



S&P International Holding Limited 椰豐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1695

GLOBAL OFFERING



Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.



S&P International Holding Limited

椰豐集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 270,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Hong Kong Offer Shares : 27,000,000 Shares (subject to adjustment)
Number of International Placing Shares : 243,000,000 Shares (subject to adjustment and the Offer Size Adjustment Option)
Offer Price : not more than HK\$0.52 per Offer Share and expected to be not less than HK\$0.44 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock Code : 1695

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Co-managers

Easy One Securities Limited

Zhong Jia Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by an agreement to be entered into between our Company and Ballas Capital (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 5 July 2017, and in any case no later than Thursday, 6 July 2017. The Offer Price will be not more than HK\$0.52 and is currently expected to be not less than HK\$0.44, unless otherwise announced. If our Company and Ballas Capital (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Thursday, 6 July 2017, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. In such case, a notice will be published on the Stock Exchange's website at www.hkexnews.com and our Company's website at www.spfood.com.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice will be published on the Stock Exchange's website at www.hkexnews.com and our Company's website at www.spfood.com.

Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out under "Risk factors" of this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants to subscribe for, the Hong Kong Offer Shares, are subject to termination by Ballas Capital (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to "Underwriting — Underwriting arrangements and expenses — Grounds for termination" of this prospectus for further details of such grounds for termination.

29 June 2017

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.spfood.com if there is any change to the following expected timetable of the Hong Kong Public Offering.

(Note 1)

Latest time to complete electronic applications
under the White Form eIPO service through
the designated website at www.eipo.com.hk ^(Note 2) 11:30 a.m. on Tuesday, 4 July 2017

Application lists of the Hong Kong Public
Offering open ^(Note 3) 11:45 a.m. on Tuesday, 4 July 2017

Latest time to complete payment for the
White Form eIPO applications by
effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Tuesday, 4 July 2017

Latest time to lodge **WHITE** and **YELLOW**
Application Forms 12:00 noon on Tuesday, 4 July 2017

Latest time to give **electronic application**
instructions to HKSCC ^(Note 4) 12:00 noon on Tuesday, 4 July 2017

Application lists of the Hong Kong
Public Offering close. 12:00 noon on Tuesday, 4 July 2017

Expected Price Determination Date ^(Note 5) on or around Wednesday, 5 July 2017

(i) Announcement of:
• the final Offer Price;
• the level of applications in the Hong Kong Public Offering;
• the level of indications of interest in the International Placing; and
• the basis of allocation of the Hong Kong Offer Shares,
to be published on or before Monday, 10 July 2017

(ii) Announcement of results of allocation of the Hong Kong
Public Offering (with identification document numbers
or business registration numbers of successful applicants,
where appropriate) to be available through a variety of
channels as set out in "How to apply for Hong Kong
Offer Shares — 11. Publication of results" from Monday, 10 July 2017

(iii) A full announcement of the Hong Kong Public Offering
containing (i) and (ii) above will be published on the
Stock Exchange's website at www.hkexnews.hk and
our Company's website at www.spfood.com from Monday, 10 July 2017

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering

will be available at **www.iporesults.com.hk** with a “search by ID/Business Registration Number” function from Monday, 10 July 2017

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the

Hong Kong Public Offering on or before ^(Note 6) Monday, 10 July 2017

Despatch of White Form e-Refund payment instructions/

refund cheques in respect of wholly or partially successful applications pursuant to the Hong Kong

Public Offering on or before ^(Notes 7 to 8) Monday, 10 July 2017

Dealing in the Shares on the Stock Exchange

expected to commence at..... 9:00 a.m. on Tuesday, 11 July 2017

Notes:

- (1) All times and dates refer to Hong Kong local time, except otherwise stated. Please refer to “Structure of the Global Offering” of this prospectus for further details of the structure of the Global Offering, including conditions of the Global Offering.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 July 2017, the application lists will not open on that day. Please refer to “How to apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” of this prospectus for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus for further details.
- (5) The Price Determination Date is expected to be on or around Wednesday, 5 July 2017. If, for any reason, the Offer Price is not agreed by Thursday, 6 July 2017 between our Company and Ballas Capital (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
- (6) Share certificates for the Offer Shares are expected to be issued on or before Monday, 10 July 2017, but will only become valid certificates of title at 8:00 a.m. on Tuesday, 11 July 2017, provided that: (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its own terms.
- (7) Refund cheques or e-Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong

EXPECTED TIMETABLE

Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

- (8) *Applicants who have applied on **WHITE** Application Forms or through the White Form eIPO service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar at Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 10 July 2017 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. Individual applicants who are eligible for personal collection may not authorise any other person to collect on their behalf. Corporate applicants which are eligible for personal collection may arrange for collection by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.*

*Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.*

*Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to those bank accounts in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the addresses as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.*

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

The above expected timetable is a summary only. Please refer to “Structure of the Global Offering” and “How to apply for Hong Kong Offer Shares” of this prospectus for further details of the structure of the Global Offering, including the conditions of the Global Offering and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such would be prohibited. No action has been taken to permit a public offering of the Offer Shares in any jurisdictions other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdictions other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers, the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitutes an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are summarised in “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We engage in manufacturing and trading food products. Our core products include coconut cream powder and low fat desiccated coconut, which we manufacture at our Perak Plant. We also manufacture other food products, such as non-dairy creamer and other traditional South-east Asian traditional food ingredients, such as rice dumplings (ketupat) and toasted coconut paste (kerisik).

Business model

We are committed to the core values of delivering high quality and safe food products and services, meeting customer expectations and complying with legal requirements, and continually improving customers’ satisfaction and having a quality management team. We principally sell our products to five main categories of customers, namely (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers.

Our products sold under our different brands “Santan”, “Cocos” and “Rasa Enak”, are formulated differently and are sold to different market sectors. Our products under the “Santan” and “Cocos” brands are usually found in large supermarkets, hypermarkets and department stores in Malaysia and abroad, whereas our “Rasa Enak” branded products are usually found in local grocery stores in Malaysia. For OEM customers, we sell products to them packaged under their brands. To suit the needs and requirements of our various categories of customers, we package our products in different sizes and specifications.

Our products are sold on a cost-plus basis, and take into account, among other things, the prevailing market prices of our raw materials and production costs. We generally review our product price lists twice a month and establish base selling prices for our various products. We generally sell our products above such base prices.

OUR PRODUCTS

Our best-selling core product, coconut cream powder, is a cooking ingredient which is used extensively in South-east Asian cuisine, and is also used widely within other cuisines in various parts of the world. According to the Ipsos Report, our brands “Santan” and “Cocos” are global major brands of coconut cream powder. Our other core product is low fat desiccated coconut, which is manufactured concurrently during our coconut cream powder production process. Low fat desiccated coconut is used as a key ingredient for fillings and toppings in bakery and confectionery products. During the Track Record Period, our revenue of our core products amounted to approximately RM56.4 million, RM71.5 million and RM82.6 million, respectively, representing approximately 86.6%, 91.3% and 91.9% of our total revenue, respectively. We also manufacture other food products such as non-dairy creamer and other traditional South-east Asian food products such as rice dumplings called “ketupat”, and toasted coconut paste called “kerisik”. We also sell coconut milk products to our customers as part of our product offering, which we procure from our OEM suppliers. Please refer to “Business — Our products” of this prospectus for further details.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- We are global major brands in the coconut cream powder industry and are committed to producing the highest quality products.

SUMMARY

- We are a leading coconut cream powder manufacturer in Malaysia in terms of production capacity and we are equipped with fully automated production equipment ensuring quality and stable production.
- We have an international network of customers and distributors and an established global presence.
- We have a dedicated R&D team.
- We benefit from our geographical proximity with our suppliers.
- We have a stable management team with extensive industry expertise.

OUR BUSINESS STRATEGIES

We aim to strengthen our position as a leading coconut-related products brand by pursuing the following strategies:

- Producing our own coconut milk products and expanding and upgrading the existing facilities of our Perak Plant.
- Recommissioning our Johor Plant and expanding our production capacity.
- Expanding our global market reach.
- Enhancing our R&D capabilities.

SALES AND CUSTOMERS

We sell our products to customers in over 40 countries. During the Track Record Period, we mainly sold our products to five main categories of customers, namely: (i) OEM customers, who purchase products from us which are manufactured according to their specifications and packaged under their brands; (ii) distributors, who enter into exclusive distributorship agreements with us and mainly purchase our “Santan” and “Cocos” branded products, which are sold to their respective wholesale, industrial, HORECA, and retail customers within their designated territories; (iii) industrial customers, who purchase our bulk-packaged products for use in their food products; (iv) trading companies, who mainly purchase our low fat desiccated coconut products and our “Santan” and “Cocos” branded coconut cream powder products, and sell them to their customers, for example, consumers and end users such as food manufacturers; and (v) wholesaler customers, who only purchase our “Rasa Enak” branded products and sell to their customers in Malaysia, for example, consumers and end users such as food manufacturers. Please refer to “Business — Marketing, sales and customers — Sales and customers” of this prospectus for further details.

We sell our coconut cream powder and coconut milk products to our distributor customers packaged under our own “Santan” and “Cocos” brands. We enter into written distributorship agreements with all our distributors, which stipulate terms such as the brand and specification of the products to be sold, and the specified territory in which the distributor may sell our products. We have procedures in place to protect our distributors’ exclusive right to distribute, sell and market our branded products. Please refer to “Business — Marketing, sales and customers — Distributors” of this prospectus for further details.

During the Track Record Period, the aggregate revenue generated from our top five customers amounted to approximately RM31.0 million, RM39.4 million and RM50.2 million, respectively, representing approximately 47.6%, 50.3% and 56.0% of our total revenue, respectively. To the best of our Directors’ knowledge, during the Track Record Period, all of our top five customers were Independent Third Parties. Please refer to “Business — Marketing, sales and customers” of this prospectus for further details.

PROCUREMENT AND SUPPLIERS

Our supplies are classified into (i) raw materials for our products; and (ii) packaging materials. Our main raw materials consist of (a) coconuts and white kernels; (b) sodium caseinate; and (c) maltodextrin. Our packaging materials mainly consist of (i) display boxes; (ii) aluminium foil; and (iii) paper cartons. During the Track Record Period, the total cost of our packaging and raw materials amounted to approximately RM37.4 million, RM41.6 million and RM43.4 million, respectively, representing approximately 72.5%, 74.1% and 75.9% of our total cost of production, respectively. Please refer to “Business — Procurement and suppliers” of this prospectus for further details.

SUMMARY

Coconuts are the principal raw materials that we use in the production of our coconut cream powder and low fat desiccated coconut products. We source most of our coconuts from local suppliers. We also source raw materials and packaging materials from various suppliers abroad. We enter into supply agreements with our coconut suppliers in order to secure supply stability. During the Track Record Period, purchases from our top five suppliers amounted to approximately RM19.8 million, RM27.1 million, and RM26.9 million, respectively, representing approximately 50.0%, 61.1% and 58.7% of our total purchases, respectively. To the best of our Directors' knowledge, during the Track Record Period, all of our top five suppliers were Independent Third Parties.

PRODUCTION FACILITIES

We possess two production plants with an aggregate of four production lines. Our core products and non-dairy creamer products are manufactured at our Perak Plant. Our other products, namely ketupat and kerisik, are manufactured at our Selangor Plant, which also houses our R&D facilities. Our Perak Plant is equipped with a multi-stage spray dryer, which has the capacity to produce approximately 4,500 metric tonnes of coconut cream powder a year. Our production system is fully automated and monitored centrally, which we believe allows us to deliver consistently high quality products to our customers.

During the Track Record Period, our production volume for our coconut cream powder produced at our Perak Plant amounted to approximately 3,959 metric tonnes, 4,432 metric tonnes and 3,261 metric tonnes, respectively, representing utilisation rates of approximately 88%, 98% and 72%, respectively. Our Group's utilisation rate in 2016 decreased as a result of (i) the scaling back of our production as we had accumulated sufficient inventory in 2015 to meet customers orders on hand; and (ii) a one-off suspension in our production due to an accidental fire incident in late February 2016. Please refer to "Business — Production — Production capacity and utilisation rate" of this prospectus for further details. We plan to recommission our Johor Plant, which will contribute an increase in our maximum production capacity of coconut cream powder by another 2,000 metric tonnes approximately by third quarter of 2018. Please refer to "Business — Production — Production capacity and utilisation rate" of this prospectus for further details.

QUALITY CONTROL

We strive to produce high quality products that are safe for human consumption. We implement strict and comprehensive quality assurance procedures (such as the HACCP standards, which is an internationally recognised management system addressing food safety) throughout all stages of our production, from our procurement of raw materials to the packaging and delivery of our finished products. In recognition of our standards and efforts, we have been accredited with various certifications, including ISO9001:2008, ISO22000:2005 and MS1480:2007 in relation to our quality management and food safety. Our products are also certified HALAL and KOSHER, which enables our products to be sold to customers of various ethnic communities. We believe that these certifications also give our customers assurance as to our quality and standard when they purchase and consume our products.

SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting our business in Malaysia; and (iv) risks relating to the Global Offering and our Shares. The most significant risks are summarised as follows:

- We rely on third party suppliers for our main raw materials and are exposed to concentration risk of heavy reliance on our major suppliers for raw materials for our products
- We are exposed to concentration risk of heavy reliance on our largest and top five customers
- We rely on our third party distributors to sell and distribute our products, and we may not be able to maintain our relationship with them or fail to engage new distributors
- Our business, reputation and brand may be affected by product liability claims, consumer complaints or adverse publicity in relation to our products

SUMMARY

- Our business depends significantly on the market recognition of our “Santan” and “Cocos” brands and any damage to our brands or failure to effectively promote our brands could materially and adversely impact our business and results of operations

MARKET AND COMPETITION

According to the Ipsos Report, the total market value of the coconut and related products production industry in Malaysia amounted to approximately RM432.7 million in 2015. The total market value of coconut cream powder production in Malaysia amounted to approximately RM141.2 million for the same year, or approximately 32.6% of the total coconut and related products production industry in Malaysia. According to the Ipsos Report, the market for the coconut related products production industry is relatively consolidated. In 2015, there were only approximately 10 major manufacturers producing coconut related products in Malaysia. The top five companies accounted for a market share of approximately 73.6%. Overall, our Group accounted for a market share of 18.1% of the coconut related products production industry in Malaysia in 2015, and a market share of approximately 45.3% of the coconut cream powder production industry in the same year. Please refer to “Industry overview — Competitive analysis of the coconut and related products production industry in Malaysia” of this prospectus. The increasing global coconut demand market and growing number of coconut and related products are driving the development of the Malaysian coconut and related products production industry.

According to the Ipsos Report, the entry barriers to the coconut and related products production industry are relatively low, but new entrants may still face barriers to entry, such as those related to building relationships with raw material suppliers, establishing a customer base and dealing with compliance with complex regulations. Please refer to “Industry overview — Competitive analysis of the coconut and related products production industry in Malaysia — Entry barriers” of this prospectus for further details of the competitive analysis and the entry barriers of the coconut and related products production industry in Malaysia.

FOREIGN EXCHANGE EXPOSURE

As we sell a majority of our food products to overseas customers in which these sales are principally denominated in US\$ and source part of our packaging and raw materials, and our coconut milk from OEM suppliers in which these purchases are principally denominated in US\$, we are exposed foreign currency exchange fluctuations arising in the normal course of our business operations. During the Track Record Period, benefited from the appreciation of US\$ against RM, our Group recorded a net gain on foreign exchange differences of approximately RM1.6 million, RM2.6 million and RM1.2 million, respectively.

We consider that US\$ had undergone a general appreciation during the Track Record Period and accordingly, there was an overall favourable effect on our revenue derived from overseas customers who settled in US\$ and unfavourable effect on our cost of purchases from certain overseas suppliers. We believe that we have sufficient gross profit margin to maintain our profitability in response to the foreign currency exchange fluctuations and the foreign currency exchange fluctuations will not materially and adversely affect our overall business operations and financial performance. Accordingly, we currently do not have a foreign currency hedging policy. We manage our foreign currency risk by closely monitoring the movement of foreign currency exchange rates and performing regular reviews of our net foreign exchange exposure. In the event of any change of circumstances and we consider that our exposure to foreign currency risk has heightened, we will implement necessary measures and policy to manage such risk, such as entering into foreign currency hedging transactions in the future.

SUMMARY

KEY OPERATIONAL AND FINANCIAL INFORMATION

Selected information from consolidated statements of profit or loss and other comprehensive income

The following table includes items from our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015 and 2016, which has been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Revenue	65,181,204	78,343,631	89,795,056
Gross profit	18,642,350	27,165,948	30,567,899
Other net income (<i>Note</i>)	1,861,550	2,901,290	1,657,732
Profit before tax	10,186,793	18,357,943	18,238,315
Profit for the year	7,349,043	13,622,235	13,357,301
Total comprehensive income for the year	<u>7,349,043</u>	<u>13,622,520</u>	<u>13,360,372</u>

Note: Our other net income primarily comprised our net gain on foreign exchange differences and rental income. Please refer to "Financial information — Discussion of selected consolidated statements of profit or loss and other comprehensive income — Other net income" of this prospectus for detailed breakdown and further discussion and analysis of our other net income.

