to prevent thermal degradation while ensuring the desired quality of our non-dairy creamers and functional lipid powders. Please refer to Section 7.10.1 of this Prospectus for further details on the spray drying process.

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### 7.13 SEASONALITY

During the FYE Under Review and from 1 January 2025 up to the LPD, we did not experience any material seasonality in our business.

### 7.14 INTERRUPTIONS TO OUR BUSINESS AND OPERATIONS

We did not experience any material interruption to our business operations during the 12 months preceding the LPD.

### 7.15 SALES AND MARKETING ACTIVITIES

Our marketing positioning and activities to address business opportunities, retain existing customers and secure new customers are focused on the following:

- (i) **Customer retention:** We cultivate customer loyalty through active engagement with our existing customers, including resellers, food manufacturers, and foodservice operators. For the FYE 2024, three out of our top five customers have been dealing with our Group for at least seven years. Our long-established relationships with our customers are based on mutual trust and respect, while keeping our communications constant to obtain feedback on improvement areas.
- (ii) **Market expansion:** We continue to expand our export market coverage to other countries in Asia, the Americas, Europe, the Middle East, Oceania, and Africa. For FYE 2024, we export our products to 42 foreign countries.
- (iii) **Branding:** We participate in international trade exhibitions and industry events to promote our products, gather market intelligence, stay up-to-date on industry trends, and explore new business opportunities. We also act on referrals from existing customers and business associates as part of our outreach efforts.

For the FYE Under Review and from 1 January 2025 up to the LPD, we have participated as well as intend to participate in, amongst others, the following trade exhibitions:

No.	Events	Dates	Location
1.	Institute of Food Technologists (IFT) FIRST 2022	July 2022	Chicago, the United States of America
2.	Food Ingredient (Fi) Asia Indonesia 2022	September 2022	Jakarta, Indonesia
3.	Gulfood Manufacturing 2022	November 2022	Dubai, the United Arab Emirates
4.	Natural Products Expo West 2023	March 2023	California, the United States of America
5.	IFT FIRST 2023	July 2023	Chicago, the United States of America
6.	Fi Asia 2023	September 2023	Bangkok, Thailand
7.	SupplySide West 2023	October 2023	Las Vegas, the United States of America
8.	Fi Europe 2023	October 2023	Frankfurt, Germany

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No.	Events	Dates	Location
9.	VITAFOOD Europe 2024	May 2024	Geneva, Switzerland
10.	IFT FIRST 2024	July 2024	Chicago, the United States of America
11.	Fi Asia 2024	September 2024	Jakarta, Indonesia
12.	VITAFOOD ASIA 2024	September 2024	Bangkok, Thailand
13.	SupplySide West 2024	October 2024	Las Vegas, the United States of America
14.	Gulfood Manufacturing 2024	November 2024	Dubai, the United Arab Emirates
15.	Fi Europe 2024	November 2024	Frankfurt, Germany
16.	Fi China 2025	March 2025	Shanghai, China
17.	Vitafoods Europe 2025	May 2025	Barcelona, Spain
18.	Bio Asia-Taiwan 2025	July 2025	Taiwan
19.	IFT Chicago	July 2025	Chicago, the United States of America
20.	Vitafoods Asia 2025	September 2025	Bangkok, Thailand
21.	FI Asia Thailand 2025	September 2025	Bangkok, Thailand
22.	The Food Tech-Summit & Expo	October 2025 <sup>(1)</sup>	Mexico
23.	Gulfood Manufacturing 2025	November 2025 <sup>(1)</sup>	Dubai, the United Arab Emirates

**Note:**

(1) Impending exhibitions.

- (iv) **Distribution channels:** We adopt both direct and indirect distribution channels to maximise our market coverage and to reach out to as many customers and end-users as possible. Through our direct distribution channel strategy, we can obtain feedback on our products from our customers and demonstrate a commitment to customer satisfactions. Our indirect distribution strategy enables us to use the existing networks and infrastructures of our customers to extend our market coverage without the need for significant investments in human and infrastructure resources.
- (v) **Overseas representation:** We use agents, distributors, and marketing consultant to support our sales efforts and strengthen our market penetration in foreign markets.

As at the LPD, we have a total of 14 personnel in our sales and marketing team, which is led by our Senior General Manager, Tan Eng Kiau.

## 7. BUSINESS OVERVIEW

### 7.16 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

The following are the types of materials that we purchased for our business operations for the FYE Under Review:

#### Purchases of materials by types

Materials	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
Oils and fats	118,983	38.91	74,706	32.61	92,211	35.63
- Palm-based oils and fats	85,610	28.00	56,834	24.81	66,996	25.88
- Coconut-based oils and fats	32,364	10.58	16,197	7.07	22,688	8.77
- Others <sup>(1)</sup>	1,009	0.33	1,675	0.73	2,527	0.98
Sugar and sweeteners	82,578	27.01	74,797	32.65	78,901	30.48
- Glucose syrup	77,131	25.23	67,668	29.54	71,577	27.65
- Others <sup>(2)</sup>	5,447	1.78	7,129	3.11	7,324	2.83
Dairy and dairy alternatives	57,470	18.79	40,921	17.87	36,747	14.20
- Acid casein	47,459	15.52	32,382	14.14	26,654	10.30
- Others <sup>(3)</sup>	10,011	3.27	8,539	3.73	10,093	3.90
Grain-based ingredients and derivatives <sup>(4)</sup>	23,879	7.81	20,379	8.90	28,529	11.02
Functional additives <sup>(5)</sup>	16,147	5.28	11,195	4.89	13,275	5.13
Others <sup>(6)</sup>	6,728	2.20	7,062	3.08	9,165	3.54
<b>Total purchases</b>	<b>305,785</b>	<b>100.00</b>	<b>229,060</b>	<b>100.00</b>	<b>258,828</b>	<b>100.00</b>

#### Notes:

- (1) Mainly include high oleic sunflower oil, canola oil, soybean oil, fish oil, avocado oil, algae oil, and Sacha Inchi oil.
- (2) Mainly include fine granulated sugar, maltose, maltodextrin, icing sugar, caster sugar, caramelised sugar, liquid honey, fructose powder, caramel, sucralose, and brown sugar.
- (3) Mainly include skim milk powder, whey powder, sodium caseinate, coconut milk powder, goat milk powder, milk fat, salted butter, lactose powder, and buttermilk powder.
- (4) Mainly include liquid and powder malt extract, modified starch, instant oats, wheat flour, malt extract cereal, corn starch, quick cooking oats, rolled oats, toasted soybean meal, semolina, malted toasted wheat flakes, brown rice powder, and liquid hydrolysed oat.
- (5) Mainly include acidity regulators, emulsifiers, preservatives, acacia gum, enzymes, and antifoaming agents.
- (6) Mainly include flavouring, colouring agents, nutritional ingredients, and finished goods for our supply segment, such as instant coffee powder and instant tea powder.

## 7. BUSINESS OVERVIEW

### Purchases of materials by sources of supply

Materials	FYE 2022			FYE 2023			FYE 2024		
	RM'000	Domestically sourced (%)	Imported (%)	RM'000	Domestically sourced (%)	Imported (%)	RM'000	Domestically sourced (%)	Imported (%)
Oils and fats	118,983	100.00	-	74,706	99.66	0.34	92,211	96.92	3.08
Sugar and sweeteners	82,578	98.37	1.63	74,797	90.23	9.77	78,901	84.59	15.41
Dairy and dairy alternatives	57,470	22.21	77.79	40,921	7.53	92.47	36,747	31.93	68.07
Grain-based ingredients and derivatives <sup>(1)</sup>	23,879	56.79	43.21	20,379	35.90	64.10	28,529	31.78	68.22
Functional additives <sup>(2)</sup>	16,147	61.81	38.19	11,195	50.88	49.12	13,275	59.20	40.80
Others <sup>(3)</sup>	6,728	75.68	24.32	7,062	74.40	25.60	9,165	82.44	17.56
<b>Total purchases</b>	<b>305,785</b>	<b>79.01</b>	<b>20.99</b>	<b>229,060</b>	<b>71.29</b>	<b>28.71</b>	<b>258,828</b>	<b>74.31</b>	<b>25.69</b>

#### Notes:

- (1) Mainly include liquid and powder malt extract, modified starch, instant oats, wheat flour, malt extract cereal, corn starch, quick cooking oats, rolled oats, toasted soybean meal, semolina, malted toasted wheat flakes, brown rice powder, and liquid hydrolysed oat.
- (2) Mainly include acidity regulators, emulsifiers, preservatives, acacia gum, enzymes, and antifoaming agents.
- (3) Include flavouring, colouring agents, nutritional ingredients, and finished goods for our supply segment, such as instant coffee powder and instant tea powder.

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**7. BUSINESS OVERVIEW**

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**7.16.1 Sources of our materials**

For FYE 2022, FYE 2023, and FYE 2024, we mainly sourced materials for our manufacturing and supply segments locally, which collectively accounted for 79.01% (RM241.61 million), 71.29% (RM163.29 million), and 74.31% (RM192.33 million) of our total purchases of materials, respectively. Meanwhile, our imported materials represented 20.99% (RM64.17 million), 28.71% (RM65.77 million), and 25.69% (RM66.50 million) of our total purchases of materials for the FYE 2022, FYE 2023, and FYE 2024 respectively. We mainly import acid casein, malt extracts, oats, acacia gum, and lecithin.