Revenue, sales volume and average selling price

The following tables set out the breakdowns of our revenue by product category, the sales volume and the average selling price of our major food products for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Coconut cream powder	51,818,594	79.5	63,894,576	81.6	79,054,432	88.0
Low fat desiccated coconut	4,628,759	7.1	7,632,361	9.7	3,546,111	3.9
Coconut milk	4,042,456	6.2	3,480,808	4.4	3,415,093	3.8
Others	4,691,395	7.2	3,335,886	4.3	3,779,420	4.3
Total	<u>65,181,204</u>	<u>100.0</u>	<u>78,343,631</u>	<u>100.0</u>	<u>89,795,056</u>	<u>100.0</u>

SUMMARY

For the year ended 31 December

	2014		2015		2016	
	Sales volume <i>Metric tonnes</i>	Average selling price <i>RM/metric tonne</i>	Sales volume <i>Metric tonnes</i>	Average selling price <i>RM/metric tonne</i>	Sales volume <i>Metric tonnes</i>	Average selling price <i>RM/metric tonne</i>
Coconut cream powder	3,177	16,311	3,437	18,590	3,841	20,582
Low fat desiccated coconut	1,019	4,542	1,668	4,576	900	3,940
Coconut milk	560	7,219	475	7,328	457	7,473

The following table sets out a breakdown of our revenue by customer category for the periods indicated:

For the year ended 31 December

	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
OEM customers	22,767,366	34.9	31,433,308	40.1	41,694,776	46.4
Distributors	19,719,155	30.3	21,281,102	27.2	23,796,916	26.5
Industrial customers	6,664,245	10.2	6,646,483	8.5	8,904,023	9.9
Trading companies	9,544,601	14.6	11,388,201	14.5	8,206,506	9.1
Wholesaler customers	6,256,822	9.6	6,960,435	8.9	6,453,932	7.2
Others	229,015	0.4	634,102	0.8	738,903	0.9
Total	<u>65,181,204</u>	<u>100.0</u>	<u>78,343,631</u>	<u>100.0</u>	<u>89,795,056</u>	<u>100.0</u>

Gross profit and gross profit margin

The following table sets out a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

For the year ended 31 December

	2014		2015		2016	
	Gross profit <i>RM</i>	Gross profit margin %	Gross profit <i>RM</i>	Gross profit margin %	Gross profit <i>RM</i>	Gross profit margin %
Coconut cream powder and low fat desiccated coconut (<i>Note</i>)	15,081,859	26.7	24,920,123	34.8	27,926,521	33.8
Coconut milk	1,809,137	44.8	847,578	24.4	863,295	25.3
Others	<u>1,751,354</u>	<u>37.3</u>	<u>1,398,247</u>	<u>41.9</u>	<u>1,778,083</u>	<u>47.0</u>
Total/Overall	<u>18,642,350</u>	<u>28.6</u>	<u>27,165,948</u>	<u>34.7</u>	<u>30,567,899</u>	<u>34.0</u>

Note: Since our low fat desiccated coconut is produced as part of the production process of our coconut cream powder (which is dried from remaining white kernel flesh after the extraction process), the cost of production for our coconut cream powder and low fat desiccated coconut are not reliably identified and separated. Please refer to "Business — Production — Production process for coconut cream powder and low fat desiccated coconut" of this prospectus for further details. Thus, we aggregately analyse the gross profit and gross profit margin of our core products (which are our coconut cream powder and low fat desiccated coconut).

SUMMARY

The gross profit margin of our core products increased from approximately 26.7% in 2014 to approximately 34.8% in 2015 primarily attributable to an increase in the average selling price of our coconut cream powder products by approximately 14.0%, mainly due to approximately 19.4% appreciation of the average exchange rate of US\$ against RM for 2015 as compared to that for 2014 and the price increment of our coconut cream powder products to certain OEM customers as a result of commercial negotiation. The gross profit margin of our core products then slightly decreased to approximately 33.8% in 2016 primarily attributable to (i) an increase in the procurement costs of our major raw materials, coconuts and white kernels; and (ii) a decrease in the average selling price of our low fat desiccated coconut products by approximately 13.9% mainly due to the market condition, partially offset by an increase in the average selling price of our coconut cream powder products by approximately 10.7%.

The gross profit margin of our coconut milk products decreased from approximately 44.8% in 2014 to approximately 24.4% in 2015 primarily attributable to approximately 19.4% appreciation of the average exchange rate of US\$ against RM for 2015 as compared to that for 2014 which led to the increase in the unit cost of procurement (which was denominated in US\$) of our coconut milk from overseas OEM suppliers despite the stable average selling price of our coconut milk products in 2014 and 2015. The gross profit margin of our coconut milk products then slightly increased to approximately 25.3% in 2016 primarily in line with the gentle increase in the average selling price of our coconut milk products by approximately 2.0%.

The following table sets out a breakdown of our gross profit and gross profit margin by customer category for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
OEM customers	4,025,347	17.7	10,287,118	32.7	14,290,752	34.3
Distributors	8,284,417	42.0	9,246,201	43.4	9,978,216	41.9
Industrial customers	2,045,315	30.7	1,778,835	26.8	3,163,533	35.5
Trading companies	3,094,823	32.4	4,198,074	36.9	1,755,862	21.4
Wholesaler customers	1,127,297	18.0	1,384,280	19.9	1,085,535	16.8
Others	65,151	28.4	271,440	42.8	294,001	39.8
Total/Overall	18,642,350	28.6	27,165,948	34.7	30,567,899	34.0

During the Track Record Period, we mainly sold coconut cream powder and non-dairy creamer products to our OEM customers, which were produced and packaged according to the stipulated specifications and requirements. The gross profit margin generated from our OEM customers increased from approximately 17.7% in 2014 to approximately 32.7% and 34.3% in 2015 and 2016, respectively, primarily attributable to the price increment of our products sold to certain OEM customers and a comparatively higher average exchange rate of US\$ against RM for 2015 and 2016 as compared to that for 2014.

SUMMARY

During the Track Record Period, we maintained stable gross profit margin generated from our distributors of approximately 42.0%, 43.4% and 41.9%, respectively. We recorded higher gross profit margin generated from our distributors than our other types of customers primarily attributable to the fact that (i) we sold our products under the global brands of “Santan” and “Cocos” (which were sold at higher prices than “Rasa Enak” products) to our distributors; and (ii) we sold our products at higher prices to our distributors mainly because we sold our branded products to them exclusively in their specified territories and provided more advertising and promotional support than other types of customers.

The gross profit margin generated from our industrial customers fluctuated during the Track Record Period (which was approximately 30.7%, 26.8% and 35.5%, respectively) primarily due to (i) different customer and product mix; and (ii) the bargaining outcome as there was no fixed or long term agreement signed with our industrial customers.

Since we sold a majority of our low fat desiccated coconut products to trading companies, we recorded a lower gross profit margin generated from trading companies of approximately 21.4% in 2016 as compared with that of approximately 32.4% and 36.9% in 2014 and 2015, respectively, which was primarily attributable to the drop of average selling price of our low fat desiccated coconut products in 2016 mainly in respect of the market condition.

During the Track Record Period, we maintained stable gross profit margin generated from our wholesaler customers of approximately 18.0%, 19.9% and 16.8%, respectively. We recorded lower gross profit margin from our wholesaler customers than our other types of customers since our wholesaler customers purchased our products packaged under our “Rasa Enak” brand, which is aimed at the mid to mass sectors of the market, such as local grocery stores in Malaysia, at lower prices.

Please refer to “Financial information — Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Gross profit and gross profit margin” of this prospectus for further analysis and discussion of our gross profit margin.

Selected information from consolidated statements of financial position

The following table sets out items from our consolidated statements of financial position as at 31 December 2014, 2015 and 2016, which has been extracted from, and should be read in conjunction with the Accountants’ Report in Appendix I to this prospectus.

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Non-current assets	25,623,077	24,849,165	21,716,292
Current assets	41,645,373	53,864,079	52,279,541
Non-current liabilities	5,665,989	3,343,961	6,448,776
Current liabilities	21,398,397	28,642,699	14,160,101
Net current assets	20,246,976	25,221,380	38,119,440
Net assets	40,204,064	46,726,584	53,386,956

SUMMARY

Selected information from consolidated statements of cash flows

Our cash and cash equivalents (including our cash and cash balances, and bank overdrafts) amounted to approximately RM9.4 million, RM14.8 million and RM8.1 million as at 31 December 2014, 2015 and 2016, respectively. The following table sets out a summary of our cash flows for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Net cash from operating activities	5,793,028	13,545,382	672,053
Net cash (used in)/from investing activities	(1,443,937)	(1,114,108)	1,334,542
Net cash used in financing activities	<u>(2,885,562)</u>	<u>(7,850,814)</u>	<u>(10,068,442)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,463,529</u>	<u>4,580,460</u>	<u>(8,061,847)</u>

We had lower net cash from operating activities in 2016 as compared to that of 2014 and 2015, which was primarily attributable to (i) an increase in our trade receivables of approximately RM5.9 million mainly due to an increase in the sale of our food products during the fourth quarter of 2016; and (ii) the full settlement of our amounts due to Directors of approximately RM8.7 million in 2016.

Key financial ratios

The following table sets out our certain key financial ratios as at the dates/for the periods indicated:

	For the year ended/ As at 31 December		
	2014	2015	2016
Gross profit margin (%)	28.6%	34.7%	34.0%
Net profit margin before interest and tax (%)	16.4%	23.9%	20.7%
Net profit margin (%)	11.3%	17.4%	14.9%
Current ratio	1.9	1.9	3.7
Quick ratio	1.1	1.1	2.3
Gearing ratio (<i>Note</i>)	0.2	0.2	0.1
Debt-to-equity ratio	N/A	N/A	N/A
Return on assets (%)	10.9%	17.3%	18.1%
Return on equity (%)	18.3%	29.2%	25.0%
Interest coverage ratio	20.7	46.5	55.2

Note: Gearing ratio equals to our total loans and borrowings divided by our total equity as at the year end date.

Please refer to “Financial information — Key financial ratios” of this prospectus for the definitions and further details of our key financial ratios.

REASONS FOR LISTING

Our Directors believe that the Listing would allow us access to and to raise funds through the capital markets both at the time of Listing and in the future. The Listing would strengthen our capital base and the proceeds obtained from the Listing would provide us with the financial capability to implement our expansion plans and business strategies. Our Directors consider the Stock Exchange to be mature and highly regarded, and recognise Hong Kong as an international finance centre. Our Directors believe that the Listing in Hong Kong would raise our Group’s profile and visibility on an international level and in the Asia Pacific region, and would assist us in expanding our global market

SUMMARY

reach through increased recognition of our brand name, and make our products known to new potential international customers. In addition, our Directors believe that the stringent disclosure requirements of the Stock Exchange would lead to higher transparency and credibility of our Group, which would be beneficial to us both in terms of our reputation and dependability with our customers, as well as improve our position when obtaining bank financing.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.48 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$99.4 million. We intend to apply such net proceeds in the following manner:

- approximately HK\$75.5 million, representing approximately 76.0% of our net proceeds from the Global Offering for expanding and upgrading our production facilities at our Perak Plant and facilitating the production of our coconut milk products, which we expect to be completed in the second quarter of 2018.
- approximately HK\$9.9 million, representing approximately 10.0% of the net proceeds will be used for recommissioning of the Johor Plant, which would increase our maximum production capacity of our coconut cream powder products by approximately 2,000 metric tonnes per year, which we expect to be completed in the third quarter of 2018.
- approximately HK\$2.5 million or 2.5% will be used for advertising and promotion expenses, to facilitate the sales and marketing efforts of our Group in sourcing new customers in different countries, which we expect to be incurred over the next 12 months.
- approximately HK\$2.5 million or 2.5% will be used for investing in new equipment to enhance our R&D capacity (such as oil extraction equipment), which we expect to be incurred in the fourth quarter of 2017.
- approximately HK\$9.0 million or 9.0% will be used for our general corporate purposes and working capital.

Please refer to “Future plans and use of proceeds” of this prospectus for further details.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Edaran declared and paid the dividends of RM2.0 million, RM7.1 million and RM6.7 million to the then respective shareholders in 2014, 2015 and 2016, respectively. No dividend has been proposed and declared by our Group after the Track Record Period. Our Company currently does not have any predetermined dividend payout ratio. Please refer to “Financial information — Dividends” of this prospectus for further details of our dividends.

As at 31 December 2016, our Company had no distributable reserve available for distribution.

GLOBAL OFFERING STATISTICS

We have prepared the following offer statistics on the basis of the indicative Offer Prices without taking into account the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed the Offer Size Adjustment Option is not exercised.

	Based on Offer Price of HK\$0.44 per Share	Based on Offer Price of HK\$0.52 per Share
Market capitalisation of our Shares <i>(Note 1)</i>	HK\$475.2 million	HK\$561.6 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share <i>(Note 2)</i>	HK\$0.17	HK\$0.19

SUMMARY

Notes:

- (1) The calculation of our market capitalisation is based on 1,080,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is calculated after making the adjustments referred to in “Unaudited pro forma financial information” in Appendix II to this prospectus and based on 1,080,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering at the respective Offer Price of HK\$0.44 and HK\$0.52 per Share.

SHAREHOLDERS’ INFORMATION

As at the Latest Practicable Date, Mr. Tang (through TYJ) and Mr. Lee (through Trinity) were interested in 70.0% and 30.0% of the issued share capital of our Company respectively. Upon completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme (i) Mr. Tang, through TYJ, will be interested in approximately 52.5% of the issued share capital of our Company and (ii) Mr. Lee, through Trinity, will be interested in approximately 22.5% of the issued share capital of our Company. As a result, upon the Listing, each of Mr. Tang and TYJ will remain a Controlling Shareholder, while each of Mr. Lee and Trinity will be a substantial shareholder (within the definition of the Listing Rules) of our Company.

Our Directors are of the view that as at the Latest Practicable Date, none of our Controlling Shareholders or any of their respective close associates had any interests in any business, apart from the business operated by the members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

LISTING EXPENSES

Our total listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RM17.7 million (based on the mid-point of the indicative Offer Price range of HK\$0.48 per Offer Share). Among the estimated aggregate amount of our listing expenses, approximately RM6.6 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RM11.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, of which approximately RM1.9 million has been recognised by our Group in 2016.

RECENT DEVELOPMENT

As at the Latest Practicable Date, there was no material change to our business model, revenue and cost structure. Based on our unaudited consolidated management accounts, our total revenue for the four months ended 30 April 2017 increased when compared to that for the same period in 2016 primarily attributable to an increase in the average selling price of our coconut cream powder products, while our gross profit and gross profit margin for the four months ended 30 April 2017 decreased when compared to our gross profit and gross profit margin for the same period in 2016. Such decrease in our gross profit and gross profit margin was primarily attributable to price increment of our major raw materials, coconuts and white kernels.

Save as disclosed above, our Directors confirm that there has been no material adverse change in our business operations and business environment in which we are operating subsequent to the Track Record Period.

Notwithstanding the above, we currently expect that our financial results for the year ending 31 December 2017 will be adversely impacted by our non-recurring listing expenses recognised and to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income. Please refer to “Financial information - Listing expenses” of this prospectus for further details of our listing expenses.

Potential investors should note that our financial information after the Track Record Period is unaudited and may not reflect the full year result for the year ending 31 December 2017 and may be subject to adjustments based on the audit.

SUMMARY

SALES TO SANCTIONED COUNTRIES

U.S. and other jurisdictions or organisations, including EU, UN and Australia, have comprehensive or targeted economic sanctions that are applicable to Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independent of their location.

During the Track Record Period, we sold our core products, namely coconut cream powder and low fat desiccated coconut, to customers located in certain Sanctioned Countries, namely Iran, Sudan, Egypt and Iraq. Please refer to “Business — Business activities in the Sanctioned Countries” of this prospectus for the sanctions risks in these Sanctioned Countries. Our revenue derived from sales to these customers amounted to approximately RM0.7 million, RM1.4 million and RM0.3 million, respectively, representing approximately 1.1%, 1.7% and 0.3% of our total revenue, respectively, during the Track Record Period. As advised by our International Sanctions Legal Advisers, certain payments by these customers that were denominated in U.S. dollars and processed through the U.S. financial system before they were received by our Group, appear to be potential violations of U.S. sanctions regulations applicable to transactions with Iran and Sudan. As advised by our International Sanctions Legal Advisers, our transactions in Egypt and Iraq do not raise International Sanctions concerns. We submitted a voluntary self-disclosure (“VSD”) on 28 February 2017 to OFAC with regard to our sales to two customers in Sudan and one customer in Iran. OFAC responded to the VSD with a cautionary letter dated 23 May 2017 (the “**Cautionary Letter**”) representing a final enforcement response. In the Cautionary Letter, OFAC informed us that the seven U.S. dollar payments that we received from Iran and Sudan after 11 November 2014 were apparent violations of the U.S. sanctions. However, OFAC indicated that it was not pursuing any civil monetary penalty against us and the matter is addressed by issuance of the Cautionary Letter. Accordingly, both we (as advised by our International Sanctions Legal Advisers) and OFAC now consider the possible legal issues raised through the VSD to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty. Please refer to “Risk factors — We have previously made sales to customers in countries that are subject to International Sanctions administered by the United States, and we could be adversely affected if these sales result in penalties on our Group” of this prospectus for further details regarding any risks associated with our prior sales in the Sanctioned Countries.