For the FYE Under Review, we have not experienced any shortages in the supply of materials from our suppliers. As some of the input materials for our manufacturing segment, such as palm-based and coconut-based oils and fats, glucose syrup (mainly made from corn), and acid casein are regarded as commodities, we are subject to the risk of fluctuations in the prices of such materials in the global market. Please refer to Section 9.1.1 of this Prospectus for further details.



## 7. BUSINESS OVERVIEW

### 7.17 MAJOR CUSTOMERS

Our Group's top five major customers and their contributions to our revenue for the FYE Under Review are as follows:

#### FYE 2022

No.	Customers	Geographical markets	Main products	Amount (RM'000)	Proportion of total revenue (%)	Length of business relationship <sup>(1)</sup> (years)
1	Outspan Malaysia Sdn Bhd	Malaysia	Non-dairy creamers	30,664	7.46	3
2	Customer A <sup>(2)</sup>	Indonesia	Non-dairy creamers	27,599	6.72	<1
3	Customer B <sup>(3)</sup>	The Philippines	Non-dairy creamers and functional lipid powders	24,703	6.01	5
4	Customer C <sup>(4)</sup>	Malaysia	Non-dairy creamers	16,465	4.01	5
5	Customer D group <sup>(5)</sup>	The Netherlands	Non-dairy creamers, and malt and cereal products	16,458	4.01	3
<b>Subtotal of top five customers</b>				<b>115,889</b>	<b>28.21</b>	
<b>Total revenue</b>				<b>410,881</b>	<b>100.00</b>	

## 7. BUSINESS OVERVIEW

### FYE 2023

No.	Customers	Geographical markets	Main products	Amount (RM'000)	Proportion of total revenue (%)	Length of business relationship <sup>(1)</sup> (years)
1	Customer B <sup>(3)</sup>	The Philippines	Non-dairy creamers	28,623	7.80	6
2	Customer E <sup>(6)</sup>	Türkiye	Non-dairy creamers and functional lipid powders	20,773	5.66	1
3	Customer F <sup>(7)</sup>	Vietnam	Non-dairy creamers and functional lipid powders	20,520	5.59	8
4	Customer G <sup>(8)</sup>	Taiwan	Non-dairy creamers and functional lipid powders	20,259	5.52	8
5	Customer C <sup>(4)</sup>	Malaysia	Non-dairy creamers	16,031	4.37	6
<b>Subtotal of top five customers</b>				<b>106,206</b>	<b>28.94</b>	
<b>Total revenue</b>				<b>367,078</b>	<b>100.00</b>	

### FYE 2024

No.	Customers	Geographical markets	Main products	Amount (RM'000)	Proportion of total revenue (%)	Length of business relationship <sup>(1)</sup> (years)
1	Customer E <sup>(6)</sup>	Türkiye	Non-dairy creamers and functional lipid powders	22,955	5.81	2
2	Customer B <sup>(3)</sup>	The Philippines	Non-dairy creamers and functional lipid powders	20,975	5.31	7
3	Customer F <sup>(7)</sup>	Vietnam	Non-dairy creamers and functional lipid powders	19,393	4.91	9
4	Customer G <sup>(8)</sup>	Taiwan	Non-dairy creamers, functional lipid powders, and malt and cereal products	18,484	4.68	9
5	Customer H <sup>(9)</sup>	Malaysia	Malt and cereal products, oat-related products, and non-dairy creamers	16,435	4.16	2
<b>Subtotal of top five customers</b>				<b>98,242</b>	<b>24.87</b>	
<b>Total revenue</b>				<b>394,864</b>	<b>100.00</b>	

## 7. BUSINESS OVERVIEW

### Notes:

- (1) Length of business relationship as at the respective financial years.
- (2) Customer A is a company incorporated in Indonesia that is involved in the manufacturing of powdered coffee beverages. The principal market in which Customer A operates is Indonesia. Customer A is not listed on any stock exchange.
- (3) Customer B is a company incorporated in the Philippines that is involved in the trading, marketing and distribution of food ingredients. The principal market in which Customer B operates is the Philippines. Customer B is not listed on any stock exchange.
- (4) Customer C is a company incorporated in Malaysia that is involved in the wholesale of food and beverages. The principal market in which Customer C operates is Malaysia. Customer C is a subsidiary of a company that is seeking for listing on the Main Market of Bursa Securities.
- (5) Customer D group comprises two companies incorporated in the Netherlands. Prior to a merger, these two companies were involved in the sourcing, supply, and branding of food products. As at the LPD, Customer D is still carrying similar activities under one single entity and the principal markets in which Customer D operates is the Netherlands and Africa. Customer D is not listed on any stock exchange.
- (6) Customer E is a company incorporated in Türkiye that is involved in the wholesale of food ingredients. The principal market in which Customer E operates is Türkiye. Customer E is not listed on any stock exchange.
- (7) Customer F is a company incorporated in Vietnam that is involved in the trading of food ingredients, flavourings, and food additives. The principal market in which Customer F operates is Vietnam. Customer F is not listed on any stock exchange.
- (8) Customer G is a company incorporated in Taiwan that is involved in the trading and distribution of food ingredients and products. The principal markets in which Customer G operates is Taiwan, China and the United States of America. Customer G is not listed on any stock exchange.
- (9) Customer H is a company incorporated in Malaysia that is involved in the operation of retail outlets. The principal market in which Customer H operates is Malaysia. Customer H is a subsidiary of a public listed company on the Stock Exchange of Thailand.

The names of Customers A, B, C, D, E, F, G and H have not been disclosed due to the following reasons:

(i) Confidentiality and internal policies

Certain customers consider the disclosure of their names to be confidential and inconsistent with their internal policies that emphasise discretion in partnerships and operational dealings.

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## 7. BUSINESS OVERVIEW

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(ii) Competitive sensitivity

Some customers have expressed concern that disclosure of their identities may compromise their competitive position by:

- (a) revealing insights into their sourcing arrangements;
- (b) enabling third parties to bypass them by approaching our Group directly; and/or
- (c) weaken their bargaining position in negotiations with their other suppliers.

(iii) Disruption to distribution structures

Certain customers consider the disclosure of their names to be disruptive to their existing distribution structures, particularly where they act as intermediaries to distributors. Public identification could prompt end-customers to bypass the distributors, thereby undermining the role of the distributors.

For the FYE Under Review, we were not dependent on any individual major customer, as there were no customers that contributed more than 10.00% of our total revenue for any one of the FYE Under Review. In FYE 2024, we had approximately 450 customers, comprising food manufacturers, foodservice operators, and resellers (distribution and trading companies).

## 7. BUSINESS OVERVIEW

### 7.18 MAJOR SUPPLIERS

Our Group's top five major suppliers and their contributions to our purchases for the FYE Under Review are as follows:

#### FYE 2022

No.	Suppliers	Country of source	Main products	Amount (RM'000)	Proportion of total purchases (%)	Length of business relationship <sup>(1)</sup> (years)
1	Supplier A <sup>(2)</sup>	Malaysia	Glucose syrup	54,866	17.94	20
2	Supplier B <sup>(3)</sup>	Malaysia	Palm-based oils and fats	44,213	14.46	9
3	Supplier C1 <sup>(4)</sup>	Malaysia	Palm and coconut-based oils and fats	38,550	12.61	19
4	Lakeland Dairies	Ireland	Acid casein	25,952	8.49	1
5	Taiwan Fructose (M) Sdn Bhd	Malaysia	Glucose syrup	21,779	7.12	10
<b>Subtotal for top five suppliers</b>				<b>185,360</b>	<b>60.62</b>	
<b>Total purchases of materials</b>				<b>305,785</b>	<b>100.00</b>	

#### FYE 2023

No.	Suppliers	Country of source	Main products	Amount (RM'000)	Proportion of total purchases (%)	Length of business relationship <sup>(1)</sup> (years)
1	Supplier A <sup>(2)</sup>	Malaysia	Glucose syrup	34,546	15.08	21
2	Taiwan Fructose (M) Sdn Bhd	Malaysia	Glucose syrup	26,775	11.69	11
3	Supplier B <sup>(3)</sup>	Malaysia	Palm-based oils and fats	23,328	10.18	10
4	Mewah group of companies <sup>(5)</sup>	Malaysia	Palm and coconut-based oils and fats	20,006	8.73	8
5	Arrabawn Co-operative Society Ltd	Ireland	Acid casein	18,003	7.86	<1
<b>Subtotal for top five suppliers</b>				<b>122,658</b>	<b>53.54</b>	
<b>Total purchases of materials</b>				<b>229,060</b>	<b>100.00</b>	

## 7. BUSINESS OVERVIEW

### FYE 2024

No.	Suppliers	Country of source	Main products	Amount (RM'000)	Proportion of total purchases (%)	Length of business relationship <sup>(1)</sup> (years)
1	Supplier C group <sup>(4)</sup>	Malaysia	Glucose syrup, coconut oil, and sunflower oil	32,880	12.70	21
2	Mewah group of companies <sup>(5)</sup>	Malaysia	Palm and coconut-based oils and fats	31,022	11.99	9
3	Bunge Lodgers group of companies <sup>(6)</sup>	Malaysia and the Netherlands	Palm kernel oil	30,355	11.73	5
4	Taiwan Fructose (M) Sdn Bhd	Malaysia	Glucose syrup	21,447	8.29	12
5	Lakeland Dairies	Ireland	Acid casein	14,788	5.71	3
<b>Subtotal for top five suppliers</b>				<b>130,492</b>	<b>50.42</b>	
<b>Total purchases of materials</b>				<b>258,828</b>	<b>100.00</b>	

#### Notes:

- (1) Length of business relationship as at the respective financial years.
- (2) Supplier A is a company incorporated in Malaysia that is involved in the manufacturing and sale of food and beverage ingredients. The principal market in which Supplier A operates is Malaysia. Supplier A is a subsidiary of a public listed company on the Main Market of Bursa Securities.
- (3) Supplier B is a company incorporated in Malaysia that is involved in the manufacturing, packing, and selling of vegetable oil-based products, its by-products, and derivatives. The principal markets in which Supplier B operates are Asia Pacific, Central Asia, the Middle East and North Africa, Europe, Sub-Saharan Africa and South America. Supplier B is not listed on any stock exchange.
- (4) Supplier C group comprises Supplier C1 and Supplier C2, which both are companies incorporated in Malaysia. Supplier C1 is involved in the processing, trading and marketing of vegetable oils, while Supplier C2 is involved in the trading and distribution of grains, providing warehousing services, and trading of food ingredients. The principal market in which Supplier C group operates is Southeast Asia. Supplier C group is not listed on any stock exchange.

## 7. BUSINESS OVERVIEW

- (5) Mewah group of companies includes Mewah-Oils Sdn Bhd and Mewaholeo Industries Sdn Bhd, which are subsidiaries of Mewah International Inc., a public listed company on the Singapore Stock Exchange.
- (6) Bunge Loders group of companies includes Bunge Loders Croklaan Oils Sdn Bhd and Bunge Loders Croklaan B.V., which are subsidiaries of Bunge Limited, a public listed company on the New York Stock Exchange.

The names of Suppliers A, B, C1 and C2 have not been disclosed due to the following reasons:

(i) Confidentiality and internal policies

Certain suppliers consider the disclosure of their names to be confidential and inconsistent with their internal policies that emphasise discretion in partnerships and operational dealings.

(ii) Competitive sensitivity

Some suppliers have expressed concern that disclosure of their identities may indirectly expose the identity of their key customer (i.e. our Group) and, in turn:

- (a) expose their customer base and target markets;
- (b) enable their competitors to target our Group and divert business away from them; and/or
- (c) undermine their competitive advantage by weakening their ability to protect key accounts and preserve market share.

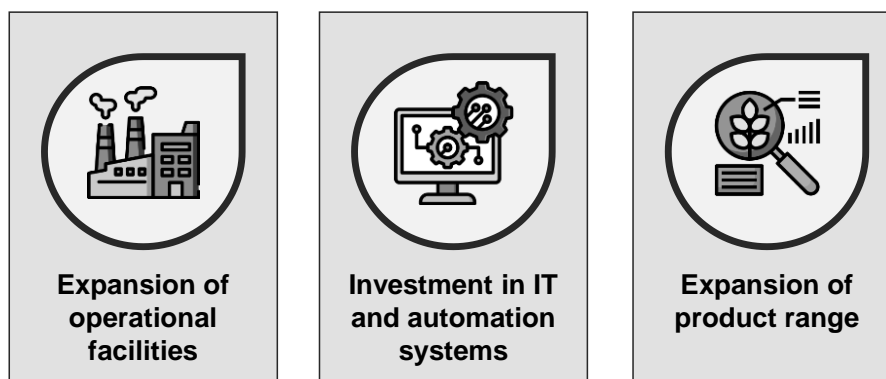
The purchases of glucose syrup from Supplier A, Taiwan Fructose (M) Sdn Bhd and Supplier C1 have contributed more than 10.00% of our total purchases in one or more of the FYE Under Review. However, we are not dependent on any individual major supplier as we are able to source similar products from other suppliers. For the FYE Under Review, we sourced glucose syrup from five suppliers.

The purchases of palm and coconut-based oils and fats from Supplier B, Supplier C2, Mewah group of companies, and Bunge Loders group of companies have contributed more than 10.00% of our total purchases in one or more of the FYE Under Review. However, we are not dependent on any individual major supplier as we are able to source similar products from other suppliers. For the FYE Under Review, we sourced palm-based oils and fats from 12 suppliers and coconut-based oils and fats from five suppliers.

## 7. BUSINESS OVERVIEW

### 7.19 OUR BUSINESS STRATEGIES AND PLANS

Our business strategies and plans include the expansion of our operational facilities, investment in IT and automation systems, as well as expansion of our production range, as shown below:



Save for the land / property to be acquired for the New Factory as set out in Section 7.19.1 below, our Group does not have any targeted acquisition as at the LPD.

#### 7.19.1 Expansion of operational facilities

We intend to establish a new manufacturing plant and warehouse, as well as purchase new machinery and equipment.

##### (i) Establishment of a New Factory

We intend to establish a New Factory, and the development of the New Factory is expected to be undertaken in two phases as set out below:

- **Phase 1:** Acquisition of a suitable piece of land with a land area of approximately four acres in the fourth quarter of 2026. Depending on the suitability of the location, we may purchase a vacant piece of land and engage a construction company to build according to our specifications, or we may purchase an existing factory / warehouse with the intended land size, which will then require renovation works; and
- **Phase 2:** Construction of a factory with an estimated built-up area of 40,000 sq. ft. and a warehouse with an estimated built-up area of 100,000 sq. ft., scheduled for completion in the fourth quarter of 2028. The factory is intended to house new machinery and equipment for the manufacturing of flavour and bakery enhancement products, while the warehouse is intended to store our inventories arising from the expansion of our manufacturing facilities.

As at the LPD, we have yet to identify a suitable piece of land to be acquired for the establishment of the New Factory. In identifying a suitable piece of land, we will assess the potential land based on the following criteria:

- (i) minimal disruptions to our Group's existing operations, particularly those at our current manufacturing and warehouse sites;
- (ii) proximity to our existing manufacturing facilities to enable operational synergies and cost efficiency; and



## 7. BUSINESS OVERVIEW

- (iii) overall cost considerations, including land acquisition, development, and ongoing operational expenses.

The land owned by our Promoters (such as the land where our SJ Warehouse is currently situated on (“**SJ Warehouse Land**”)) may be aligned with our criteria. Hence, our expansion plan may involve acquiring the SJ Warehouse Land. The acquisition of any identified land for the development will only take place after the receipt of proceeds from our IPO. The following table depicts the estimated timeline for the establishment of the New Factory:

Estimated timing	Details
2Q 2026	<ul style="list-style-type: none"> <li>Identify a land / property to purchase</li> <li>Enter into a sale and purchase agreement to acquire the land / property</li> </ul>
4Q 2026	<ul style="list-style-type: none"> <li>Complete the acquisition of the land / property</li> <li>Submit building plan and other plan approvals for the construction / renovation of the New Factory</li> <li>Obtain relevant approvals and appoint a contractor</li> <li>Commence construction / renovation of the New Factory</li> </ul>
4Q 2028	<ul style="list-style-type: none"> <li>Complete the construction / renovation of the New Factory</li> <li>Obtain relevant CCC</li> <li>Install new machinery and equipment at the New Factory</li> <li>Obtain the necessary certifications, registrations and licences for our manufacturing operations at the New Factory</li> </ul>
1Q 2029	<ul style="list-style-type: none"> <li>Commence manufacturing operations at the New Factory</li> </ul>

The following table sets out the estimated cost for the establishment of the New Factory:

Description	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds / bank borrowings RM'000
Acquisition of a piece of suitable land for the development of our New Factory	[●]	[●]	-
Construction / renovation of our New Factory	[●]	[●]	12,000
<b>Total estimated cost</b>	<b>[●]</b>	<b>[●]</b>	<b>12,000</b>

As at the LPD, we have yet to incur any cost for the acquisition and construction of the New Factory. We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from the Public Issue, to fund the abovementioned plans.

## 7. BUSINESS OVERVIEW

### (ii) Purchase of new machinery and equipment for the expansion of our manufacturing facilities

We plan to purchase the following machinery and equipment to expand our product range and capabilities:

- a process blender and associated facilities for the manufacturing of malt products at our Kulim Factory, which is expected to be installed in the second quarter of 2027. This is part of our plan to increase the existing production capacity of our malt operation, which was operating at approximately 90% utilisation in FYE 2024 at our SJ Factory. As at the LPD, we also have a vacuum belt dryer which will operate in conjunction with the blender and associated facilities for the manufacturing of malt products. The malt production will have a production capacity of 3,600 tonnes per annum. Additionally, the decision to install these machineries for the manufacturing of malt products at our Kulim Factory (instead of SJ Factory) was made to capitalise on the cost efficiencies available at our Kulim Factory as its manufacturing operations use natural gas (as opposed to fuel oil) and is equipped with solar panels to power our operations;
- a spray dryer, a vacuum belt dryer, and associated facilities for the manufacturing of flavour products at the New Factory, which are expected to be installed following the establishment of the New Factory in the fourth quarter of 2028. This is part of our plan to expand our product range with new flavour variants, such as butter, cream, milk, and savoury flavoured powders, as well as to reduce our purchases of flavour products that we currently use in the manufacturing of our flavours range of products. As at the LPD, these flavour products are being developed at our innovation centre at our SJ Factory. We plan to acquire a dedicated spray dryer and vacuum belt dryer specifically for the production of flavour products, with targeted annual production capacities of 500 tonnes each; and
- a dry-mixing equipment and a down-packaging equipment for the blending and down-packaging of bakery enhancement products at the New Factory, which are expected to be installed following the establishment of the New Factory in the fourth quarter of 2028. The intended dry-mixing equipment and down-packaging equipment will have a production capacity of 1,500 tonnes per annum.