As at the Latest Practicable Date, we have completed and ceased all our sales transactions with and we have received all sums due from such customers in the Sanctioned Countries. Our Directors confirm that we do not intend to conduct any further business or sell any of our products to the Sanctioned Countries in the future. Please refer to “Business — Business activities in the Sanctioned Countries — Our undertakings and internal control procedures” of this prospectus for our undertaking to the Stock Exchange.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Technical terms in relation to our Group's industry and business operations are explained in "Glossary of technical terms" of this prospectus.

"Accountants' Report"	the accountants' report of the Joint Reporting Accountants addressed to the Company and the Sole Sponsor as set out in Appendix I to this prospectus
"Application Form(s)"	the WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Aristo Securities"	Aristo Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activity (as defined under the SFO)
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 8 June 2017 and which will come into effect upon Listing, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Ballas Capital"	Ballas Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
"Board"	our board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the allotment and issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company described in "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017" in Appendix IV to this prospectus

DEFINITIONS

“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
“CIA Ingredients”	CIA Ingredients (Thailand) Co., Ltd., a company incorporated in Thailand with limited liability on 28 June 2011
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Co-managers”	Easy One Securities and Zhong Jia Securities
“Company” or “our Company”	S&P International Holding Limited (椰豐集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 10 November 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company as at the Latest Practicable Date, included Mr. Tang and TYJ

DEFINITIONS

“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 23 June 2017 and entered into by the Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), the details of which are set out in “Statutory and general information — D. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 June 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), details of which are set out in “Relationship with Controlling Shareholders — Deed of Non-competition” of this prospectus
“Department of Environment”	Department of Environment (Jabatan Alam Sekitar) a statutory body under the purview of the Ministry of Natural Resources and Environment and established under the Environmental Quality Act 1974
“Department of Occupational Safety and Health”	Department of Occupational Safety and Health (Jabatan Keselamatan Dan Kesihatan Pekerja) a statutory body under the purview of the Ministry of Human Resources and established under the Occupational Safety and Health Act 1994
“Director(s)”	the director(s) of our Company
“Dongxing Securities” or “Sole Sponsor”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
“Easy One Securities”	Easy One Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO)
“Edaran”	Edaran Bermutu Sdn. Bhd., a company incorporated in Malaysia with limited liability on 29 November 2001 and an indirect wholly owned subsidiary of our Company
“EU”	the European Union
“Global Offering”	the Hong Kong Public Offering and the International Placing

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“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, or the businesses operated by its present subsidiaries or its predecessor (as the case may be)
“HK\$”, “HKD” or “HK dollar(s)”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 27,000,000 new Shares being initially offered by our Company at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment as described in “Structure of the Global Offering” of this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription to members of the public in Hong Kong at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in “Structure of the Global Offering — The Hong Kong Public Offering” of this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as set out in “Underwriting — Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 June 2017 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers and the Hong Kong Underwriters
“IAS”	International Accounting Standard

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“IFRS”	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board, as amended from time to time
“Ipsos”	Ipsos Limited, an industry research consultant and an Independent Third Party
“Ipsos Report”	the industry report provided by Ipsos, which was commissioned by us in relation to, among other things, the coconut-related food products and industry in Malaysia and other countries
“International Sanctions”	sanction-related laws and regulations issued by the United States, the European Union, Australia or the United Nations
“International Sanctions Legal Advisers”	Hogan Lovells, our legal advisers as to International Sanctions laws
“Independent Third Party(ies)”	third party(ies) who is(are) independent of our Company and the connected persons of our Company
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to professional, institutional and other investors at the Offer Price on and subject to the terms and conditions under the International Underwriting Agreement, as further described in “Structure of the Global Offering” of this prospectus
“International Placing Shares”	the 243,000,000 Shares initially being offered by our Company for subscription pursuant to the International Placing, together with, where relevant, any additional Shares that may be issued by our Company pursuant to any exercise of the Offer Size Adjustment Option
“International Underwriters”	the group of underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing to be entered into on or about 5 July 2017 by, among others, our Company, our executive Directors, our Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers and the International Underwriters

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“Johor Plant”	our production facility located at PLO1, Kawasan Perindustrian Parit Raja, Johor, Malaysia
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Aristo Securities, Ruibang Securities, Dongxing Securities and Ballas Capital
“Joint Reporting Accountants”	KPMG PLT, Chartered Accountants, Malaysia and KPMG, Certified Public Accountants, Hong Kong, the joint reporting accountants to our Company in respect of the Listing
“Latest Practicable Date”	20 June 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the commencement of trading of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Tuesday, 11 July 2017, on which our Shares are first listed and from which dealings in our Shares are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Malaysian Legal Advisers”	Teh & Lee Advocates & Solicitors, our legal advisers as to Malaysian laws
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 8 June 2017 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“M Ace Malaysia”	Meridian Ace Sdn. Bhd., a company incorporated in Malaysia with limited liability on 13 November 1996 and an indirect wholly owned subsidiary of our Company

DEFINITIONS

“M Ace Thailand”	M Ace (Thailand) Company Limited, a company incorporated in Thailand with limited liability on 28 June 2011
“Mr. Lee”	Mr. Lee Sieng Poon, our managing director and an executive Director
“Mrs. Lee”	Ms. Goh Soo Cheng, spouse of Mr. Lee
“Mr. Tang”	Mr. Tang Koon Fook, our chairman, an executive Director and one of our Controlling Shareholders
“Mrs. Tang”	Ms. Yeow Geok Tiang, spouse of Mr. Tang
“Nomination Committee”	the nomination committee of our Board
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%), which will be not more than HK\$0.52 per Offer Share and is expected to be not less than HK\$0.44 per Offer Share, such price to be fixed on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares allotted and issued pursuant to the exercise of the Offer Size Adjustment Option
“Offer Size Adjustment Option”	the option proposed to be granted by our Company to the International Underwriters and exercisable by Ballas Capital (for itself and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, under which Ballas Capital (for itself and on behalf of the International Underwriters) may require our Company to allot and issue up to an aggregate of 40,500,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price to cover any excess demand (if any) in the International Placing, as further described in “Structure of the Global Offering” of this prospectus
“Perak Plant”	our production facility located at Lot 3709, Jalan Bagan Datoh, Simpang Tiga, 36200, Selekoh, Perak, Malaysia

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, which for the purposes of this prospectus only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Price Determination Agreement”	the agreement to be entered into between our Company and Ballas Capital (for itself and on behalf of the Underwriters) on the Price Determination Date to determine and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 5 July 2017 (Hong Kong time) but no later than Thursday, 6 July 2017, on which the Offer Price is determined for the purpose of the Global Offering
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited
“Radiant”	Radiant Span Sdn. Bhd., a company incorporated in Malaysia with limited liability on 11 July 1998 and an indirect wholly owned subsidiary of our Company
“Rasa Mulia”	Rasa Mulia Sdn. Bhd., a company incorporated in Malaysia with limited liability on 20 October 1999 and an indirect wholly owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation of our Group for the purpose of the Listing, details of which are set out under “History, reorganisation and corporate structure — Reorganisation” in this prospectus
“Ruibang Securities”	Ruibang Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activity (as defined under the SFO)
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sanctioned Countries”	countries regarding which governments such as the United States or Australia, or governmental organisations, such as EU or UN, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
“Sanctioned Persons”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia
“Selangor Plant”	our production facility located at 16, Jalan Teknologi 3/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGD”	Singaporean dollar, the lawful currency of Singapore
“Share Option Scheme”	the share option scheme approved and conditionally adopted by our Company on 23 June 2017, the principal terms of which are set out in “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shifu”	Shifu Ingredients Sdn. Bhd., a company incorporated in Malaysia with limited liability on 4 July 1996 and an indirect wholly owned subsidiary of our Company
“S&P Food Industries”	S&P Food Industries (M) Sdn. Bhd. (formerly known as S&P Coconut Industries (M) Sdn. Bhd.), a company incorporated in Malaysia with limited liability on 17 March 1983 and the business predecessor of our Group
“S&P Foods”	S&P Foods Sdn. Bhd., a company incorporated in Malaysia with limited liability on 27 August 1990

DEFINITIONS

“S&P Hong Kong”	S&P (Hong Kong) Holding Limited, a company incorporated in Hong Kong with limited liability on 25 November 2016
“S&P Industries”	S&P Industries Sdn. Bhd., a company incorporated in Malaysia with limited liability on 20 December 2004 and an indirect wholly owned subsidiary of our Company
“S&P Shenzhen”	椰康食品(深圳)有限公司 (S&P Industries (Shenzhen) Ltd*), a wholly-foreign owned enterprise established in the PRC on 9 February 2015
“SP Coco”	SP Coco Limited, a company incorporated in the BVI with limited liability on 11 November 2016 and a direct wholly owned subsidiary of our Company
“SPL”	Stancodex Pte. Ltd., a company incorporated in Singapore with limited liability on 16 November 2015 and an indirect wholly owned subsidiary of our Company
“sq.m.”	square metres
“SSB” or “Stancodex”	Stancodex Sdn. Bhd., a company incorporated in Malaysia with limited liability on 4 March 1998 and an indirect wholly owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“THB”	Thai Baht, the lawful currency of Thailand
“Track Record Period”	the financial years ended 31 December 2014, 2015 and 2016, and when followed by a series of figures or percentages, refers to information relating to the financial years ended 31 December 2014, 2015 and 2016
“Trinity”	Trinity Holding Limited, a company incorporated in the BVI with limited liability on 8 November 2016 which is wholly owned by Mr. Lee, who is also the sole director of Trinity. Trinity held 30% shareholding interest in our Company as at the Latest Practicable Date

DEFINITIONS

“TYJ”	TYJ Holding Limited, a company incorporated in the BVI with limited liability on 8 November 2016 which is wholly owned by Mr. Tang, who is also the sole director of TYJ. TYJ held 70% shareholding interest in our Company as at the Latest Practicable Date and is one of our Controlling Shareholders
“UAE”	the United Arab Emirates
“UK”	the United Kingdom
“UN”	the United Nations
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “USD”	United States dollar, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting the application online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Zhong Jia Securities”	Zhong Jia Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activity (as defined under the SFO)
“%”	per cent

DEFINITIONS

In this prospectus, unless expressly stated or the context requires otherwise:

- *all information and data is as at the Latest Practicable Date;*
- *certain amounts and percentage figures, including but not limited to, shareholdings and operating data, may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them;*
- *all references to any shareholdings in our Company assume no exercise of the Offer Size Adjustment Option unless otherwise specified;*
- *English names marked with “*” are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. Such English translations are for provided for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail; and*
- *if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.

“aseptic packaging”	packaging containers which are composed of materials and involve processes that maintain the sterility of the product
“CAGR”	compound annual growth rate
“CIP”	clean-in-place, a method of cleaning the interior surfaces of the machine or equipment without disassembly
“ERP system”	enterprise resource planning system, an accounting-oriented information system for identifying and planning the enterprise-wide resources needed to take, make, distribute, and account for customer orders
“FSSC 22000”	the food safety system certification that provides a framework for effectively managing food safety and quality responsibilities
“spray dryer”	a machine which extracts and removes moisture from certain liquids by evaporation through a series of highly technical processes, and produces powder as a semi-finished product
“HACCP”	hazard analysis and critical control points, a systematic preventative approach to food safety. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points can be taken to reduce or to eliminate the risk of the hazards which have been identified. HACCP are a set of internationally recognised principles which have been widely promoted and incorporated into food safety legislation in many countries around the world
“HALAL”	a certification that recognises that the products are permissible under Islamic law and these products are edible, drinkable and usable by Muslims
“HORECA”	an abbreviation used in the food industry that is the short form for hotels, restaurants and catering
“homogenisation”	a process by which the fat droplets from milk are emulsified and the cream does not separate which helps to ensure that the milk is sprayed evenly during the spray drying process
“ISO”	the International Organisation for Standardisation

GLOSSARY OF TECHNICAL TERMS

“ISO9001:2008”	a set of standards and guidelines relating to quality management systems and maintained by ISO, representing an international consensus on good quality management practices
“ISO22000:2005”	a standard developed by ISO dealing with food safety, specifying the requirements for food safety management systems
“KOSHER”	a certification that the food products are in compliance with the requirements under Jewish dietary law
“maltodextrin”	a modified starch that act as a filler agent that is added to aid the spray drying process to coconut cream powder
“metric tonne”	a tonne, representing 1,000 kilograms
“MS1480:2007”	a Malaysian food safety standard dealing with food safety according to the HACCP system to ensure the safety of food during preparation, processing, manufacturing, packaging, storage, transportation, distribution, handling or offering for sale or supply in any sector of the food chain
“OEM”	original equipment manufacturer, which is a company that designs and manufactures a product as specified and eventually rebranded by another firm for sale
“pasteurisation”	a heating process which kills pathogens and microbes in liquid
“SCADA”	supervisory control and data acquisition system, a system capable of gathering and analysing real-time data
“R&D”	an acronym for research and development
“sodium caseinate”	a milk protein derivative that is used as an encapsulating agent drying aid in the spray drying process
“UHT”	ultra high temperature

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business prospects;
- future developments, trends and competition in industries and markets in which we operate;
- our products under development or planning;
- our strategy, business plans, objectives and goals;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general global economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe”, “seek”, “intend”, “anticipate”, “estimate”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and other similar expressions to identify forward looking statements. All statements other than statements of historical facts included in this prospectus, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward looking statements as a result of a number of factors, including, without limitation, factors disclosed in “Risk factors” of this prospectus and elsewhere in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Due to such risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our Group's operations are conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below may have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and may cause you to lose all or part of your investment.

We believe that there are certain risks and uncertainties in relation to our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Malaysia; (iv) risks relating to the Global Offering and our Shares; and (v) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

We rely on third party suppliers for our main raw materials and are exposed to concentration risk of heavy reliance on our major suppliers for raw materials for our products

The main raw materials for our products are coconuts and white kernels. We procure all our main raw materials from third party suppliers. The supplies of our main raw materials are subject to fluctuations which are attributable to a number of factors such as the output volume and quality which may be affected by events beyond our control, such as natural disasters, infectious diseases, pest infestations, quality, harvest volume and other inclement factors.

Our suppliers may not be able to continue to provide our raw materials in sufficient quantities, of suitable quality or at an acceptable price to satisfy our production needs. Any interruptions to or decline in the quantity or quality of our supply of raw materials could materially disrupt our production and adversely affect our business. In addition, the costs of our raw materials may increase if we are unable to source our raw materials from local suppliers who are close to us and we have to source our raw materials from suppliers in distant locations.

During the Track Record Period, our purchases from our top five suppliers accounted for approximately RM19.8 million, RM27.1 million and RM26.9 million, respectively, representing approximately 50.0%, 61.1% and 58.7%, respectively, of our total purchases. We cannot assure you that these suppliers will continue to supply raw materials at prices and on terms and conditions acceptable to us. Our reliance on our top five suppliers may also expose us to the risk of unexpected price increases for purchases, or shortage in supply of raw materials. While we have been adopting a cost-plus basis in pricing our products during the Track Record Period, we cannot assure that we will be able to pass on the price of our raw materials to our customers in the future, which may have a material adverse effect on results of our operations.

RISK FACTORS

We are exposed to concentration risk of heavy reliance on our largest and top five customers

During the Track Record Period, we generated a significant portion of our revenue from sales to our largest customer. Our sales to such customer amounted to approximately RM13.5 million, RM22.7 million and RM31.6 million, respectively, representing approximately 20.8%, 28.9% and 35.2%, respectively, of our total revenue. We expect our sales to such customer to continue being a significant portion of sales revenue in the foreseeable future.

During the Track Record Period, the aggregate revenue generated from our top five customers amounted to approximately RM31.0 million, RM39.4 million and RM50.2 million, respectively, representing approximately 47.6%, 50.3% and 56.0% of our total revenue, respectively. As such, we may be subject to concentration and counter-party risk from these customers.

There is no assurance that we would be able to maintain good business relationships with our top five customers in the future. Our top five customers are not obliged in any way to continue providing us with new businesses in the future at a level similar to that in the past or at all. Should any of these top five customers reduce substantially the size of their purchase orders placed with us or terminate their business relationship with us entirely, or is wound-up or fails to pay for its purchases on time, there can be no assurance that we would be able to secure new businesses from other customers to compensate for such reduction in purchases or loss of business entirely. In addition, there can be no assurance that new businesses secured from other customers for replacement, if any, would be on commercially comparable terms. As such, our results of operations and financial performance may be adversely affected.