The following table sets out the estimated cost for the purchase of new machinery and equipment for the expansion of our manufacturing facilities:

Description	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds / bank borrowings RM'000
Purchase and installation of new machinery and equipment	[●]	[●]	5,000

As at the LPD, we have yet to incur any cost for the purchase of these machinery and equipment. We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from the Public Issue, to fund the abovementioned plans.

## 7. BUSINESS OVERVIEW

### 7.19.2 Investment in IT and automation systems

We plan to invest in IT and automation systems to improve operational efficiency as well as to support our growth. This plan is aligned with our broader expansion strategy to enhance process control, data visibility, and decision-making across our manufacturing and business operations.

Our investment in IT and automation systems entails:

- installing two robotic palletisers to replace manual labour for the stacking of finished goods in Spray Dryer Plant 1 and Spray Dryer Plant 2; and
- implementing a WMS to improve traceability and operational efficiency in our warehouse at Kulim Factory, OCSB Warehouse, and the warehouse at our New Factory.

#### (i) Robotic palletisers

Robotic palletisers are automated systems designed to stack products onto pallets in a programmed pattern using robotics or computer-controlled motion. These robots are designed to mimic human movements, enabling them to handle various types of goods efficiently for storage and transportation. They can operate continuously, picking products one at a time, by row, or by layer, depending on the tooling and programming. Compared to manual stacking, robotic palletisers offer several benefits, including enhanced efficiency and productivity, improved workplace safety, consistent quality and precision, long-term cost efficiency, and reduced reliance on manual labour.

As at the LPD, the palletising process at our Spray Dryer Plant 1 and Spray Dryer Plant 2 is carried out manually, where the products are physically stacked onto pallets by our employees. Currently, a total of 20 personnel are assigned to perform this manual palletising process across both plants (10 personnel per plant, working in two shifts per day).

As part of our effort to reduce reliance on manual labour and increase automation, we plan to purchase and install two units of robotic palletisers at our Spray Dryer Plant 1 and Spray Dryer Plant 2.

With the installation of the robotic palletisers, we expect to reduce our workforce required for palletising at our Spray Dryer Plant 1 and Spray Dryer Plant 2 to a total of eight personnel (four personnel per plant, working in two shifts per day). This reduced manpower can be transferred to other functions to meet the requirements and expansion of our Group.

As at the LPD, a robotic palletiser has been installed at our Spray Dryer Plant 4. We intend to implement the same type of robotic palletisers at our Spray Dryer Plant 1 and Spray Dryer Plant 2.

The purchase and installation of the two robotic palletisers is scheduled to commence in the second quarter of 2026, with complete installation targeted for completion in the second quarter of 2027. As at the LPD, we have yet to incur any cost for the purchase of these robotic palletisers.

**Robotic palletiser installed in our Spray Dryer Plant 4**



## 7. BUSINESS OVERVIEW

### (ii) Warehouse management system

As at the LPD, our warehouse operations rely on manually keying products and inventory data into our ERP system software, which is inherently slow and highly susceptible to human error. As such, we plan to implement a WMS to automate and enhance our existing system, providing a more accurate, efficient, and real-time view of our warehouse operations.

We intend to deploy technologies such as barcode, QR code, and/or RFID scanning. Barcode and QR scanners will be utilised to manage individual items during operations such as receiving, picking and packing. RFID scanners will be utilised for high-volume and bulk items movements, including the automated tracking of pallets and containers. We plan to install RFID readers at the entry and exit points of our warehouses. These readers will automatically capture the arrival of input materials and the dispatch of finished goods, providing instant and real-time updates without manual intervention.

We aim to implement the WMS for our warehouse in Kulim Factory and OCSB Warehouse in the fourth quarter of 2026, which will be funded using proceeds from the Public Issue. We also aim to implement the WMS for our new warehouse in the New Factory in the fourth quarter of 2028, which will be funded using internally generated funds and/or bank borrowings.

The following table sets out the estimated cost for the investment in IT and automation systems:

Description	Estimated cost RM'000	Source of funding	
		IPO proceeds RM'000	Internally generated funds / bank borrowings RM'000
Purchase and install two robotic palletisers at our Spray Dryer Plant 1 and Spray Dryer Plant 2	[•]	[•]	-
Implementation of WMS for our warehouse in Kulim Factory, OCSB Warehouse and New Factory	[•]	[•]	1,000
<b>Total estimated cost</b>	<b>[●]</b>	<b>[●]</b>	<b>1,000</b>

We intend to allocate RM[•] million, representing approximately [•]% of the gross proceeds from the Public Issue, to fund the abovementioned plans.

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### 7.19.3 Expansion of product range

Our product expansion strategy aims to strengthen our position as a customised and solution-driven manufacturer of specialty food ingredients and food products, and enhance the value we offer to our customers across diverse end-use sectors.

We intend to allocate RM5.00 million for the R&D of new product range, which will be funded using internally generated funds and/or bank borrowings. Our product development roadmap focuses on the following key areas:

- **New product range development**

We are expanding into complementary product categories to diversify our existing product offerings. This includes the development of the following:

- Flavour products such as butter, cream, milk, cheese and savoury flavoured products;
- Nutritional and functional powdered blends tailored for specific health or dietary needs;
- Plant-based ingredient systems in line with global trends toward clean label and vegan-friendly formulations;
- Application-specific ingredients for bakery, confectionery, ready-to-drink beverages, and meal replacement products; and
- Application-specific base powders for infant and follow-up formula, health, and nutrition products.

As at the LPD, we are developing one new formulation, namely microencapsulated CaHMB, to expand our nutritional lipid powder product range. Calcium  $\beta$ -hydroxy  $\beta$ -methylbutyrate (CaHMB) is the calcium salt form of  $\beta$ -hydroxy  $\beta$ -methylbutyrate (HMB), which is a metabolite (a substance produced during metabolism) of the essential amino acid leucine. CaHMB is primarily used in dietary supplements and sports nutrition products.

- **Customer-centric development**

Our ability to co-develop and customise products to meet our customers' specifications on formulation, flavour, texture, and nutritional aspects has allowed us to strengthen customer relationships, improve customer retention, and position ourselves as a long-term partner. As at the LPD, we are developing 20 customised formulations with our customers.

- **Investment in R&D capabilities**

We plan to invest in our R&D infrastructure, including pilot-scale plants and testing equipment to support our specialty food ingredients and food products innovation pipeline. Our R&D team works closely with our sales and technical support team to convert customer insights and market trends into commercially viable products. We intend to allocate RM5.00 million for the purchase of pilot-scale plants and testing equipment, and this will be funded using internally generated funds and/or bank borrowings.

## 7. BUSINESS OVERVIEW

### 7.20 ESG PRACTICES

Our Group has established an ESG Framework, which is aligned with the National Sustainability Reporting Framework (NSRF) of Malaysia and Bursa Malaysia's Sustainability Reporting Guidelines, to ensure that our Group's operations are carried out in a responsible and sustainable manner. The ESG framework is an integrated sustainability management system embedded into our Group's overall corporate strategy, operations and risk management practices.

Our Group's ESG Practices are as follows:

#### 7.20.1 Environmental

##### (i) Energy management and water conservation

We manage our environmental impact through our Environmental Policy. Energy and water usage are monitored systematically using standardised data tracking records. We have adopted initiatives such as efficient lighting usage and water-saving measures to reduce consumption and in-turn operating costs. These measures are subject to audits and performance reviews to ensure compliance with our internal environment policy, applicable local environmental regulations and ISO standards.

##### (ii) Sustainable resource management

We have implemented waste management systems to minimise, segregate, recycle and responsibly dispose of waste, particularly in our packaging and manufacturing processes. We also encourage our suppliers to adopt sustainable sourcing practices and adhere to our waste reduction goals.

We aim to strengthen our sustainable resource management through continuous engagement with our stakeholders as well as monitoring our waste management systems.

##### (iii) Emissions management

Our Group is committed to address climate-related risks and reduce greenhouse gas emissions. We have installed solar power systems at our Kulim Factory and adopted battery-powered forklifts at our manufacturing facilities to reduce reliance on fossil fuels and carbon footprint. These initiatives form part of our broader carbon reduction roadmap, supported by regular reviews of our health, safety and environmental (HSE) policies. Our Group maintains transparent communication with the relevant stakeholders regarding climate practices, reinforcing our commitment to environmental resilience and continuous emissions reduction.

#### 7.20.2 Social

##### (i) Human rights and fair employment

Our Group enforces a zero-tolerance policy on exploitative practices through our policies such as our child labour policy, forced labour policy, freely chosen employment policy and foreign worker management policy. These policies ensure that all our local employees and foreign workers are hired based on legal, voluntary and non-discriminatory practices. Our Group also requires all vendors, contractors and service providers to declare their adherence to these same standards, ensuring a responsible and ethical supply chain. Through these policies and practices, we aim to create a safe, fair and inclusive working environment.

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### (ii) Fair wages and ethical recruitment

Our Group recognises that people are at the core of sustainable growth and that fostering a fair, safe and inclusive work environment is essential to long-term business resilience. Social sustainability within our Group extends beyond compliance, it encompasses respect for human rights, ethical employment practices, employee empowerment, workplace safety and meaningful community impact. Our Group's approach to social responsibility is guided by Malaysian recognised labour standards and is implemented through our policies, systems and accountability structures. To reinforce economic justice and equitable treatment of all workers, our Group embeds ethical recruitment practices within our hiring practices supported by our ethical recruitment policy. Our Group also adopts measures such as monthly wage analysis to ensure our employees are being compensated fairly.

### (iii) Diversity and inclusion

Our Group is committed to cultivating a diverse, equitable and inclusive workplace that values differences and provides equal opportunities regardless of gender, ethnicity, nationality, religion, age or disability. This is supported by our diversity policy, sexual harassment policy and anti-retaliation policy. These policies collectively aim to create a safe, respectful and collaborative environment, while also safeguarding our employees and stakeholders against harassment, discrimination or victimisation. These policies are communicated across all levels of staff to reinforce inclusive behaviour, raise awareness of unconscious bias and build cultural competence. Our diversity and inclusion practices are subject to regular monitoring and review to ensure compliance with legal requirements, alignment with best practices and consistent implementation throughout our Group.

### (iv) Occupational health, safety and living conditions

We have in place our Occupational Health and Safety Policy which aligns with national Occupational Safety and Health Act and DOSH requirements, with the primary aim of providing a safe and healthy workplace. It sets out procedures for hazard identification, risk mitigation, emergency response and incident reporting. We carry out regular workplace inspections, safety briefings and job safety analyses to minimise health and safety risks.

Our Group also prioritises the welfare of our foreign workers, by ensuring their accommodations meet safety, sanitation and dignity standards. We routinely conduct workplace impact assessments to assess and improve their living conditions. These measures are continuously reviewed and improved to ensure full compliance with the applicable recognised workplace safety standards as well as occupational safety and health regulations.

### (v) Product quality

We strive to ensure that our specialty food ingredients and food products meet strict food safety and quality control standards. As at the LPD, our Kulim Factory and SJ Factory are operating in accordance with the food safety and quality practices under the HACCP, GMP and MeSTI certifications. Our incoming materials are inspected, verified and tested to ensure they meet our specifications. We would ask for Certificate of Analysis from our suppliers before accepting some of our incoming materials. Only materials that meet quality and safety standards are approved and accepted, while non-conforming batches are rejected to safeguard our product integrity.

We also produce nutritional lipid powder, clean label and vegan-friendly high-fat powder, and fish oil powder which are health-oriented specialty food ingredients that deliver nutritional benefits.

## 7. BUSINESS OVERVIEW

### (vi) Employee engagement and grievance redressal

Our Group fosters two-way communication through communication channels and focus group discussions to monitor employee well-being, morale and organisational culture. In addition, our Group's whistleblowing policy provides a secure and confidential avenue for employees to report misconduct, discrimination or workplace grievances without fear of retaliation. All reported issues are investigated promptly and outcomes are communicated transparently. By embedding these feedback and grievance mechanisms into our human capital strategy, we aim to strengthen employee engagement, enhance workplace satisfaction and build a culture of fairness, dignity and trust. In addition, our employees have been trained in HACCP and GMP food safety practices.

### (vii) Responsible supply chain and ethical sourcing

Our Group integrates ESG criteria into supplier selection, onboarding, monitoring and engagement processes to drive long-term sustainability across our value chain. All suppliers are encouraged to adhere to our Group's responsible sourcing policy and applicable regulatory requirements to promote continuous improvement in responsible supply chain management.

Our Group has developed a supplier sustainability program that embeds ESG principles into all procurement and vendor management practices. Through our Group's responsible sourcing policy, supplier registration application form and supplier sustainability questionnaire, our suppliers are evaluated on labour practices, environmental stewardship, health and safety compliance and ethical conduct. Assessments are carried out during onboarding and, where necessary, through site visits and document verification. We may terminate business relations with non-compliant suppliers to ensure alignment with our Group's corporate values.

#### 7.20.3 Governance

Our Group is dedicated to uphold high level of corporate governance through upholding the MCGG. Accordingly:

- (i) we have established an Audit Committee, a Sustainable and Risk Management Committee, and Nominating and Remuneration Committee to oversee amongst others, sustainability and risk management strategies, review of potential conflict and related party transactions, remuneration of Directors, and approval of relevant policies;
- (ii) we have adopted the Anti-Bribery and Anti-Corruption Policy, Whistleblowing Policy and Anti-Retaliation Policy to promote good corporate governance and to ensure transparency, accountability and ethical behaviour at all levels of our operations;
- (iii) the positions of our Chairman and Managing Director are held by different individuals;
- (iv) our Board comprises at least 30% women Directors; and
- (v) as part of our continuous effort and commitment in ensuring product quality, our Group has obtained HACCP, GMP and MeSTI certifications for our manufacturing operations at our Kulim Factory and SJ Factory.



## **7. BUSINESS OVERVIEW**

### **7.21 MAJOR LICENCES, PERMITS AND APPROVALS**

Please refer to Annexure A of this Prospectus for details on the major licences, permits and approvals obtained by our Group, and the status of compliance of material conditions attached as at the LPD.

### **7.22 INTELLECTUAL PROPERTY RIGHTS**

Please refer to Annexure C of this Prospectus for details on the intellectual property rights of our Group.

### **7.23 MATERIAL PROPERTIES**

Please refer to Annexure B of this Prospectus for details of material properties owned and rented by our Group as at the LPD.

Save as disclosed in Section 7.26.1 of this Prospectus, none of our material properties are in breach of any land use conditions and/or are in non-compliance with current applicable laws, rules and building regulations.

### **7.24 MATERIAL DEPENDENCY ON CONTRACTS, LICENCES AND PERMITS, INTELLECTUAL PROPERTY RIGHTS OR OTHER ARRANGEMENTS**

As at the LPD, save for the major licences, permits and approvals in Annexure A and the intellectual property rights in Annexure C, the business and profitability of our Group are not materially dependent on any commercial or financial contracts, licences and permits, intellectual property rights or other arrangements.

### **7.25 GOVERNING LAWS, REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES**

Our business is regulated by, and in some instances required to be licenced under specific laws of the jurisdictions where we operate our business. The relevant laws and regulations governing our Group in Malaysia, our core market, and which are material to our operations are summarised below.

The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to and is only intended to provide general information to investors. It is not intended to be a substitute for independent professional advice. Non-compliance with the relevant laws and regulations below may result in monetary and/or custodial penalties and/or any other orders being made.

#### **(i) Industrial Co-ordination Act 1975 ("ICA 1975")**

The ICA 1975 provides for the co-ordination and orderly development of manufacturing activities in Malaysia, for the establishment of an Industrial Advisory Council and for other matters connected therewith or incidental thereto.

Pursuant to Section 3(1) of the ICA 1975, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Any person engaging in any manufacturing activity with a shareholders' fund of RM2.5 million and above or employing 75 or more full-time paid employees are required to apply for a manufacturing licence.

## 7. BUSINESS OVERVIEW

Failure to comply constitutes an offence and such person shall, on conviction, be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000 for every day during which such default continues.

The licensing officer may also in his discretion revoke a licence if the manufacturer to whom a licence is issued:

- (a) has not complied with any condition imposed in the licence;
- (b) is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- (c) has made a false statement in his application for the licence.

The licensing officer may also withhold or suspend the revocation of the licence if he is satisfied that the act or omission on the part of the manufacturer under the above situations was due to some cause beyond his control and there is a reasonable prospect of such act or omission being remedied within such period as the licensing officer may direct.

### (ii) Food Act 1983 ("FA 1983")

The FA 1983 and Food Regulations 1985 ("**Food Regulations**") are laws governing food safety and quality control. The objective is to protect the public against health hazards and fraud in the preparation, sale and use of food, and for matters incidental thereto or connected therewith.

Section 15 of the FA 1983 provides that where a standard has been prescribed for any food, any person who prepares, packages, labels or advertises any food which does not comply with that standard, in such a manner that it is likely to be mistaken for food of the prescribed standard, commits an offence and is liable on conviction to imprisonment for a term not exceeding three years or to fine or to both.

Regulations 9 to 18E of the Food Regulations set out the regulations on labelling of food packaging that has to be adhered to. Regulation 397 of the Food Regulations provides that any person who contravenes or fails to comply with any provisions of the Food Regulations commits an offence and any person who commits an offence against the Food Regulations for which no penalty is provided by the FA 1983 shall, on conviction, be liable to a fine not exceeding RM10,000 or imprisonment for a term not exceeding two years.

Regulation 3 of the Food Hygiene Regulations 2009 requires all the following food premises to be registered, the non-compliance of which shall be an offence punishable with a fine not exceeding RM10,000 or imprisonment not exceeding two years:

- (i) all food premises involved in manufacturing of food;
- (ii) all food premises involved in food catering;
- (iii) all premises where food is prepared, processed, kept and served for sale; and
- (iv) all vehicles where food ready for consumption is sold.