We rely on our third party distributors to sell and distribute our products

We rely on third-party distributors who are granted exclusive distributorship rights to sell specified products within a specific geographical location, to sell and distribute our products. Distributors are important to our business because they help us gain access to retail outlets through their business relationships, especially in new markets where we do not have an established presence. During the Track Record Period, sales to our distributors accounted for approximately 30.3%, 27.2% and 26.5% of our total revenue, respectively. As we sell and distribute our products through our distributors, we depend on the performance of our distributors in order to continuously meet consumer demand for our products and to maintain and increase our sales volume. However, the effectiveness of our distributors in selling our products may be affected by a number of factors, many of which are out of our control, including:

- our distributors maintaining relationships with their key accounts and other retailers;
- our distributors' success in promoting our products;
- our distributors' own financial performance;
- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and grow our distribution network.

RISK FACTORS

In the event our distributors fail to effectively sell our products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

We may be unable to maintain our relationship with our distributors and we may fail to engage new distributors

We generally enter into exclusive distribution agreements with our distributors for a term of two years (which shall be automatically renewed at the expiry of each term). These agreements include terms about the products to be sold by our distributors, the designated distribution territory and pricing policies. We may not be able to enter into new or renewal agreements with our distributors as they may choose to enter into arrangements with our competitors, who may offer them access to a stronger product portfolio or more favourable economic terms. The loss of our distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our distributors could be renewed or negotiated on terms equivalent to or better than current terms. Any disruption in our relationships with our distributors could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we would be able to develop new relationships with additional distributors in order to expand our distribution network.

We have limited control over the practice and manner of sales by our distributors, and the customers of our distributors

We have no ownership or managerial control over any of our distributors, and we cannot assure you that we will be able to monitor all aspects of our distributors' practices thoroughly and substantively, in particular the risks of channel-stuffing and cannibalisation. Even though we have direct contractual relationships with our distributors, we cannot assure you that our distributors will at all times strictly adhere to the terms and conditions of our distribution agreements. For example, our distributors may sell beyond their designated distribution areas or deviate from our recommended prices. In the event our distributors breach the distribution agreements, there is no assurance that we would be able to obtain an adequate amount of compensation in a timely manner.

Our sales of overlapping products to our customers may lead them to compete against each other

We sell our coconut-related food products to our five main categories of customers, namely (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers. Owing to the nature of our business, we concentrate our efforts on the production of a limited range of products, which inevitably leads to our sales of overlapping products to our different categories of customers. The sales of overlapping products by different categories of customers may lead to them competing for market share or for the same consumers or end-users of our products in the same territories. Further, consumers and other end-users may not differentiate between brands, product packaging and specifications, and be drawn towards lower prices, which may cause price pressures on the sales of the products and increase competition between our various categories of customers. We cannot assure you that our internal control policies and sales practices are sufficient or effective to prevent unhealthy competition amongst our different categories of customers over overlapping products.

RISK FACTORS

We had significant level of trade receivables

As at 31 December 2014, 2015 and 2016, we had trade receivables of approximately RM10.1 million, RM11.8 million and RM17.7 million, respectively, representing approximately 24.3%, 22.0% and 33.9% of our total current assets, respectively.

Our Group allows a credit period ranging from up to 60 days for our overseas customers and up to 90 days for our domestic customers. During the Track Record Period, we recorded average trade receivables turnover days of approximately 53.8 days, 51.2 days and 60.2 days, respectively. Our Group's financial position, profitability and cash flow depend on whether our customers are/will be able to pay us in a timely manner. We cannot assure you that our customers will pay us on time and that they will be able to fulfil their payment obligations.

As our customer base grows and as competition in the industry increases, we may be exposed to further credit risks from new customers and from providing credit to our existing and new customers. As a result, we cannot assure you that risks of payment delay and/or default by our customers will not occur in the future.

Our business and financial conditions depend on our ability to effectively manage our inventories

Our inventories comprise our packaging and raw materials, unpacked finished goods and finished goods. Our business and financial conditions depend on our ability to manage and maintain a reasonable level of inventories. If we overstock our inventories, our required working capital would increase and additional financing costs would be incurred to monitor and warehouse our stocks. On the other hand, if we understock inventories, we may not be able to meet our customers' demand, which may in turn adversely affect our business and financial conditions. We cannot assure you that we would not experience overstocking or understocking in the future, or that any such instances would not adversely affect our business and financial conditions.

Further, the turnover rate of our inventories is susceptible to overall customers' demand and changes in consumer choice and preference, all of which are beyond our control, which exposes us to the risk of slow moving inventories. As at 31 December 2014, 2015 and 2016, we had inventories in the amount of approximately RM17.1 million, RM22.0 million and RM19.9 million, respectively, and we recorded average inventory turnover days of approximately 113.8 days, 139.3 days and 129.6 days during the Track Record Period, respectively, mainly attributable to the relatively slow moving packaging and raw materials. The age of over 90% of our unpacked finished goods and finished goods was within three months. During the Track Record Period, we did not recognise any impairment losses on obsolete stocks. We cannot assure you that our inventory turnover days will not increase in the future, and we may need to write off our slow moving inventories or sell our slow moving inventories at lower prices, any of which could adversely affect our business and financial conditions.

RISK FACTORS

There may be disruptions to the supply of, or an increase in prices of, among others, electricity and materials and supplies

Our business operations, in particular our fully automated production operations, require a constant and reliable supply of electricity. Any shortages or disruptions in the availability of electricity could lead to delays or even suspension of our production operations, while any increase in costs of electricity would lead to an increase of our overall operating costs. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be disrupted, and relationships with our customers and distributors could be damaged. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any power shortage nor machine breakdown. However, the occurrence of any of the foregoing could materially and adversely affect our business, financial condition and results of operations if we are unable to: (i) secure a reliable supply of electricity; or (ii) pass on the increased costs to our customers.

Apart from the normal wear and tear of such machinery, our production and processing facilities are also susceptible to operational risks which are beyond our control, including but not limited to fires, substandard performance of our labour or breakdown of our equipment, labour strikes and natural disasters. If we are unable to remedy such situations in a timely manner, these could cause material disruption to our operations, which may materially and adversely impact our business operations. During the Track Record Period and up to the Latest Practicable Date, we had encountered one fire outbreak and suspension of operations of our production facility. Several pieces of equipment were damaged and our operations were closed down for three weeks for investigation and repairs. Please refer to “Business — Environment — Work safety — Fire incident” of this prospectus for further details.

Our business, reputation and brand may be affected by product liability claims, consumer complaints or adverse publicity in relation to our products

We may be subject to product liability claims if our products are found to be unfit for consumption. Products may be rendered unfit for consumption due to contamination of ingredients, whether intentional or not, delays in delivery, poor handling, packaging rupture, poor condition of storage facilities of suppliers, distributors or retailers, or unauthorised tampering by distributors, retailers or third parties during the transit of products. The occurrence of such problems may result in recalls of our products and significant damage to our brand reputation.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material claims or complaints from customers in respect of the quality of our products. We cannot assure you that we will not encounter claims or complaints in the future. In relation to the quality of our products, we may incur legal liabilities and have to compensate consumers for any loss or damages they suffer in respect of valid product liability claims and, in addition, we may also be subject to administrative or other government sanctions or penalties. Moreover, adverse publicity from these types of concerns, whether valid or not, may discourage customers from purchasing our products. If customers lose confidence in our brand, we may experience long term declines in our sales, which may have an adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Our business depends significantly on the market recognition of our “Santan” and “Cocos” brands and any damage to our brands or failure to effectively promote our brands could materially and adversely impact our business and results of operations

Our ability to attract customers depends, in part, on the popularity of our “Santan” and “Cocos” brands and our reputation for trustworthy coconut-related products. As at the Latest Practicable Date, we operated our business under our “Santan”, “Cocos” and “Rasa Enak” brands. We believe that brand recognition plays an important role in influencing consumers’ decisions in purchasing our products. We have invested significant effort and resources to establish brand recognition and have received various awards and recognitions. We believe that our continued success will depend in large part of our ability to protect and enhance the value of our brands. Furthermore, as we continue to expand our sales network, our ability to market and promote our brands will remain critical to the success of our business. We enhance our brand awareness through various channels and methods. Please refer to “Business — Marketing, sales and customers” of this prospectus for further details.

Any incident that erodes consumers’ trust in our brands could significantly reduce our brand value. As we continue to grow, extending our geographic reach, maintaining quality and consistency may become more difficult and we cannot assure you that consumers’ confidence in our brands will not diminish. If consumers perceive or experience a reduction in the quality of our products, service, ambiance, or consider in any way that we are failing to deliver a consistently positive experience, our brand value could suffer, which could have a material adverse effect on our business.

We may fail to continuously develop new products or our new products may not be successful

Our consumers might be tempted to shift their choices and preference whenever there are new products launched or introduced by various marketing and pricing campaigns of different brands. In order to respond to consumers’ demand and maintain our competitiveness and market share, we will need to continuously develop and launch new products. Whilst we have in the past successfully developed, promoted and achieved market acceptance for our new products, we cannot assure you that we would be able to continuously develop new products or our new products in the future would attract sufficient consumer demand or gain sufficient market share to be profitable. Failure to recover development, production and marketing costs of unsuccessful new products in the future could adversely affect our market share, overall profitability and financial performance.

We are subject to the risks of foreign currency fluctuations

We conduct all our operations in Malaysia and our functional currency is RM. The sales to our customers abroad are mainly billed and settled in US\$, and sales to our customers located in Malaysia are billed and settled in RM. We source most of our packaging and raw materials locally which are paid in RM, whereas our coconut milk products and some of our packaging and raw materials are sourced overseas and paid in US\$ (or other foreign currencies). There can be no assurance that the exchange rate of RM will remain stable against US\$ (or any other foreign currencies) in the future. Any significant movement of exchange rates of foreign currencies against RM may significantly affect our financial condition and results of operations. In addition, foreign exchange rate fluctuations in the currencies mentioned above may result in foreign exchange losses and hence may have a material adverse effect on our business financial condition and results of operations.

RISK FACTORS

Risks associated with international sales and expanding the reach of our international network

We derive a portion of our revenue from international sales. During the Track Record Period, our revenue from our sales to customers outside Malaysia amounted to approximately RM43.8 million, RM58.0 million and RM69.2 million, representing approximately 67.2%, 74.0% and 77.0% of our total revenue, respectively. We plan to expand our global market reach by increasing our sales and marketing efforts and expanding our markets. As a result, we are subject to a variety of risks and uncertainties associated with such expansion, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to food products;
- exposure to increased litigation risks in overseas markets;
- political and economic instabilities;
- foreign exchange rate exposure and the risk of foreign exchange control;
- unfamiliarity with local operating and market conditions;
- cultural and language difficulties;
- competition from local companies;
- lack of control or monitoring of foreign distributors;
- foreign taxes; and
- potential disputes with foreign distributors and difficulty in managing relationships with foreign customers.

Any of the foregoing and other risks and uncertainties could adversely affect our international sales, which in turn could adversely affect our financial condition and results of operations.

We may not be able to retain our senior management team and technical staff, which may adversely affect our results of operations, financial condition and growth prospects

We believe that our performance and success are, to a large extent, attributable to the extensive industry knowledge and experience of our executive Directors and senior management team. Most of our senior management team have more than 10 years experience in the related food manufacturing

RISK FACTORS

industry. Please refer to “Directors and senior management” of this prospectus for further details of the experience of our senior management team.

Our continued success is dependent, to a large extent, on the ability to attract and retain the services of our senior management team and technical staff. We believe that an experienced management team as well as dedicated staff members will contribute significantly to our future growth. However, we cannot assure you that we would be able to retain the services of our Directors, members of senior management or other key technical personnel, or attract and retain high-quality personnel, in the future. If any of our senior management personnel and key technical staff leaves our Group, and we are not able to recruit a suitable replacement with comparable experience and qualifications to join us on a timely basis, our results of operations, financial condition and growth prospects may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which may adversely affect our business and results of operations

We value our intellectual property rights and strive to protect our intellectual property rights, such as trademarks, technologies, know-how and trade secrets developed by us. In order to protect our intellectual property rights, as at the Latest Practicable Date, we have registered an aggregate of 16 trademarks in seven jurisdictions including Malaysia, the PRC, Saudi Arabia, Brunei, UAE, Vietnam and Hong Kong, and we have applied for the registration of three trademarks in Hong Kong. We are also in the process of lodging an appeal with the Trade Marks Registry of the Intellectual Property Department of the Hong Kong Government (“HKIPD”) against the declined trademark registration application of our “Cocos” mark in Hong Kong, and we cannot assure you that our appeal on the declined trademark application will be accepted and approved by HKIPD. However, we cannot assure you that our efforts to protect our intellectual property rights are sufficient or that our intellectual property rights will not be misappropriated or otherwise infringed by third parties in the future, whether in Malaysia or in other jurisdictions in which we operate our business. Any occurrence of counterfeiting or imitation could impact negatively on our reputation and brand name, and could result in a reduction of our market share, causing a long-term or even permanent decline in our sales and profitability as well as increasing our administrative costs in respect of detection and prosecution.

We have previously made sales to customers in countries that are subject to International Sanctions administered by U.S., and we could be adversely affected if these sales result in penalties on our Group

U.S. and other jurisdictions or organisations, including EU, UN and Australia, have comprehensive or broad economic sanctions that target Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independent of their location.

During the Track Record Period, we had product sales in certain of the Sanctioned Countries, namely Sudan, Iran, Iraq and Egypt, and our revenue derived therefrom in aggregate amounted to approximately RM0.7 million, RM1.4 million and RM0.3 million, respectively, representing approximately 1.1%, 1.7% and 0.3%, respectively, of our total revenue during the Track Record Period. Iran and Sudan are subject to very comprehensive economic sanctions, while sanctions applicable to Egypt and Iraq target certain industries and individuals. In connection with these sales,

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five U.S. dollar payments that we received from two customers in Sudan and two U.S. dollar payments that we received from one customer in Iran during the Track Record Period, which were processed in the U.S. financial system before receipt by our Group, appear to be potential violations of U.S. sanctions regulations that are applicable to transactions with Iran and Sudan. As advised by our International Sanctions Legal Advisers, our transactions with customers in Egypt and Iraq do not raise International Sanctions concerns. After consulting with our International Sanctions Legal Advisers, we made a VSD on 28 February 2017 to OFAC with regard to our two customers in Sudan and one customer in Iran. In the VSD, we provided OFAC with full details and relevant documents regarding those seven payments. On 23 May 2017, OFAC responded to the VSD with a Cautionary Letter representing a final enforcement response. In the Cautionary Letter, OFAC informed us that the seven U.S. dollar payments that we received from Iran and Sudan after 11 November 2014 were apparent violations of the U.S. sanctions. However, OFAC indicated that it was not pursuing any civil monetary penalty against us and the matter is addressed by issuance of the Cautionary Letter. Accordingly, both we (as advised by our International Sanctions Legal Advisers) and OFAC now consider the possible legal issues raised through the VSD to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty.

As at the Latest Practicable Date, all of our sales transactions with customers in the Sanctioned Countries had been completed, and we have ceased all such business activities in connection with such Sanctioned Countries. We have no present intention to undertake any future business or make any future sales to the Sanctioned Countries or with Sanctioned Persons. We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, or Sanctioned Persons or any other government, individual or entity sanctioned by U.S., EU, UN or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into transactions in breach of International Sanctions that would expose us or the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to risks of being in breach of International Sanctions. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. Please refer to “Business — Business activities in the Sanctioned Countries — Our undertakings and internal control procedures” of this prospectus for further details.

While we have implemented internal control measures to prevent our Group from undertaking any future transactions in the Sanctioned Countries which are in breach of International Sanctions and avoid doing business with any Sanctioned Persons, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. As a result, we cannot provide any assurance that our future business will be free of sanctions risk or that our business will conform to the expectations and requirements of the U.S. authorities or the authorities of any other governments.

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Our business and reputation could be adversely affected if the authorities of U.S., EU, UN, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details of our business operations in the Sanctioned Countries, please refer to “Business — Business activities in the Sanctioned Countries” of this prospectus.

RISKS RELATING TO OUR INDUSTRY

Price fluctuation in and shortage of raw materials, and perishability of coconuts, may materially and adversely affect business operations

The coconut-related food manufacturing industry depends on a sufficient supply of major raw materials, namely coconuts and white kernels, at commercially reasonable prices. If our suppliers for any particular raw material are unable or unwilling to meet our requirements, we could suffer shortages or significant cost increases. Changing raw material suppliers in a significant scale may also require long lead times.

According to the Ipsos Report, the average wholesale price of shelled coconuts in Malaysia increased from RM1.2 per unit in 2012 to RM1.4 per unit in 2016 at a CAGR of 3.9%, which was due to the rising demand for coconuts and shortages in supply in both Malaysia and key exporting countries such as Indonesia and the Philippines. We cannot assure you that we will be able to pass on to our customers all or part of any increased costs. In addition, any shortage or disruption in our supply of coconuts and other raw materials could affect our performance and our ability to satisfy the purchase orders of our customers, which may adversely affect our profitability, results of operations and financial condition.