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## 7. BUSINESS OVERVIEW

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### (iii) Food Analysis Act 2011 (“FAA”)

The FAA is an act to regulate the practice of food analysts. Pursuant to Section 20(1) of the FAA, a registered food analyst who intends to practise as a food analyst shall apply for an annual practising certificate. Any person who employs a person who practices food analysis without a valid annual practising certificate commits an offence and shall, on conviction, be liable:

- (a) in respect of a first offence, to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both;
- (b) in respect of a subsequent offence, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding five years or to both;
- (c) in respect of a continuing offence, to a further fine of RM500 for each day the offence continues after conviction in addition to the penalties provided under paragraphs (a) and (b) above.

Section 31(1) of the FAA provides that no person shall issue or certify in writing the result of any food analysis for the purpose of determining the composition or specification of any substance or product consumed or used by, or intended for the consumption or use of the public unless he is a registered food analyst and has a valid annual practising certificate.

Any person who contravenes the above provision commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both and for a subsequent offence, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding five years or to both.

### (iv) Control of Supplies Act 1961 (“CSA 1961”)

The CSA 1961 is an act to provide for the control and rationing of supplies. The Control of Supplies Regulations 1961 (“**CS Regulations**”) is a regulation made pursuant to the CSA 1974. Pursuant to Regulation 18 of the CS Regulations, any person who carries on any trade or business, which uses or consumes any of the scheduled articles, shall not have in his possession the quantity of the scheduled article as specified in the CS Regulations unless a permit is obtained. The scheduled article includes sugar, cooking oil, diesel and wheat flour. Section 22 of the CSA 1961 provides that any body corporate which commits an offence against the CSA 1961 shall, on conviction, be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000.

### (v) Occupational Safety and Health Act 1994 (“OSHA 1994”)

The OSHA 1994 provides the framework to secure the safety, health and welfare among workforce and to protect others against risks to safety or health in connection with the activities of persons at work.

The OSHA 1994 imposes a general duty on every employer to ensure, so far as is practicable, the safety, health and welfare of its employees at work. Such duty, so far as is practicable, includes:

- (a) providing and maintaining plants and systems of work that are safe and without risks to health;

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- (b) making arrangements to ensure safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (c) providing information, instruction, training and supervision as is necessary to ensure the safety and health at work of his employees;
- (d) maintaining any place of work under the control of the employer, in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks;
- (e) providing and maintaining a working environment for his employees that is safe, without risks to health, and adequate as regards facilities for their welfare at work; and
- (f) formulating and implementing safety and health policies. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

The employer shall also establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work. An occupier of a place of work is also required to employ a competent person to act as a safety and health officer at the place of work. The OSHA 1994 also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Failure to comply with the general duties of employers under Part IV of OSHA 1994 constitutes an offence and the employer is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two years or to both.

Following the Factories and Machinery (Repeal) Act 2022, the OSHA 1994 also provides that no person shall operate or cause or permit to be operated any steam boiler, pressure vessel and lifting machinery ("**Plant**") unless a certificate of fitness has been issued. Failure to comply with the above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding one year or to both. In addition, an officer shall immediately serve to the person who operates or causes or permits to be operated the Plant without a certificate of fitness, a written notice prohibiting the operation of the Plant until a certificate of fitness is issued. Failure to comply with the notice shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two years or to both.

### (vi) **Street, Drainage and Building Act 1974 ("SDBA")**

The SDBA is enforced by the local authorities of Peninsular Malaysia, and it provides for the requirement of having a CCC for the occupation of any building or any part thereof.

Under the Uniform Building By-Laws 1984 ("**UBBL**") which was issued pursuant to the SDBA, a CCC or equivalent shall be issued by the principle submitting person when:

- (a) all the technical conditions as imposed by the local authority have been duly complied with;
- (b) the relevant certifications have been duly certified and received by him;

## 7. BUSINESS OVERVIEW

- (c) all the essential services, including an access road, landscape, car park, drain, sanitary, water, electricity installation, communication, fire hydrant, sewerage and refuse disposal requirement, and fire lift where required, has been provided; and
- (d) he certifies that he has supervised the erection and completion of the building and that to the best of his knowledge and belief the building has been constructed and completed in accordance with the SDBA, the UBBL and the approved plans.

Any person who occupies or permits to be occupied any building or any part thereof without a CCC or equivalent commits an offence punishable with a fine not exceeding RM250,000 or with an imprisonment for a term not exceeding 10 years or with both under the SDBA.

Pursuant to the UBBL, a temporary permit may be issued at the discretion of the local authority for the erection of a temporary building and shall be subject to all or some of the conditions as set out in the UBBL.

Any person who contravenes the above provision shall be liable on conviction to a fine not exceeding RM500 and shall also be liable to a further fine not exceeding RM100 for every day during which the offence is continued after conviction.

### (vii) Local Government Act 1976 (“LGA”)

Under the LGA and the by-laws of the respective local authorities in Peninsular Malaysia, a business licence is granted by the local authority and is generally valid for a period not exceeding three years and is subject to renewal. Every person to whom a licence is granted shall exhibit his licence at all times in some prominent place on the licensed premises and shall produce such licence if required to do so by any officer of the local authority. Any person who fails to exhibit or to produce such licence shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM500 or to imprisonment for a term not exceeding six months or to both.

### (viii) Trade Descriptions Act 2011 (“TDA 2011”)

The TDA 2011 is an act for the purpose of promoting good trade practices by prohibiting false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services, and by prohibiting, restricting or otherwise regulating or controlling the use of any statement, expression or indication which is likely to discriminate or boycott any product or goods or to discourage, forbid, hinder or influence any person from using or consuming any product or goods in the course of trade or business, and to provide for matters connected therewith or incidental thereto.

Section 16 of the TDA 2011 provides that no person shall make any false representation by any means, whether direct or indirect, that any goods or services supplied by him or any methods adopted by him are of a kind supplied to or approved by any person including any government or government department or agency or any international body or agency whether in Malaysia or abroad. Any person who contravenes Section 16 commits an offence and shall on conviction, be liable, if such person is a body corporate, to a fine not exceeding RM500,000 and for a second or subsequent offence, to a fine not exceeding RM1,000,000.

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Pursuant to Regulation 4(1) of the Trade Descriptions (Certification and Marking of Halal) Order 2011 ("**Trade Halal Cert Order**"), all food and goods shall not be described as Halal or be described in other expression to indicate that the food or goods can be consumed or used by a Muslim unless it is certified as Halal by the competent authority and marked with the logo as specified in the First Schedule of the Trade Halal Cert Order.

Pursuant to Regulation 8 of the Trade Halal Cert Order, any person who supplies or offers to supply any food, goods or services in relation to the food or goods, in contravention of this Order, commits an offence and shall, on conviction, be liable, if such person is a body corporate, to a fine not exceeding RM200,000, and for a second or subsequent offence, to a fine not exceeding RM500,000.

### (ix) **Employment Act 1955 ("EA")**

The EA regulates all labour relations including, amongst others, contracts of service, payment of wages, rest days, hours of work and termination. According to Section 99A of the EA, a general penalty of a fine not exceeding RM50,000 is prescribed to whomever that contravenes any section of the EA where no specific penalty is provided.

The EA also provides regulations for the employment of foreign employees. Pursuant to Section 60(K)(1) of the EA, it is a requirement for employers to obtain approval from the Director General of Labour before a foreign employee can be employed. Any employer who contravenes this section commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding five years or to both.

Pursuant to the National Wages Consultative Council Act 2011, an employer who fails to pay the basic wages, as specified in the minimum wages order, to his employees commits an offence and shall, on conviction, be liable to a fine not of not more than RM10,000 for each employee. According to the Minimum Wages Order 2024, the minimum wage, effective 1 February 2025, is RM1,700 monthly and RM8.72 hourly, applicable to employees of employers who, amongst others, employ five or more employees.

Employment (Part-Time Employees) Regulation 2010 govern the overtime pay, holidays, annual leave, sick leave, and rest day for part-time employees. Any employer who contravenes the regulation commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.

### (x) **Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSH 1990")**

The EMSH 1990 prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependents, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

The EMSH 1990 imposes the duty and responsibility on employers or centralised accommodation providers to, amongst others, ensure that:

- (a) every accommodation provided for employees complies with the minimum standards required under the EMSH 1990 and any regulations issued under the EMSH 1990;
- (b) no employee accommodation will be provided to an employee unless such accommodation is certified with a certificate for accommodation;

## 7. BUSINESS OVERVIEW

- (c) the employee accommodation has decent and adequate amenities in accordance with the EMSH 1990 and any regulations issued under the EMSH 1990; and
- (d) preventive measures are taken to contain the spread of infectious diseases as ordered by the Medical Officer of Health in accordance with the relevant laws and the employer will, at his own expense, make arrangements as ordered by the Medical Officer of Health so that all or any of the employees be given immunization against any infectious disease.

An employer who provides accommodation that is not certified with the certificate for accommodation to an employee commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding one year or to both.

Further, the Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 imposes, amongst others, the minimum requirements for employee accommodations including the size of floor area for bedrooms and sleeping areas, the obligation on employers or centralized accommodation providers to ensure the provision of water and electricity supply as well as basic amenities.

### (xi) Environmental Quality Act 1974 ("EQA 1974")

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment. It is an offence under the EQA 1974 for any person, unless licensed to do so, to amongst others:

- (a) emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere;
- (b) pollute or cause or permit to be polluted any soil or surface of any land; or
- (c) emit, discharge or deposit any environmentally hazardous substances, pollutants or wastes into any inland waters;

in contravention of the acceptable conditions specified under the EQA 1974. Any person who contravenes the above shall be guilty of an offence and shall, on conviction, be liable to a fine and imprisonment term as specified in the EQA 1974.

Amongst other regulations, the Environmental Quality (Scheduled Waste) Regulations 2005 ("**Scheduled Waste Regulations**") specify the following requirements:

- (a) any person who generates scheduled wastes ("**Waste Generators**") shall, within 30 days from the date of generation of scheduled wastes, notify the DGEQ of the new categories and quantities of scheduled wastes which are generated;
- (b) scheduled wastes shall be disposed of at prescribed premises only and shall, as far as practicable, before disposal, be rendered innocuous;
- (c) scheduled wastes be treated at prescribed premises or at on-site treatment facilities only and the residuals from treatment of scheduled wastes shall be treated and disposed of at prescribed premises;

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- (d) a Waste Generator may apply to the DGEQ in writing to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises, on-site treatment or recovery facilities. If the DGEQ is satisfied with the application made, the DGEQ may grant a written approval either with or without conditions; and
- (e) a Waste Generator shall keep an accurate and up-to-date inventory of scheduled wastes generated, treated and disposed of in accordance with the Fifth Schedule of the Scheduled Waste Regulations and of materials or product recovered from such scheduled wastes for a period up to three years from the date of the scheduled wastes was generated.

Any person who contravenes the Scheduled Waste Regulations may be compounded under the EQA 1974.

Further, the Environmental Quality (Clean Air) Regulations 2014 ("**Clean Air Regulations**"), which is applicable to industrial plants, specify the following requirements:

- (a) a written notification shall be submitted by the owner or occupier of a premises to the DGEQ not less than 30 days before the commencement of the following:
  - (1) any change in operation of his premises;
  - (2) any work on any premises that may result in a source of emission;
  - (3) construction of any building or premises on any land designed or used for a purpose that may result in a new source of emission;
  - (4) any change of, to, or in any plant, machine, or equipment used or installed at the premises that causes a material change in the quantity or quality of emission from an existing source; or
  - (5) any changes or modifications to an existing facility designed and constructed for the purpose of preventing or reducing the potential emission that causes air pollution, and includes the extraction system, control equipment and chimney ("**Air Pollution Control System**");
- (b) every premises shall be equipped with an Air Pollution Control System in accordance with the specifications as determined by the DGEQ;
- (c) the owner or occupier of the premises must operate and maintain the Air Pollution Control System in accordance with sound engineering practice and ensure that all components of the Air Pollution Control System are in good working condition; and
- (d) the owner or occupier of the premises and the professional engineer shall, within 30 days after the commencement of operations at the premises, submit a written declaration to the DGEQ, certifying that the design and construction of the Air Pollution Control System have complied with the specifications as determined by the DGEQ.

Any person who contravenes the Clean Air Regulations shall be guilty of any offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two years or to both.



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### (xii) Fire Services Act 1988 (“FSA”)

The FSA prescribes the effective and efficient functioning of the Fire Services Department, for the protection of persons and property from fire risks or emergencies. The FSA provides, amongst other things, that a fire certificate be issued only after the designated premises have been inspected and the Fire and Rescue Department of Malaysia (“**Bomba**”) is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Pursuant to Section 28 of the FSA, every designated premises shall require a fire certificate. Where there is no fire certificate in force, the owners of such premises may become subject to a fine not exceeding RM50,000 or imprisonment for a term not exceeding five years or to both. The Bomba also has a general authority to order or direct the owner or occupier of any premises to cease any activities if the Bomba is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

## 7.26 ADDITIONAL DISCLOSURE / OTHER MATTERS

We set out below the subsisting and past rectified material non-compliances of our Group as at the LPD.

### 7.26.1 Subsisting material non-compliances

#### (a) Additional structures erected in the Kulim Factory without the prior written permission of the local authority (“Kulim Factory Non-Compliance”)

The Kulim Factory is located on a parcel of leasehold land owned by Perbadanan Kemajuan Negeri Kedah and houses three spray dryers, namely (i) Spray Dryer Plant 1; (ii) Spray Dryer Plant 2; and (iii) Spray Dryer Plant 3.

As at the LPD, the Kulim Factory possess one CF issued in 1999 and four CCCs issued between 2013 and 2023 (“**Existing CCCs**”). Further, the Spray Dryer Plant 4 will be issued with a CCC after its completion (“**New CCC for Plant 4**”).

Subsequent to the issuance of the respective Existing CCCs, CFI had carried out some works to the Kulim Factory (“**Renovation Works**”) without prior written permission of the local authority, namely Majlis Perbandaran Kulim (“**MPK**”). The Renovation Works were mainly internal modifications to improve space utilisation and production flow, such as the installation and removal of drywall partitions, addition of doors and windows, modification of existing openings into roller shutters, and installation of metal platforms and awnings.

The Renovation Works were minor as it does not add or alter any existing structure of the Kulim Factory in such manner as to involve: (i) new foundations; or (ii) new or partly new or increased superstructure or roof on existing walls or existing foundations. Accordingly, there is no need for CFI to obtain any new CCCs.

## 7. BUSINESS OVERVIEW

We, in consultation with our building consultant, have engaged with MPK in respect of Kulim Factory Non-Compliance. After taking into consideration that the minor Renovation Works were undertaken without prior written permission of MPK and there will be a New CCC for Plant 4 for our Kulim Factory, we plan to submit an application to consolidate all the CF/CCCs into a single CCC to reflect the Renovation Works undertaken and to seek MPK's written permission for the Renovation Works done ("**MPK Application**"). The consolidated CCC shall supersede the Existing CCCs and New CCC for Plant 4, and the consolidation process can only commence upon the issuance of the New CCC for Plant 4.

We have appointed a registered civil and structural engineer as the Principle Submitting Person ("**PSP**") and a building consultant to coordinate and prepare the as-built drawings for the MPK Application to be submitted to MPK for approval.

We set out below the rectification measures taken and to be undertaken:

- (i) to obtain the approval for as-built building plan in connection with the MPK Application, which has been submitted on 19 June 2025. As at the LPD, the approval from MPK is still pending and is expected to be obtained in the fourth quarter of 2025;
- (ii) to obtain the New CCC for Plant 4, which is expected to be obtained in the fourth quarter of 2025;
- (iii) upon approval for the as-built building plan, the PSP is to obtain a clearance letter from the building department of MPK. The clearance letter is required for the PSP to issue the Stage Certification: Building (in the form of Form G12 pursuant to the Uniform Building By-Laws 1984 ("**Form G12**")) to certify that the Kulim Factory has been erected and completed in accordance with the approved as-built building plan, which is expected to be obtained in the fourth quarter of 2025; and
- (iv) upon issuance of the Form G12 by the PSP and the New CCC for Plant 4, the PSP is expected to deposit the new consolidated CCC in the fourth quarter of 2025.

The estimated cost for our Group to rectify the Kulim Factory Non-Compliance which includes the professional fees, and application and licensing fees to MPK is RM72,800.

If we are found liable, the Kulim Factory Non-Compliance will attract the following penalties under the SDBA:

- (i) a fine not exceeding RM500 and a further fine not exceeding RM100 for every day during which the offence is continued after conviction pursuant to Section 79(1) of the SDBA; and/or
- (ii) a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both and to a further fine of RM1,000 for every day during which the offence is continued after conviction pursuant to Section 70(13) of the SDBA.

If proceedings have not been instituted against us, we shall, on submission of plans and specifications to MPK, pay a sum of not less than five times but not exceeding 20 times the prescribed fees as determined by the authority pursuant to Section 70(14) of the SDBA. In our case, the potential sum to be imposed by MPK to us pursuant to Section 70(14) of the SDBA is RM2,400. As at the LPD, we have yet to receive the actual sum to be imposed by MPK in connection with the MPK Application.

## 7. BUSINESS OVERVIEW

Our Directors are of the opinion that this non-compliance will not have a material adverse impact to our Group's operations and financial condition as:

- (i) as at the LPD, no notices, fines, compounds or stop work order were imposed to our Group in relation to the Kulim Factory Non-Compliance;
- (ii) we have undertaken the necessary steps towards obtaining the written permission from MPK for the Renovation Works done on the Kulim Factory. This includes liaising with MPK on the Kulim Factory Non-Compliance and subsequently submitted the as-built building plan and MPK Application to MPK for approval;
- (iii) the building consultant has engaged with MPK and was made to understand that no fines and penalty will be imposed on our Group for the Kulim Factory Non-Compliance as the previous building plans for the Kulim Factory have been approved accordingly and there are Existing CCCs in place; and
- (iv) if penalties were to be imposed on our Group, the maximum potential financial penalty of RM52,900 only represents 0.13% of our Group's PAT for the FYE 2024.

**(b) Additional structures erected in the SJ Factory and SJ Warehouse without the prior written permission of the local authority ("SJ Factory and Warehouse Non-Compliances")**

We are currently renting the SJ Factory and SJ Warehouse from our related parties, Mylar and Family Cereal, respectively (collectively, "**Landlords**"). As at the LPD, two CFs have been issued for each of the SJ Factory and SJ Warehouse.