Coconut is a perishable raw material which may deteriorate due to delivery delays, or poor handling during transportation by suppliers or logistic partners. This may result in failures to operate production of coconut products, thereby damaging our business and/or reputation. If any raw materials or finished products are alleged or found to be spoiled, contaminated, tampered with, incorrectly labelled, unsafe or otherwise associated with food safety incidents, we could be subject to product liability claims, adverse publicity and regulatory investigation, intervention or penalties, product returns, any of which may result in decreased profitability as well as damage to our brands and reputation.

Our industry is subject to changes in legislative requirements and laws, national health and safety standards in Malaysia and the respective jurisdictions where our products are sold

The coconut-related food manufacturing industry in Malaysia is subject to the local food safety laws and regulations. Please refer to “Regulatory overview” of this prospectus for further details of the relevant food safety laws and regulations. Failure to meet the government requirements or any instance of contamination could occur in our operations or those of distributors or suppliers. This could result in fines, suspension of operations, loss of production permits, and in more extreme cases,

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criminal proceedings against our Group and our management. Moreover, negative publicity could be generated from false, unfounded or normal liability claims or limited recalls. Any of those failures or occurrences could negatively affect our business and financial performance.

As food safety is a major requirement of our industry, we are also subject to stringent legislative requirements and relevant laws in the jurisdictions where our products are being sold. Any changes in the foreign governments' policies and measures that are unfavourable to the industry may have an adverse effect on our production process and also our sales and profitability.

Sale of products is subject to change in consumer tastes, preferences and perceptions

The coconut-related food manufacturing industry is subject to changes in consumer tastes, preferences and perceptions. Our business and financial performance depends on factors which may affect the level and pattern of consumer spending. These factors include consumer tastes, preference and perceptions of the safety and quality of our products. Any changes in consumer preferences and tastes, or a decline in consumer confidence could result in lower sale of products, put pressure on pricing or lead to increase levels of selling and promotional expenses, which could have an adverse effect on our revenue and profits.

Our future success will depend in part on the ability to anticipate or adapt to changes in consumer tastes, preferences, perceptions and spending habits at any time and to offer, on a timely basis, new products that meet consumer tastes, preferences and perceptions. If we are unable to anticipate and respond in a timely manner or we are unable to successfully develop new products according to changes in consumer trends, or if consumers lose confidence in the safety and quality of our products, the demand for our products may decrease, and our business, results of operations and financial condition may be adversely affected.

Our business operations in Jamaica may be adversely affected by local government policies

We sell our coconut cream powder products in Jamaica on an OEM basis. During the Track Record Period, our largest overseas market was Jamaica, with sales amounting to approximately RM10.4 million, RM17.7 million and RM24.3 million, respectively, representing approximately 16.0%, 22.6% and 27.0% of our total revenue, respectively.

According to the Ipsos Report, the expansion of the coconut cream powder market in Jamaica is partly attributed to the Jamaican government's policy of promoting local coconut production and the coconut based product manufacturing industry. Depending on the measures passed by the Jamaican government in support of such policy, we may experience difficulty in competing with local producers and manufacturers due to protectionist efforts that are aimed at benefiting local companies and manufacturers. We cannot assure you that such policy will not affect our relationship with Customer A (our largest customer during the Track Record Period, which is headquartered in Jamaica), who may choose to source products from local producers and manufacturers instead. We may be forced to respond to competitive and customer pressures and to reduce our selling prices in order to compete with such local producers or manufacturers. These kinds of actions could decrease our profit margins. There can be no assurance that we will be able to increase the sales of our products or even maintain our past sales levels, or that our profit margins will not be reduced. If we are unable to increase our

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product sales or to maintain our relationship with Customer A or our past sales levels and profit margins in the face of such competition from Jamaica's local producers and manufacturers, our business operations in Jamaica may suffer, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO CONDUCTING OUR BUSINESS IN MALAYSIA

Any changes in Malaysia's economic, political and social conditions, as well as any changes in government policies, could materially and adversely affect our business, results of operations, financial condition and future prospects

Our major assets and business operations are located in Malaysia. Therefore, our business, results of operations, financial condition and future prospects are significantly exposed to the economic, political and legal developments in Malaysia. We cannot assure you that the Malaysian government will continue to maintain the current economic policies or pursue economic and political reforms. Specifically, our business and operating results can be materially and adversely affected by changes in the Malaysian government's regulations concerning production restrictions, price controls (such as price fixing), export controls, taxation, ownership and expropriation of property, environmental or health and safety issues.

Change in foreign workers policies may adversely affect our business, results of operations and financial condition

At the Latest Practicable Date, approximately 41% of our labour force was foreign workers. Any shortage in the supply of foreign workers, or restriction on the number of foreign workers that we can employ, will adversely affect our operations in Malaysia. The supply of foreign workers is subject to the policies of the Malaysian government. Any future changes to the foreign workers employment policies in Malaysia may adversely affect our ability to employ foreign workers. Under such event, if we are unable to find suitable replacements, our production activities and hence, our revenue and profits would be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our Shares

There was no public market for our Shares prior to the Listing. The Offer Price is negotiated among our Company and Ballas Capital (for itself and on behalf of the Underwriters). However, the Offer Price may differ significantly from the market price of our Shares following the Global Offering. We have applied for listing and permission to deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that (i) an active trading market for our Shares will develop, or (ii) if it does develop, it will be sustainable following the Global Offering, or (iii) the market price of our Shares will not decline after the Global Offering.

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The trading price and trading volume of our Shares may be volatile

The trading price and trading volume of our Shares after the Global Offering can vary significantly from the Offer Price due to many internal and external factors, including but not limited to (i) investors' and analysts' perceptions of our Group and our future plans; (ii) variations in our Group's results of operations, revenue and cash flow; (iii) major changes in our key personnel or senior management; (iv) our inability to compete effectively in the market; and (v) general, economic, financial and stock market conditions.

Shareholders' interests in our share capital may be diluted in the future

We may need to raise additional funds in the future to expand our capabilities and business through acquisition, joint venture and strategic partnership with parties which can add value to our business. The equity interest of our Shareholders will be diluted if such additional funds are to be raised through the issuance of new Shares or other equity-related securities of our Company other than on a pro-rata basis to the existing Shareholders. Such new securities may also confer rights and privileges that take priority over those conferred by the Offer Shares.

Any exercise of the options to be granted and any issuance of Shares under the Share Option Scheme in the future may also result in the dilution in the percentage of ownership of our then Shareholders.

We cannot assure you that we will declare dividends in the future

We declared and paid dividends of RM2.0 million, RM7.1 million and RM6.7 million during the Track Record Period, respectively. Other than the declaration of such dividends, we did not declare or pay any dividends during the Track Record Period.

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our results of operations, financial performance, cash flow requirements and availability, our constitutional documents and applicable laws. As such, we cannot assure you that future dividends will be declared or paid in an amount equivalent to or exceeding historical dividends. Potential investors should not therefore use historical dividends as a reference for the prediction of future dividends. Please refer to "Financial information — Dividends" of this prospectus for further details of our dividends.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts, statistics and other data contained in this prospectus with respect to certain information obtained from research reports and supplied by other parties

Certain facts, statistics and data presented in this prospectus are derived, in part, from various official government publications. While our Directors have taken reasonable care in the selection and reproduction of such information in this prospectus, such information has not been independently verified by our Group, our Directors, the Sole Sponsor or any other parties involved in the Global Offering, thus we cannot guarantee the reliability or quality of such information. None of our Group,

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our Directors, the Sole Sponsor or any other parties involved in the Global Offering makes any representation as to the consistency, accuracy or completeness of such facts, statistics and data. Furthermore, such facts, statistics and data may not be comparable to facts, statistics or data in relation to other countries and there is no assurance that such information is prepared or compiled on the same basis, standard or level of accuracy as compared to similar information contained in other publications or jurisdictions. Accordingly, such facts, statistics and data should not be unduly relied upon.

Undue reliance on forward looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain forward looking statements in relation to the plans and objectives, expectations and intentions of our Directors. Such forward looking statements are necessary estimates which reflect the best judgment of our Directors and management, and are based on numerous assumptions as to our present and future business strategies, financial performance and the development of the environment in which we operate. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual performance, financial results or achievements to be materially different from our anticipated performance, financial results or achievements expressed or implied by these forward looking statements. Accordingly, forward looking statements in this prospectus are not a guarantee of our future performance and investors should not place undue reliance on such forward looking statements.

Investors should not rely on any information contained in press articles or other media in relation to us and the Global Offering as they may not be consistent with the information contained in this prospectus

Prior to the publication of this prospectus, there may have been press articles and media coverage in relation to us and the Global Offering which may include certain financial information, financial projections and other information about us which do not appear in this prospectus. Such information may not be sourced from or approved by us, and the disclosure of such information was not authorised by us. We do not accept any responsibility for, and we cannot guarantee or make any representation as to, the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our headquarters, core business and operations are based, managed and conducted in Malaysia. In addition, substantially all our assets are based in Malaysia. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them to remain to be based in Malaysia and physically close to our operation. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company as it will require time to process the application for residency in Hong Kong. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of our Board in making decisions. Our Company currently does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (1) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorised representatives appointed are Mr. Tang, our executive Director, and Mr. Kwok Siu Man (“**Mr. Kwok**”), our joint company secretary. Mr. Kwok is ordinarily resident in Hong Kong. Although Mr. Tang resides in Malaysia, he possesses valid travel documents and is able to renew such documents when it expires in order to visit Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the authorised representatives will be authorised to communicate on our behalf with the Stock Exchange.
- (2) Each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) and all of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (a) each Director will have to provide his or her mobile telephone number, office telephone number, facsimile number and email address to our authorised representatives; (b) in the event that a Director expects to travel, he or she will endeavour to provide the telephone number of the place of his or her accommodation to the authorised

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

representatives or maintain an open line of communication via his or her mobile telephone; and (c) each of the Directors and authorised representatives will provide their respective mobile telephone numbers, office telephone numbers, facsimile numbers and email addresses to the Stock Exchange.

- (3) In compliance with Rule 3A.19 of the Listing Rules, we have appointed Dongxing Securities as our compliance adviser, which will have access at all times to our authorised representatives, Directors and senior management and will act as an additional channel of communication between the Stock Exchange and us.
- (4) We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives under the Listing Rules and/or our compliance adviser.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), or (ii) an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Kwok and Ms. Jane Ong Bee Yen (“**Ms. Ong**”) as our joint company secretaries. Mr. Kwok is a fellow member of The Hong Kong Institute of Chartered Secretaries and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Ms. Ong does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Ong as our joint company secretary. In order to provide support and provide assistance to Ms. Ong, we have appointed Mr. Kwok to act as a joint company secretary so as to enable Ms. Ong to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties.

Before the expiry of such three-year period, we will further consult with the Stock Exchange and assess the then experience of Ms. Ong in order to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied at that time and, if such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rules 3.28 and 8.17 of the Listing Rules as the secretary of our Company.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 27,000,000 Hong Kong Offer Shares and the International Placing of initially 243,000,000 International Placing Shares (subject, in each case, to adjustment on the basis described in “Structure of the Global Offering” of this prospectus).

The Global Offering is sponsored by the Sole Sponsor, namely Dongxing Securities. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between Ballas Capital (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. For further details of the Underwriters and underwriting arrangements, please refer to “Underwriting” of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by agreement between Ballas Capital (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date.

If, for whatever reason, Ballas Capital (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Thursday, 6 July 2017, the Global Offering will not become unconditional and will lapse immediately.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Hong Kong Public Offering to give any information, or to make any representation, not contained in this prospectus and the related Application Forms, and any information or representation not contained in this prospectus and the related Application Forms must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

Each person acquiring the Offer Shares in the Global Offering will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding or disposing of and dealing in our Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasise that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

OFFER SIZE ADJUSTMENT OPTION

Details with respect to the Offer Size Adjustment Option is set out in "Structure of the Global Offering" of this prospectus.

HONG KONG SHARE REGISTER AND STAMP DUTY IN HONG KONG

All Shares issued pursuant to applications made in the Global Offering will be registered in our Company's Hong Kong register of members to be maintained in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty.

Unless otherwise determined by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the shareholders listed on the Hong Kong branch share register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in “How to apply for Hong Kong Offer Shares” of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” of this prospectus.

EXCHANGE RATE CONVERSION

Certain amounts denominated in RM have been translated into HKD or USD and vice versa at an exchange rate of RM1:HKD1.71 and RM1:USD0.22 respectively, and certain amounts denominated in USD have been translated into HKD and vice versa at an exchange rate of USD1:HKD7.75, in each case, for illustration purposes only. Such conversions shall not be constructed as representations that amounts in HKD, RM, USD were or may have been converted into those currencies and vice versa at such rate or any other exchange rates.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Tang Koon Fook	No. 33, Jalan PJU 3/17 Tropicana Indah 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian
Mr. Lee Sieng Poon	2, Jalan SS 24/3 Taman Megah 47301 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian
Mr. Yap Boon Teong	No. 12, Jalan Setia Indah U13/9V Setia Alam 40170 Shah Alam Selangor Darul Ehsan Malaysia	Malaysian
Ms. Wong Yuen Lee	22, Lorong PJU 3/23C Sunway Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia	Malaysian
Independent non-executive Directors		
Mr. Fung Che Wai, Anthony (馮志偉)	Flat G 11/F, Hong Yan Court Healthy Street North Point Hong Kong	Chinese
Mr. Chong Yew Hoong	22A, Lorong Raja Udang 9, Taman Kingfisher Phase 2 88450 Kota Kinabalu Sabah Malaysia	Malaysian
Mr. Ng Hock Boon	54 Jalan USJ 9/3N 47620 Subang Jaya Selangor Darul Ehsan Malaysia	Malaysian

For further information regarding our Directors, please refer to “Directors and senior management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Dongxing Securities (Hong Kong) Company Limited
Room 6805-6806A, 68/F
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Kowloon
Hong Kong

**Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers**

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Zhong Jia Securities Limited
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law:

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Hong Kong

As to Malaysian law:

Teh & Lee Advocates & Solicitors
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Malaysia

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Cayman Islands

As to International Sanctions law:

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**Legal adviser to the Sole Sponsor
and the Underwriters**

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Hong Kong

Auditor

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Chartered Accountants
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Malaysia

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Certified Public Accountants
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Central, Hong Kong

KPMG PLT,
Chartered Accountants
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Industry consultant

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Receiving bank

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Hong Kong

Compliance adviser

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Room 6805-6806A, 68/F
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Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Malaysia	No. 27-2 Jalan PJU 5/13, Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Malaysia
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	31/F, 148 Electric Road North Point Hong Kong
Joint company secretaries	Mr. Kwok Siu Man, <i>FCIS, FCS</i> 31/F, 148 Electric Road North Point Hong Kong Ms. Jane Ong Bee Yen 20, Fasa 3J, Jalan Ke-5/4 Kota Emerald 48000 Rawang Selangor Darul Ehsan Malaysia
Authorised representatives	Mr. Tang Koon Fook No. 33, Jalan PJU 3/17 Tropicana Indah 47810 Petaling Jaya Selangor Darul Ehsan Malaysia Mr. Kwok Siu Man, <i>FCIS, FCS</i> 31/F, 148 Electric Road North Point Hong Kong
Audit Committee	Mr. Fung Che Wai, Anthony (<i>Chairman</i>) Mr. Chong Yew Hoong Mr. Ng Hock Boon
Remuneration Committee	Mr. Chong Yew Hoong (<i>Chairman</i>) Mr. Ng Hock Boon Mr. Tang Koon Fook

CORPORATE INFORMATION

Nomination Committee	Mr. Tang Koon Fook (<i>Chairman</i>) Mr. Ng Hock Boon Mr. Chong Yew Hoong
Principal share registrar and transfer office in Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	Hong Leong Bank Berhad No. 18 & 20 Jalan 20/16A Taman Paramount 46300 Petaling Jaya Selangor Darul Ehsan Malaysia Public Bank Berhad No.49, 51 & 53, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Malaysia Public Bank Berhad A-1, A-2 and A-3 Sunway Giza Mall Jalan PJU 5/14, Dataran Sunway Kota Damansara, 47810 Petaling Jaya Selangor Darul Ehsan Malaysia United Overseas Bank (Malaysia) Berhad Medan Pasar Branch Bangunan UOB Medan Pasar 10-12 Medan Pasar 50050 Kuala Lumpur Malaysia
Company's website	www.spfood.com <i>(Information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

Ipsos is wholly-owned by Ipsos Group S.A. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

We agreed to pay Ipsos a fee of HK\$724,000 for the preparation of the Ipsos Report.

Research methodology

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders, industry experts and industry participants. The information and statistics set forth in this section have been extracted from the Ipsos Report.

Assumptions used in the Ipsos report

Forecast data was projected based on historical data regarding macro-economic factors as well as industry-specific drivers such as consumer demand and the development of the coconut and related product production industry. The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- The demand and supply for coconut and related products are assumed to remain stable during the forecast period; and

INDUSTRY OVERVIEW

- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the coconut and related products production industry in Malaysia during the forecast period.

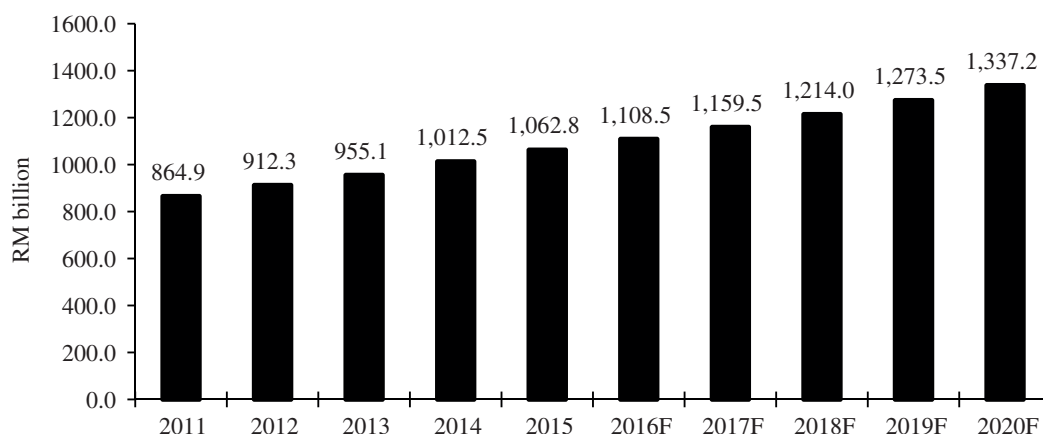
Based on the above, our Directors and the Sole Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report.

MACROECONOMIC ENVIRONMENT IN MALAYSIA

The chart below sets forth the GDP of Malaysia from 2011 to 2015 and forecast from 2016 to 2020:

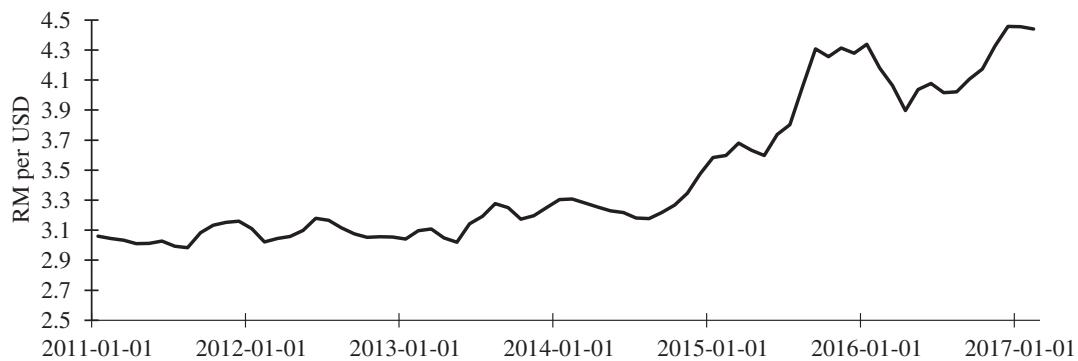


Source: International Monetary Fund

Malaysia's GDP increased from RM864.9 billion in 2011 to RM1,062.8 billion in 2015 at a CAGR of 5.3%, driven by domestic demand and supported by an improvement in external trade performance. In the forecast period, the GDP is expected to increase to RM1,337.2 billion in 2020 from RM1,108.5 billion in 2016, representing an estimated CAGR of 4.8%. The positive economic forecast is supported by increasing domestic demand, a growing export market and higher levels of private and public investment.

INDUSTRY OVERVIEW

The chart below sets forth the RM/USD exchange rate from 2011 to 2017:



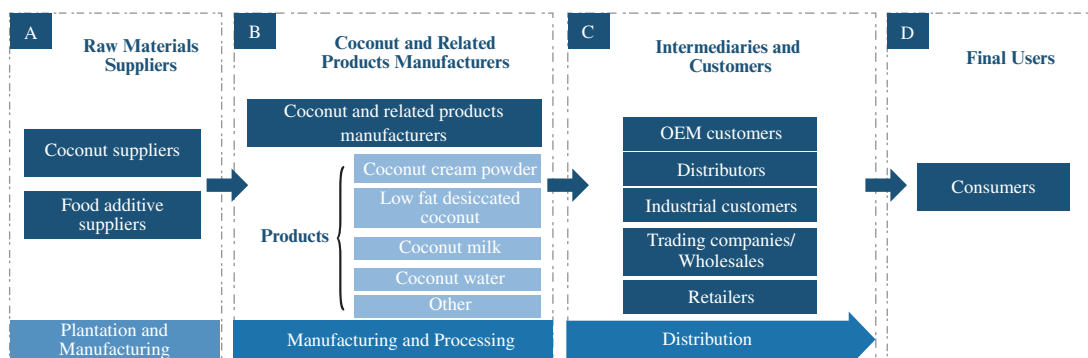
Source: Federal Reserve Economic Data

RM has depreciated against USD from an average of approximately RM3.1 per USD in 2011 to RM4.1 per USD in 2016. The weakened RM may have a negative impact on manufacturers that import raw materials and rely on domestic sales. However, the depreciation of RM may have a positive effect on manufacturing exporters, especially those with locally sourced raw materials with costs denominated in RM.

COCONUT AND RELATED PRODUCTS PRODUCTION INDUSTRY IN MALAYSIA

Major products produced by companies in the coconut and related products production industry in Malaysia include coconut cream powder, coconut milk/cream, desiccated coconut, coconut water and other related products such as toasted coconut paste (*kerisik*).

The diagram below presents the value chain of the coconut and related products production industry in Malaysia:



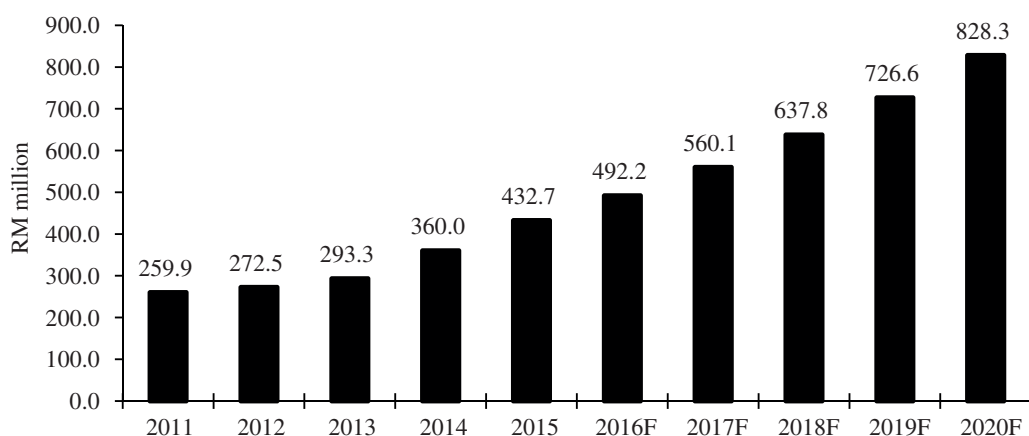
Source: Ipsos research and analysis

INDUSTRY OVERVIEW

Coconut and related products manufacturers produce coconut and related products after obtaining raw materials from raw material suppliers. Manufacturers may engage with five types of customers, including:

- **OEM customers:** Coconut and related products manufacturers sell products to OEM customers who purchase coconut and related products produced according to the specifications and under the brand name of the OEM customers.
- **Distributors:** Distributors purchase coconut and related products from manufacturers and sell to their wholesale, industrial, and retail customers within their designated territories.
- **Wholesalers/ trading companies:** Wholesalers/ trading companies purchase coconut and related products and sell to their customers, for example, other retailers and industrial customers.
- **Industrial customers:** Industrial customers are customers who purchase coconut and related products in bulk. These customers include food manufacturers, bakeries, restaurants, hotels, cafés and other food service companies. For example, a bakery may procure coconut and related products for making bread or cakes.
- **Retailers:** Retailers include supermarkets, hypermarkets or grocery stores where individual consumers purchase coconut and related products. The role of retailers may include sales and marketing activities.

The chart below sets forth the market value of the coconut and related products production industry in Malaysia from 2011 to 2015 and forecast from 2016 to 2020:



Source: Ipsos research and analysis

INDUSTRY OVERVIEW

From 2011 to 2015, the market value of the coconut and related products production industry in Malaysia grew at a CAGR of 13.6%, from RM259.9 million in 2011 to RM432.7 million in 2015. The growth was attributable to the increasing popularity of coconut and related products in the global market. Due to rising health consciousness, an increasing number of people consume coconut and related products. For example, the demand for coconut-related products experienced strong growth in countries such as Jamaica, Saudi-Arabia, UAE and U.S. because an increasing number of people are aware of the health benefits of consuming coconut-related products, especially as a substitute for dairy products. In the forecast period, the market value of the coconut and related products production industry in Malaysia is expected to increase from RM492.2 million in 2016 to RM828.3 million in 2020, at an estimated CAGR of 13.9%. Industry growth is expected to be driven by the demand for coconut-related products, due to the perception among consumers that they are healthy.

DEMAND FOR COCONUT AND RELATED PRODUCTS

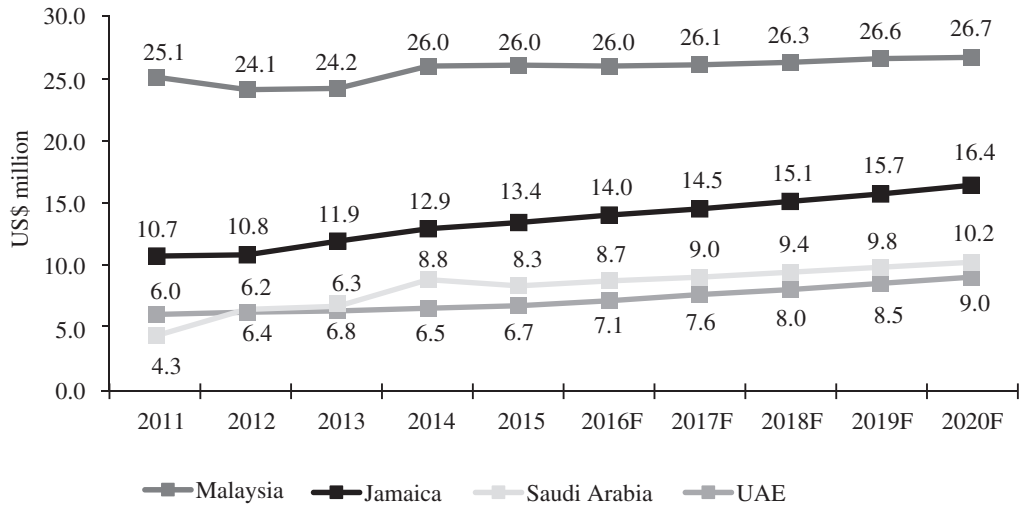
Coconut cream powder

The demand for coconut cream powder is driven by population increase and the expansion of the food manufacturing sector. Coconut cream powder is mainly consumed in South-East Asia, Central America and the Middle East. Some Middle Eastern and Central American countries do not produce coconut cream powder locally and the product is therefore imported from countries including Malaysia, Thailand and Sri Lanka. In importing countries, it is common for major coconut cream powder manufacturers to appoint exclusive distributors, however, not all brands engage distributors on an exclusive basis.

The major customer segments of coconut cream powder include retail customers and industrial customers. Retail sales of coconut cream powder mainly serve individual consumption. Coconut cream powder is used in home cooking, especially in dishes requiring coconut milk, and is purchased by individual consumers via retail channels. The industrial segment includes (i) food manufacturing and processing companies, who use coconut cream powder in the production of food products such as baked goods and confectionery, and (ii) the food and beverage sector, such as hotels, restaurants and catering.

INDUSTRY OVERVIEW

The chart below sets forth the sales value of coconut cream powder in Malaysia, Jamaica, Saudi Arabia and UAE from 2011 to 2015 and forecast from 2016 to 2020:



Source: Ipsos research and analysis

The sales value of coconut cream powder in Malaysia increased from US\$25.1 million in 2011 to US\$26.0 million in 2015, at a CAGR of 0.9%. Coconut cream powder is a commonly used food ingredient in Malaysia which has seen a relatively stable demand. The sales value is expected to expand from US\$26.0 million in 2016 to US\$26.7 million in 2020, at an estimated CAGR of 0.7%. The sales value is forecast to grow at a relatively slow pace. This is partly due to the increasing substitution of coconut cream powder by coconut milk, which is considered by certain consumers as better for cooking. Coconut milk is more expensive and consumers are likely to purchase coconut milk as their incomes increase. Nonetheless, the demand for coconut cream powder amongst industrial customers is likely to account for an increasing proportion of demand, given the developing food processing industry and growing market for packaged food and beverages. Major brands of coconut cream powder in the Malaysian market include Santan and Cocos from our Group, Enak from H.O.T Ree Industries (M) Sdn Bhd., Rasuku from Linaco Manufacturing (M) Sdn. Bhd., and Santanmas from Santanmas Food Industries Sdn. Bhd. The brands of Santan and Cocos account for approximately a 45% market share combined, while other brands account for the remaining approximately 55% market share of the Malaysian market in 2015.

In Jamaica, the sales value of coconut cream powder increased from US\$10.7 million in 2011 to US\$13.4 million in 2015, at a CAGR of 5.8%. The expansion of the market was partly attributed by the increasing number of tourist arrivals which increased the demand for traditional Jamaican food and consequently the demand for coconut cream powder. The sales value of coconut cream powder is expected to expand from US\$14.0 million in 2016 to US\$16.4 million in 2020, at an estimated CAGR of 4.0%. In addition to the continuing demand from the local population and tourists, market expansion is likely to be attributed to the Jamaican government's policy of promoting the local coconut production and coconut based product manufacturing industry.

INDUSTRY OVERVIEW

The sales value of coconut cream powder in Saudi Arabia increased from US\$4.3 million in 2011 to US\$8.3 million in 2015, at a CAGR of 17.9%. In addition to retail sales of coconut cream powder, Saudi Arabia has a significant confectionery manufacturing industry catering to both the domestic and export market, and thus imports coconut cream powder to produce confectionery products. The rapid growth rate in the historical period was likely due to the expansion of the confectionery manufacturing industry. The sales value of coconut cream powder is expected to increase from US\$8.7 million in 2016 to US\$10.2 million in 2020, at an estimated CAGR of 4.1%. The lower growth rate from 2016 to 2020 is due to the expected decreasing growth rate of the confectionery sales market in the Middle East.

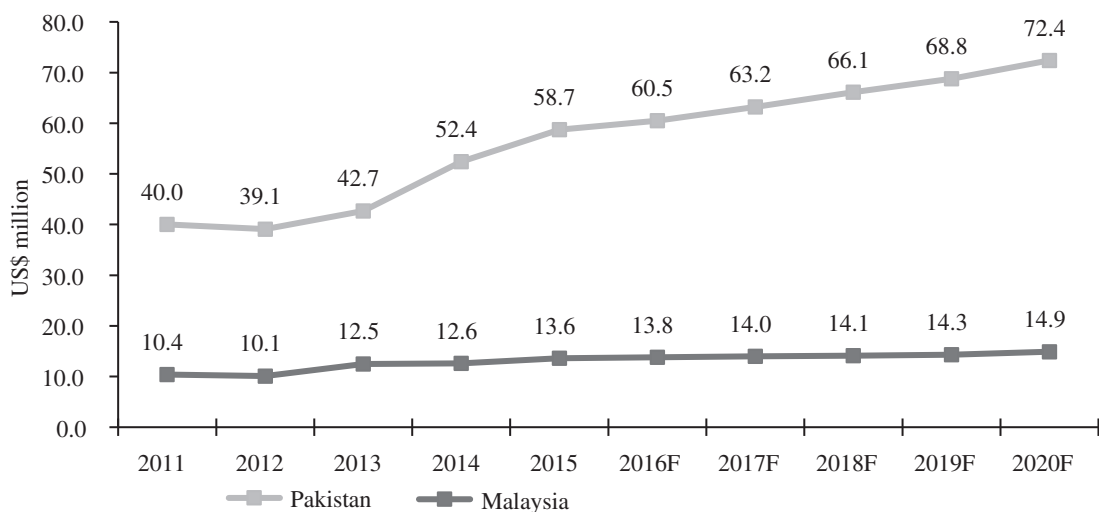
The sales value of coconut cream powder in UAE expanded from US\$6.0 million in 2011 to US\$6.7 million in 2015, at a CAGR of 3.0%. In the forecast period, the sales value of coconut cream powder is expected to continue growing from US\$7.1 million in 2016 to US\$9.0 million in 2020, at a more rapid estimated CAGR of 6.0%. The growth is driven by the increasing population, especially those of South and South East Asian origin, and the development of tourism.

Desiccated coconut

Desiccated coconut is the dehydrated white coconut meat from mature coconut kernels. It is mostly used in the food manufacturing industry, especially baking and confectionery, while it is also packed for retail sale to individual customers. The product is used by individual customers for cooking savory and sweet dishes and can be a substitute for fresh grated coconut.

Desiccated coconut is classified into two different types based on the fat content. High fat desiccated coconut (HFDC) has a fat content of more than 60%. Low fat desiccated coconut (LFDC) generally has a fat content of 45% to 55%. LFDC is a by-product of the coconut milk and coconut cream powder manufacturing industry and is the dehydrated white coconut meat remaining after the extraction of coconut milk.

The chart below sets forth the sales value of desiccated coconut in Pakistan and Malaysia from 2011 to 2020:



Source: Ipsos research and analysis

INDUSTRY OVERVIEW

Pakistan has negligible production of coconuts and therefore imports coconut and coconut related products. The sales value of desiccated coconut in Pakistan increased from US\$40.0 million in 2011 to US\$58.7 million in 2015 at a CAGR of 10.1%. The demand for desiccated coconut was largely driven by the food processing industry. Increased consumer spending drove the market for packaged desiccated coconut as well as confectionery and baked goods which use desiccated coconut as an ingredient. Confectionery and bakery products produced in Pakistan are also exported, especially to the Middle Eastern and African markets. The sales value is expected to increase from US\$60.5 million in 2016 to US\$72.4 million in 2020, at an estimated CAGR of 4.6%. The increase is likely to be driven by the growing market for packaged foods due to rising household incomes.

The sales value of desiccated coconut in Malaysia increased from US\$10.4 million in 2011 to US\$13.6 million in 2015 at a CAGR of 6.9%. The demand for desiccated coconut is largely driven by the food processing sector. Products manufactured in Malaysia using desiccated coconut include curry pastes, cakes and confectionery products. The food processing sector is in turn positively impacted by the change in consumer behavior towards the purchase of processed and convenience foods. The sales value is expected to expand from US\$13.8 million in 2016 to US\$14.9 million in 2020, at an estimated CAGR of 1.9%. The increase is expected to be driven by the continued growth of the food processing industry.

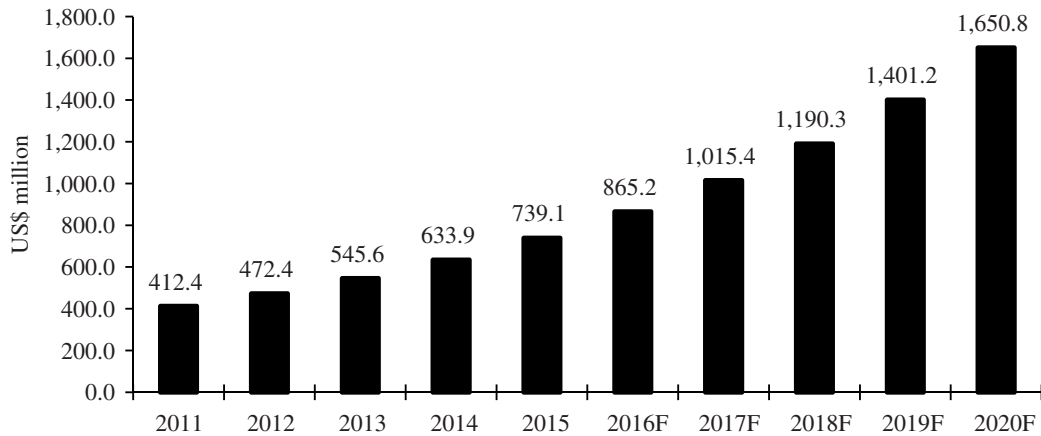
Coconut milk

Coconut milk is classified into two different types. Firstly, coconut milk can be used for cooking as an ingredient in the preparation of sweet and savoury dishes. It is especially used in South Asian, South-east Asian, African and Caribbean cuisine. Secondly, coconut milk can be used as substitute product for dairy milk, similar to soya milk or almond milk. In this form the product is known as 'ready to drink' coconut milk. It has a lower fat content than coconut milk used for cooking. The coconut milk products that our Group sells are mainly used for cooking.

The market for coconut milk for cooking is driven by population growth and economic development in Asian, South-east Asian, African and Caribbean countries, as well as the increasing popularity of these cuisines in places such as the US and Europe. Coconut milk as a dairy alternative beverage has seen rapid growth due to the rising awareness of the potential health benefits of coconut products, growing interest in health and nutrition, as well as the increasing prevalence of veganism and vegetarianism.

INDUSTRY OVERVIEW

The chart below sets forth the global sales revenue of coconut milk (cooking and drinking included) from 2011 to 2015 and forecast from 2016 to 2020:



Source: Ipsos research and analysis

The global sales revenue of coconut milk grew from US\$412.4 million in 2011 to US\$739.1 million in 2015 at a CAGR of 15.7%, and is expected to increase to US\$1,650.8 million in 2020 from US\$865.2 million in 2016 at an estimated CAGR of 17.5%. The forecast growth is expected to be led by the growing consumer demand for plant-based dairy alternative products and an increasing number of players entering the market. There is a relatively stable demand for coconut milk for cooking. The market is mainly driven by population growth in South East Asian, African and Caribbean countries. In addition, given the popularity of international cuisines in Europe and North America, the demand for coconut milk for cooking has increased in these regions.

The sales revenue of coconut milk in Malaysia increased from US\$21.1 million in 2011 to US\$30.1 million in 2015, representing a CAGR of 9.3%. Coconut milk is a common food ingredient in Malaysia used in both savoury and sweet dishes. The increase in sales value is driven by population growth and increasing household expenditure as well as the rising price of coconut milk. The price of coconuts increased due to strong global demand and a shortage of supply. During the forecast period, the total sales revenue of coconut milk in Malaysia is forecast to increase from US\$32.9 million in 2016 to US\$48.4 million in 2020, at an estimated CAGR of 10.1%. The growth in sales revenue is likely to be driven by rising household expenditure and continued increases in the price of coconut milk. In addition, it is expected that consumers in Malaysia will follow the global trend and increasingly purchase coconut milk beverages and coconut milk as an alternative to dairy milk.

The sales revenue of coconut milk in the U.S. increased from US\$69.8 million in 2011 to US\$121.2 million in 2015 at a CAGR of 14.8%. Between 2016 and 2020, the sales revenue of coconut milk in the U.S. is forecast to increase from US\$139.6 million in 2016 to US\$249.3 million in 2020, at an estimated CAGR of 15.6%. The coconut milk market is expected to expand due to the entry of new brands with a more diverse range of coconut milk-based products and a growing interest in health and nutrition amongst consumers.

INDUSTRY OVERVIEW

COMPETITIVE ANALYSIS OF THE COCONUT AND RELATED PRODUCTS PRODUCTION INDUSTRY IN MALAYSIA

The leading companies in the coconut and related products production industry in Malaysia have largely remained the same over the last decade. In general, each company specialises in the production of either coconut cream powder or coconut milk and produces other related products in smaller quantities. This oligopoly for each core product is unlikely to change in the near future.

There are less than 10 major companies in the coconut and related products production industry in Malaysia. The top five companies accounted for a market share of approximately 73.6%, with the remainder of the market consisting of approximately 26.4%. In addition to our Group, the major competitors are, in alphabetical order: Kapar Coconut Industries Sdn. Bhd., Linaco Manufacturing (M) Sdn. Bhd., M & S Food Industries Sdn. Bhd. and Teat Leng Industrial (M) Sdn. Bhd. The industry is therefore considered consolidated. In 2015, our Group recorded revenue of RM78.3 million, and thus accounted for a market share of 18.1%.

In 2015, the total market value of coconut cream powder production in Malaysia was approximately RM141.2 million, which represents 32.6% of the total market value of coconut and related products production industry.

There were five major manufacturers producing coconut cream powder in 2015, accounting for a combined market share of approximately 80.0%. In addition to our Group, the major competitors are, in alphabetical order: H.O.T Ree Industries (M) Sdn Bhd., Kapar Coconut Industries Sdn. Bhd., Linaco Manufacturing (M) Sdn. Bhd. and Santanmas Food Industries Sdn. Bhd.

In 2015, our Group recorded revenue of RM63.9 million for the production of coconut cream powder, equal to a market share of 45.3%. Our Group ranked as the leading producer of coconut cream powder in Malaysia.

The table below sets forth the top five companies in the coconut and related products production industry in Malaysia in 2015:

Rank	Company	Revenue	Market	Background	Headquarters	Production	Key products
		(RM million)	share (%)			location	
1	Company A	168.8	39.0%	Manufacturer of coconut and related products	Selangor	Batu Pahat, Johor and Shah Alam, Selangor	Coconut milk, coconut water, low fat desiccated coconut, coconut cream powder
2	Our Group	78.3	18.1%	Trader and manufacturer of coconut and related products	Selangor	Perak, Selangor	Coconut cream powder, low fat desiccated coconut, coconut milk

INDUSTRY OVERVIEW

Rank	Company	Revenue (RM million)	Market share (%)	Background	Headquarters	Production location	Key products
3	Company C	37.0	8.6%	Manufacturer of coconut and related products	Perak	Perak	Coconut milk, coconut cream, low fat desiccated coconut
4	Company D	17.6	4.1%	Manufacturer of coconut and related products	Selangor	Selangor	Coconut cream powder, coconut cream, low fat desiccated coconut, coconut beverage, virgin coconut oil
5	Company E	16.6	3.8%	Manufacturer of coconut and related products	Johor	Johor	Coconut milk, low fat desiccated coconut
	Others	114.4	26.4%				
	Total	432.7	100.0%				

Notes:

1. Revenue is derived from company financial data and interviews with industry participants.
2. Revenue in 2015 refers to revenue generated from the production of coconut and related products only.

Source: Ipsos research and analysis

The table below sets forth the top five coconut cream powder producers in Malaysia in 2015:

Rank	Company	Revenue (RM million)	Market share (%)
1	Our Group	63.9	45.3%
2	Company D	14.1	10.0%
3	Company A	12.7	9.0%
4	Company F	12.6	8.9%
5	Company G	9.7	6.9%
	Others	28.2	20.0%
	Total	141.2	100.0%

Notes:

1. Revenue is derived from company financial data and interviews with industry participants.

INDUSTRY OVERVIEW

2. Revenue in 2015 refers to revenue generated from the production of coconut cream powder only.

Source: Ipsos research and analysis

Competitive analysis of the coconut and related product market in the global market

The global market for coconut cream powder is relatively consolidated. Major coconut cream powder producers with their own brands include Maggi from Nestlé Sri Lanka and Santan from our Group have a global sales network including markets such as Jamaica, Saudi Arabia and UAE. Other distributors and retailers sell their own brands of coconut cream powder which are produced under an OEM arrangement with coconut and related products manufacturers. The majority of coconut cream powder is produced by manufacturers based in Sri Lanka, Malaysia, Indonesia, the Philippines and Thailand for local consumption and export to the global market, including countries such as Jamaica, Saudi Arabia and UAE which do not have significant domestic production of coconut cream powder.

The major brands of coconut cream powder are expected to retain their leading positions over the forecast period given their strong market positioning and the standardised nature of coconut cream powder. The relatively stable market growth rate over the forecast period may deter new entrants to the market, thus favoring existing brands. Brands which develop new types and flavors of coconut cream powder are more likely to be able to increase their market shares.

Our Group distributes our own brands, Santan and Cocos, in the Saudi Arabian and UAE markets. In 2015, Santan was the first largest brand in Saudi Arabia and the third largest brand in UAE. In the Jamaican market, our Group does not distribute our brands Santan and Cocos, but supplies OEM products to our Group's OEM customers. Of the top three brands in the Jamaican market, only Maggi is an imported brand owned by the manufacturer (Nestlé Sri Lanka). The other two major brands, Grace and Caribbean Choice from Grace Kennedy Group and Caribbean Dreams from Jamaican Teas Ltd. are produced on an OEM basis by overseas manufacturers. Given that the two of the major brands in the Jamaican market are dominated by Grace and Caribbean Choice from Grace Kennedy Group and Caribbean Dreams from Jamaican Teas Ltd., our Group sells our coconut cream powder products in Jamaica on an OEM basis.

In the Jamaican market, Grace and Caribbean Choice from Grace Kennedy Group, Maggi from Nestlé Sri Lanka and Caribbean Dreams from Jamaican Teas Ltd. rank as the top three brands of coconut cream powder. Grace and Caribbean Choice account for approximately 30% of market share in 2015 and ranked as the largest brand in the Jamaican market, while the second and third largest brands accounted for approximately 29% market share combined in 2015.

In the Saudi Arabian market, major brands of coconut cream powder include Santan from our Group, Maggi from Nestlé Sri Lanka and Eastern from Eastern Condiments. Santan accounts for approximately 17% market share, ranking as the first largest brand in the Saudi Arabian market. The second and third largest brands accounted for an approximately 16% market share combined in 2015.

In the UAE market, the top three major brands of coconut cream powder include Maggi from Nestlé Sri Lanka, Eastern from Eastern Condiments and Santan from our Group. The first and second largest brand accounted for approximately 31% market share combined, while Santan accounts for approximately 10% market share of the UAE market in 2015 and thus ranked as the third largest brand.

INDUSTRY OVERVIEW

Market drivers

Growing awareness of health and nutrition

Mainstream consumers, not only the typically health-conscious segment, are increasingly seeking healthier products. Coconut and related products are perceived as a functional food providing nutrients and other health benefits. With the health and nutritional benefits attributed to coconut, the demand for coconut and related products increased.

Versatility in producing coconut based products

Coconut offers a high level of versatility, with both the flesh and water able to be consumed or further processed into other products. Manufacturers are therefore able to fully utilise their raw material and consumers are provided with a range of products.

Demand for convenience foods

In the past, many consumers in countries such as Malaysia purchased coconuts and extracted the milk themselves, or purchased fresh coconut milk from local markets. However, more recently, urbanisation and growing affluence have resulted in consumers increasingly purchasing ready-to-use coconut products, such as packaged coconut milk or coconut cream powder.

Malaysia as a HALAL hub

Malaysia's Third Industrial Master Plan 2006-2020 aims to establish Malaysia as a leading supplier of HALAL products and services. The Halal Industry Development Corporation was established in 2006 to spearhead and coordinate the overall growth of the HALAL industry. Muslims generally only consume products which are certified Halal. Given that Malaysia is an Islamic country and the government supports the development of the Halal food production industry, Malaysian made products are suitable to be sold in Islamic countries. Such government policy initiatives are expected to continue to expand the export market for Malaysian coconut and related products manufacturers, especially to the Middle East and other countries with Islamic populations. In general, countries with predominately Islamic populations tend to have local cuisines which commonly use coconut and related products.

Threats and challenges

Coconut supply shortages

A disruption in supply may increase the price of coconuts and thus affect the profitability of industry players. Potential causes of supply disruption include the aging of coconut palms which results in lower yields and pests and diseases.

INDUSTRY OVERVIEW

Raw material volatility and price rises

The prices of raw materials may be volatile due to the level of supply and demand within the market and factors such as supply disruptions, climate events and the emergence of substitute commodities. Rapid fluctuations in the prices of raw materials mean that companies without adequate knowledge may enter contracts when prices are high, and thus pay higher than the market price if prices drop. Overall, the price of raw materials in the coconut and related products production industry, such as shelled coconuts, has been increasing over the last five years, which may negatively impact the profit margin of companies in the industry.

Entry barriers

The entry barriers to the coconut and related products production industry are relatively low. However, new entrants may face barriers to entry related to relationships with raw material suppliers, the establishment of a customer base and compliance with complex regulations.

Relationships with raw material suppliers

Existing manufacturers within the industry may have strong relationships with coconut suppliers and thus may obtain cost advantages that may not be replicated by the new entrants into the market. Any significant cost disadvantage will act as an entry barrier for new entrants into the market as they may be unable to profitably produce coconut and related products at competitive prices. This barrier to entry is may become more significant due to the global coconut supply shortage. Manufacturers with long term relationships with coconut and other raw material suppliers may be able to secure supplies more easily.

Industry players with an established customer base

The major companies in the coconut and related products production industry in Malaysia have been in operation for over a decade. These leading players typically have established relationships in the domestic market and export destinations with OEM customers as well as distributors, retailers and industrial customers. New entrants may find it difficult to attract end customers due to their relative lack of experience and sales network.

Compliance with complex regulations

The regulatory landscape within the coconut and related product manufacturing industry is relatively complex due to the requirement to comply with national, regional and international regulatory standards and agencies. The regulations cover, but are not limited to, labeling, bacterial level and protein content. The regulatory compliance issues are especially pertinent and complex to coconut milk for beverages and coconut water as they are relatively new in the market. Companies wishing to sell coconut and related products in export markets are also subject to the regulations of those specific export markets. New entrants to the industry may not have the necessary expertise and face challenges in fulfilling the requirements set out by regulatory agencies and obtaining the necessary certifications. It also may take a time for new entrants to comply with the necessary regulations, thus potentially delaying their production and sales.

INDUSTRY OVERVIEW

Competitive advantages of our Group

Renowned brand of coconut and related products

Our Group is one of the most established coconut and related product manufacturers in Malaysia. In 2015, our Group was one of the largest producers of coconut cream powder in Malaysia. Santan and Cocos are our Group's major brands and are well known in the Malaysia market as well as in export destinations, especially in Middle Eastern countries such as Saudi Arabia and UAE.

High product quality assurance with international quality accreditations

Our Group adopted the HACCP system, has several international certifications (ISO 9001:2008, ISO 22000:2005, MS 1480:2007) and two specific certifications enabling our Group's products to be certified KOSHER and HALAL. In addition, to demonstrate that our Group's products are safe and of high quality, application for FSSC 22000 certification is in progress, as at the Latest Practicable Date. High quality products supported by international certifications can help give consumers trust in the products manufactured by our Group and thus maintain their existing customer base and gain new customers. Moreover, having KOSHER and HALAL certification enables our Group's products to be sold to different ethnic communities, thus enlarging the potential consumer base.

Large production capacity

Our Group possesses a multi-stage spray dryer for coconut cream powder production with a maximum production capacity of 4,500 metric tonnes per annum. This places our Group as the leading coconut cream powder manufacturer in Malaysia in terms of production capacity. Our Group is projected to have a planned total annual maximum production capacity of 6,500 metric tonnes after recommissioning of our Johor Plant which will have an annual maximum production capacity of 2,000 metric tonnes by third quarter of 2018. The large production capacity enables our Group to meet the needs of customers for large orders and produce sufficient quantities of coconut cream powder in times of high demand.

To support the continued expansion of the business, our Group plans to purchase additional production machinery including processing and aseptic packing facilities for the production of coconut milk.

Continual product innovation by R&D team

Our Group has a dedicated in-house R&D team with food technology qualifications who develops new products to meet the evolving needs of customers. The investment in R&D may enhance our Group's competitiveness by continually introducing new products and potentially expanding our Group's revenue and market share. Our Group has developed different variants of coconut cream powder products to meet different consumer needs. This continued innovation is advantageous to maintain competitiveness and drive consumer demand for this fairly standard product.

INDUSTRY OVERVIEW

Future trends in the coconut and related products production industry

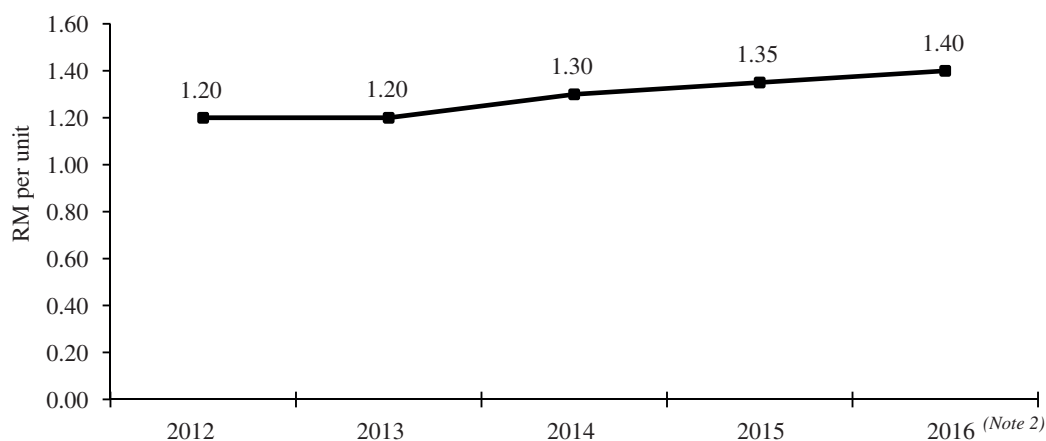
Diversification of products manufactured

Given the recent growth of the industry, manufacturers may have the financial capacity to invest in new product development and add to their product portfolio in response to changing consumer demands. Other related products such as virgin coconut oil, coconut ice-cream, coconut puddings, coconut chips, coconut sugar, coconut flour and coconut butter/ spreads are being developed by coconut and related products manufacturers. The increase in the number of related products produced is likely to increase the revenue stream of manufacturers and encourage further industry growth.

PRICES OF RAW MATERIALS

Coconuts

The chart below sets forth the average wholesale price of shelled coconuts in Malaysia from 2012 to 2016 (*Note 1*):



Notes:

1. Data refers to 'medium' sized shelled coconuts.
2. Data refers to information available up to August 2016.

Source: Department of Statistics, Malaysia

The average wholesale price of shelled coconuts in Malaysia increased from RM1.2 per unit in 2012 to RM1.4 per unit in 2016 at a CAGR of 3.9%. This was due to the rising demand for coconuts and shortages in supply in both Malaysia and key exporting countries such as Indonesia and the Philippines. The depreciation of RM also contributed to the increasing price of imported coconuts. Between 2011 and 2015, imported coconuts accounted for between an estimated 5% and 20% of total coconut consumption in Malaysia. Coconut and related products manufacturers are inclined towards importing coconuts as it can be cheaper than sourcing coconuts produced in Malaysia.

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Sodium caseinate and maltodextrin

Other raw materials used in the production of coconut cream powder include sodium caseinate and maltodextrin. Maltodextrin can be manufactured from potatoes, wheat or corn, while sodium caseinate is produced from cow's milk. The price of these materials is thus influenced by the price volatility of their precursor ingredients. Sodium caseinate and maltodextrin witnessed an increasing price over the past five years in Malaysia. The falling value of RM may further increase the cost of raw materials in the future.

REGULATORY OVERVIEW

All of our business operations and assets are located in Malaysia, and therefore we are subject to supervision and regulation by the Malaysian government. This section sets out: (i) the major Malaysian government authorities that govern our business operations; and (ii) a summary of the main laws, regulations and policies of Malaysia that we are subject to.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN MALAYSIA

The establishment, operation and management of the Malaysia subsidiaries of our Group shall be in compliance with relevant laws and regulations of Malaysia. Below sets out some of the relevant material Malaysia laws and regulations applicable to our Group:

Manufacturing Licensing Requirements

Under the Industrial Coordination Act 1975 (“**ICA 1975**”), any person engaging in manufacturing activity shall obtain a manufacturing license. The ICA 1975 defines manufacturing activity as “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”. The ICA 1975 further defines product as “any article, thing, substance or service produced as a result of any manufacturing activity and includes a range of products”.

The licensing requirement under ICA 1975 only applies to companies with shareholders’ funds of RM2.5 million and above and with 75 or more full-time paid employees. Any companies below the aforesaid thresholds will be exempted from the requirement to apply for a manufacturing license.

Failure to observe and adhere to the licensing requirements under ICA 1975 will constitute an offence which is punishable on conviction by 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 per day during which the non-compliance continues.

Business Licensing Requirements

The Local Government Act 1976 (“**LGA 1976**”) provides that every local authority shall have the power to, amongst others, grant licence or permit for any trade, occupation or premises. It further provides that every local authority may from time to time make, amend and revoke any by-laws in respect of all such matters as are necessary or desirable for the maintenance of the health, safety and well-being of the inhabitants or for the good order and government of the local authority. The LGA 1976 provides that every person who is guilty of any offence against the LGA 1976 or any by-laws, rules or regulations is punishable by a fine not exceeding RM2,000 or by imprisonment of a term not exceeding one year or by both and in the case of continuing offence, a sum not exceeding RM200 for each day during which such offence is continued after conviction.

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Laws and Regulations Relating to Food Industry

(a) *Food Act 1983*

The Food Act 1983 (“**FA 1983**”) provides for the protection to the public against health hazards and fraud in the preparation, sale and use of food, and for matters incidental thereto or connected therewith in Malaysia and is regulated by the Ministry of Health Malaysia. FA 1983 defines food as every article manufactured, sold or represented for use as food or drink for human consumption or which enters into or is used in the composition, preparation, and preservation, of any food or drink and includes confectionery, chewing substances and any ingredient of such food, drink, confectionery or chewing substances.

The FA 1983 further provides that any person who prepares or sells any food that has, in or upon it, any substance which is poisonous, harmful or otherwise injurious to health commits an offence and shall be liable, on conviction, to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 10 years or to both. In addition, the FA 1983 also provides that where a person has been convicted of an offence under the FA 1983, the court may, in addition to any other penalty which it may lawfully impose, cancel any licence issued to such person under the FA 1983 or any regulation made thereunder.

(b) *Food Regulations 1985*

The Food Regulations 1985 (“**FR 1985**”) provides for the standards and requirements to be complied with by the coconuts processing industry for the production of coconut related products and does not apply to any food prepared, produced or packaged for export outside Malaysia. Failure to observe and adhere to any of the provisions of FR 1985 will constitute an offence and the FR 1985 further provides that where no penalty is provided by FA 1983, on conviction, the person shall be liable to a fine not exceeding RM5,000 or imprisonment for a term not exceeding two years.

(c) *Food Hygiene Regulation 2009*

The Food Hygiene Regulation 2009 (“**FHR 2009**”) provides an infrastructure to control the hygiene and safety of food sold in the country to protect public health. The FHR 2009 requires all food premises for the purposes of or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food or the relabeling, reprocessing or reconditioning of any food be registered under the FHR 2009. The FHR 2009 provides that any person who fails to comply with the FHR 2009 commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding two years.

Certificate of Completion and Compliance under Street, Drainage and Building Act 1974 and Uniform Building By-Laws 1984

The Street, Drainage and Building Act 1974 (“**SDBA 1974**”) amends and consolidates the laws relating to street, drainage and building in local authority areas in Peninsular Malaysia. It provides

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that the state authority shall have the power to make by-laws in respect of every purpose which it deems necessary for carrying out the provisions of the SDBA 1974, including but not limited to the construction of buildings and the time, manner and procedure for the issuance of the certificate of completion and compliance (“CCC”).

The Uniform Building By-Laws 1984 (“**UBBL 1984**”) is issued pursuant to the power conferred under SDBA 1974. Pursuant to the UBBL 1984, CCC is to be issued by a qualified person who submits building plans to the local authority for approval in accordance with the UBBL 1984.

The SDBA 1974 provides that any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Laws and Regulations Relating to Employment

The employment of employees in Malaysia are governed by the Employment Act 1955 (“**EA 1955**”). The EA 1955 regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees. The EA 1955 defines employee as any person, irrespective of his occupation, who has entered into a contract of service with an employer under which such person’s wages do not exceed RM2,000 a month. Further, The EA 1955 provides that in the event where the terms of the employment of an employee inconsistent with the minimum standards provided under EA 1955, the more favourable terms will prevail and enjoyed by the employee. Any person who commits any offence under, or contravenes any provision of, EA 1955 or any regulations, order or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM10,000.

The Employees Provident Fund Act 1991 imposes the statutory obligations on employers and employees to make contribution towards the employees’ provident fund which shall serve as a saving scheme for retirement purposes of an employee whereas the Employees’ Social Security Act 1969 provides social security in certain contingencies and to make provision for certain other matters in relation to it and shall apply to all industries having one or more employees.

Foreign Employees

The Employment (Restriction) Act 1968 (“**ERA 1968**”) provides for the restriction of employment in certain business activities in Malaysia of persons not being citizens and the registration of such persons and for matters connected therewith. The ERA 1968 expressly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit. Failure to obtain the valid employment permit shall be an offence which on conviction is punishable by a fine not exceeding RM5,000 or imprisonment for a term not exceeding one year or both.

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In addition, the employment of foreign employees in Malaysia shall also be subject to the Immigration Act 1955 (“**IA 1955**”) that regulates the immigration matters in Malaysia. The IA 1955 provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit or exemption is granted to him pursuant to IA 1955. The IA 1955 further provides that a person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid employment pass shall be guilty of an offence and shall on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to imprisonment for a term not exceeding 12 months or to both for each such non-resident employee. The IA 1955 also provides that if it is proven that the person employed more than five such non-resident employees without valid entry permit shall on conviction be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding five years or to both, and shall also be liable to whipping of not more than six strokes.

Laws and regulations relating to taxation in Malaysia

Income Tax Act 1967

The Income Tax Act 1967 (“**ITA 1967**”) imposes a tax, known as income tax, for each year of assessment upon the income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia. A company will be a tax resident in Malaysia if its management and control is exercised in Malaysia. The management and control of the company is considered to be exercised where the directors meet to conduct the company’s businesses and affairs, for instance, the place where the directors’ meetings concerning the management and control of the company are held.

As at the Latest Practicable Date, resident companies were subject to a tax rate of 24%* with effect from year of assessment 2016. In cases of resident companies with a paid up capital of RM2,500,000 or less, they are taxed at the rate of 18% for the first RM500,000 (effective from year of assessment 2017) and 24%* for any sum in excess of RM500,000.

The ITA 1967 provides that any person who willfully and with intent to evade or assist any other person to evade tax shall be guilty of an offence and shall on conviction be liable to a fine of not less than RM1,000 and not more than RM20,000 or to imprisonment for a term not exceeding three years or to both and shall pay a special penalty of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence had not been detected.

The ITA 1967 further provides that any person who makes an incorrect tax return by omitting or understating any income of which he is required to make a return on behalf of himself or another person or gives any incorrect information in relation to any matter affecting his own chargeability to tax or the chargeability of tax of any other person, shall on conviction be liable to a fine of not less than RM1,000 and not more than RM10,000 and shall pay a special penalty of double the amount of tax which has been undercharged in consequence of the incorrect return or incorrect information or which would have been undercharged if the return or information had been accepted as correct.

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* A revised tax rate was announced by the Malaysian Government in the 2017 Malaysian Budget whereby the Malaysian Government proposed for a reduction of tax rate based on the percentage of increase of the resident companies' chargeable income which results the tax rate of the resident companies shall range from 20% to 24% (effective from year of assessment 2017).

Goods and Services Tax Act 2014

The Goods and Services Tax Act 2014 (“**GST Act 2014**”) came into effect from 1 April 2015 which introduces goods and services tax (“**GST**”) chargeable on all taxable supplies of goods and services made in the course or furtherance of a business in Malaysia and importation of goods into Malaysia by a taxable person. The GST Act 2014 provides that a taxable person is a person who makes taxable supplies in Malaysia with annual turnover exceeding RM500,000 and to be registered with the Royal Malaysian Customs. As at the Latest Practicable Date, the GST rate was 6% chargeable on all taxable supplies of goods and services except supply granted relief, zero rated supply and exempt supply.

The GST Act 2014 provides that any person, who makes an incorrect return, understates any output tax or overstates any input tax in a return or gives any incorrect information in relation to any matter affecting his own liability to tax or the liability to tax of any other person, 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 to a penalty equal to the amount of tax which has been undercharged or would have been so undercharged if the return or information had been accepted as correct. The GST Act 2014 further provides that any person who with intent to evade or to assist any person to evade tax commits an offence and shall on conviction be liable for the first offence, to a fine of not less than ten times and not more than twenty times the amount of tax or to imprisonment for a term not exceeding five years or to both and for a second or subsequent offence, to a fine of not less than twenty times and not more than forty times the amount of tax or to imprisonment for a term not exceeding seven years or to both provided that where the amount of tax cannot be ascertained, the person shall be liable to a fine of not less than RM50,000 and not more than RM500,000 or to imprisonment for a term not exceeding seven years or to both.

Withholding Tax in Malaysia

The ITA 1967 provides that where a person is liable to make certain types of payment to a non-resident person, he shall deduct withholding tax at the prescribed rate from such payment and (whether or not that tax is so deducted) shall within one month after paying or crediting such contract payment render an account and pay the amount of that tax to the Director General of Inland Revenue of Malaysia.

In addition, the ITA 1967 states that where a person fails to pay any withholding tax due from him, that amount which he fails to pay shall be increased by a sum equal to ten per cent (10%) of the amount which he fails to pay, and that amount and the increased sum shall be a debt due from him to the Malaysian Government and shall be payable forthwith to the Director General of Inland Revenue of Malaysia.

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The ITA 1967 further provides that interest, royalties and payment for services under a contract and certain classes of income are subject to withholding tax when paid to non-residents. However, it should be noted that save and except for (i) the restriction imposed under section 131 of the Companies Act 2016 whereby a company may only make a distribution to the shareholders out of profits of the company if the company is solvent, and (ii) the restriction on the repatriation of income or proceeds from a Malaysian company under the Foreign Exchange Administration Notices issued by the Central Bank of Malaysia whereby the repatriation of income or proceeds from a Malaysian company shall be made in foreign currency, as at the Latest Practicable Date, Malaysia did not impose restrictions or withholding tax on the dividend payments from Malaysian companies.

Foreign Exchange Administration Notices issued by the Central Bank of Malaysia

The Central Bank of Malaysia or Bank Negara Malaysia (“**Bank**”) established under the now repealed Central Bank of Malaysia Act 1958 but continued to exist under the Central Bank of Malaysia Act 2009, assumes the primary function