Subsequent to the issuance of the respective CFs for the SJ Factory and SJ Warehouse, CFI had undergone minor renovation works which do not add or alter any existing structure of the SJ Factory and SJ Warehouse in such manner as to involve: (i) new foundations; or (ii) new or partly new or increased superstructure or roof on existing walls or existing foundations. Accordingly, there is no need for CFI to obtain new CCCs.

Notwithstanding this, the renovation works were carried out on the SJ Factory and SJ Warehouse without the prior written permission of the local authority, namely Majlis Bandaraya Seberang Perai ("**MBSP**").

The Landlords have appointed a registered civil and structural engineer as the PSP and a building consultant to coordinate and prepare the application to MBSP for approval for the renovation works done on the SJ Factory and SJ Warehouse.

On 1 August 2025, the PSP has submitted the applications to MBSP, on behalf of the Landlords, for approval for the renovation works done on the SJ Factory and SJ Warehouse ("**MBSP Applications**"). As at the LPD, the approval for the MBSP Applications is still pending and is expected to be obtained in the fourth quarter of 2025.

The estimated cost to rectify the SJ Factory and Warehouse Non-Compliances which includes the professional fees, and application and licensing fees to MBSP is RM27,000, which was borne by the Landlords.

## 7. BUSINESS OVERVIEW

If we are found liable, the SJ Factory and Warehouse Non-Compliances will attract the following penalties under the SDBA:

- (i) a fine not exceeding RM500 and to a further fine not exceeding RM100 for every day during which the offence is continued after conviction pursuant to Section 79(1) of the SDBA; and/or
- (ii) a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both and to a further fine of RM1,000 for every day during which the offence is continued after conviction pursuant to Section 70(13) of the SDBA.

Where proceedings have not been instituted against any person for failing to obtain prior permission from MBSP, such person shall, on submission of plans and specifications to MBSP, pay a sum of not less than five times but not exceeding 20 times the prescribed fees, as determined by the authority pursuant to Section 70(14) of the SDBA. In our case, the potential sum to be imposed by MBSP to the Landlords (as the MBSP Applications were submitted by them) pursuant to Section 70(14) of the SDBA is RM4,800 (**"SJ Factory and Warehouse Penalty"**). As at the LPD, we have yet to receive the actual sum to be imposed by MBSP in connection with the MBSP Applications.

Our Directors are of the opinion that this non-compliance will not have a material adverse impact to our Group's operations and financial condition as:

- (i) no fines or penalties were imposed to our Group in relation to the SJ Factory and Warehouse Non-Compliances as at the LPD;
- (ii) we have undertaken the necessary steps towards obtaining the approval for the MBSP Applications. This includes liaising with MBSP on the SJ Factory and Warehouse Non-Compliances and subsequently submitted the MBSP Applications for approval;
- (iii) the cost to rectify the SJ Factory and Warehouse Non-Compliances, and the SJ Factory and Warehouse Penalty to be imposed were / will be borne by the Landlords as CFI is merely a tenant; and
- (iv) if penalties were to be imposed on our Group, the maximum potential financial penalty of RM50,500 only represents 0.12% of our Group's PAT for the FYE 2024.

**(c) Additional structures erected in the OCSB Warehouse without the prior written permission of the local authority ("OCSB Warehouse Non-Compliance")**

We are currently renting the OCSB Warehouse from our related party, OCSB. As at the LPD, there is a CCC issued for the OCSB Warehouse.

Subsequent to the issuance of the CCC for the OCSB Warehouse, CFI had undergone renovation works on the OCSB Warehouse which resulted in the non-compliance, particularly on the set-back requirement. In addition, the renovation works have been carried out without prior written permission of the local authority, namely MPK. As such, the current structures of the OCSB Warehouse deviated from the building plans approved by MPK and requires a new CCC.

## 7. BUSINESS OVERVIEW

OCSB has appointed a registered civil and structural engineer as the PSP to prepare the as-built drawings to MPK for approval. On 16 July 2025, the PSP has submitted a temporary permit application to MPK, on behalf of OCSB ("**Temporary Permit Application**"). Further, the land on which the OCSB Warehouse was constructed ("**OCSB Land**") is currently undergoing a subdivision process. Accordingly, the application to obtain a new CCC can only be made after the subdivision process has been completed and hence only the Temporary Permit Application was submitted. As at the LPD, the approval for the Temporary Permit Application is still pending and is expected to be obtained in the fourth quarter of 2025.

Upon the completion of the subdivision of the OCSB Land, OCSB intends to refurbish the OCSB Warehouse and obtain the necessary approvals and CCC. The estimated cost to rectify the OCSB Warehouse Non-Compliance which includes the professional fees, and application and licensing fees to MPK is RM144,094, which is to be borne by OCSB.

If we are found liable, the OCSB Warehouse Non-Compliance will attract the following penalties under the SDBA:

- (i) a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three years or to both and a further fine of RM1,000 for every day during which the offence is continued after conviction pursuant to Section 70(13) of the SDBA; and/or
- (ii) a fine not exceeding RM250,000 or imprisonment for a term not exceeding 10 years or to both pursuant to Section 70(27) of the SDBA.

Where proceedings have not been instituted against any person for failing to obtain prior permission from MPK, such person shall, on submission of plans and specifications to MPK, pay a sum of not less than five times but not exceeding 20 times the prescribed fees, as determined by the authority pursuant to Section 70(14) of the SDBA. In our case, the potential sum to be imposed by MPK to OCSB (as the Temporary Permit Application was submitted by them) pursuant to Section 70(14) of the SDBA is RM60,000 ("**OCSB Warehouse Penalty**"). As at the LPD, we have yet to receive the actual sum to be imposed by MPK in connection with the Temporary Permit Application.

Our Directors are of the opinion that this non-compliance will not have a material adverse impact to our Group's operations and financial condition as:

- (i) no fines or penalties were imposed to our Group in relation to the OCSB Warehouse Non-Compliance as at the LPD;
- (ii) we have undertaken the necessary steps towards obtaining the temporary building permit. This includes liaising with MPK on the OCSB Warehouse Non-Compliance and subsequently submitted the Temporary Permit Application to MPK for approval;
- (iii) the cost to rectify the OCSB Warehouse Non-Compliance and the OCSB Warehouse Penalty to be imposed were/ will be borne by OCSB as CFI is merely a tenant; and
- (iv) if penalties were to be imposed on our Group, the maximum potential financial penalty of RM300,000 only represents 0.71% of our Group's PAT for the FYE 2024.

## 7. BUSINESS OVERVIEW

### 7.26.2 Past material non-compliance

#### No business licence for OCSB Warehouse and SJ Warehouse

Pursuant to the Local Government Act 1976 and the relevant by-law of the local authority, no person shall operate any activity of trade, business and industry or use any place or premise for any activity of trade, business and industry without a business licence issued by the relevant local authorities. Failure to comply may, on conviction, be liable to a fine not exceeding RM2,000 or imprisonment for a term not exceeding one year or both. Additionally, the relevant authority has the power to issue an order to close down any premise which operates without the requisite business licence.

Previously, our Group did not have a business licence issued by the local authority to CFI for operating at the OCSB Warehouse and SJ Warehouse. On 8 April 2025 and 30 April 2025, CFI has obtained the business licences for OCSB Warehouse and SJ Warehouse, which are valid until 7 April 2026 and 31 December 2025, respectively.

There has been no fines or penalties imposed by the relevant authorities on this matter as at the LPD.

### 7.26.3 Internal control system of our Group

Our Board has implemented the following measures to enhance our internal control system and to prevent the recurrence of the non-compliance incidents set out above:

- (i) we have established a governance and internal control system that encompasses five interrelated components, namely (i) control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring. At the core of our governance structure is our Board, which holds ultimate responsibility for governance oversight and setting the “tone at the top”. Our Group has established an Audit Committee, and a Sustainability and Risk Management Committee to support our Board. The role of our Audit Committee is to oversee the effectiveness of internal controls, compliance policies of our Group and the integrity of our financial reporting. Our Sustainability and Risk Management Committee focuses on integrating risk management with ESG considerations into business strategy, and monitoring our sustainability performance;
- (ii) our internal control system will be supported by periodic internal audit reviews, as well as external audits or independent reviews that focus on high-risk and high-impact areas. Those reporting processes provide our Board and its Committees with transparent oversight, while also ensuring continuous improvement of governance, internal control and sustainability practices across our Group; and
- (iii) we have established internal controls to ensure that all necessary applications for licences and approvals, including business licences, renovation works, building plans, CCC and other relevant permits, are submitted in a timely manner to prevent the recurrence of non-compliance incidents. We also maintain a master compliance register to monitor the validity of our business licences and the status of approved building plans, CCC and other required approvals and permits.

## 7. BUSINESS OVERVIEW

### 7.27 EMPLOYEES

As at the LPD, we employ a total of 295 employees, 90 of which are non-Malaysian nationals. There are no employees employed by CFI BV. The following table sets out our full-time employees in Malaysia by function as at the LPD:

Function	Number of employees as at the LPD
Managing Director	1
Administrative	39
R&D	13
Sales and marketing	14
QA	28
Warehouse and production	178
Cleaning and maintenance	22
<b>Total</b>	<b>295</b>

As at the LPD, none of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes.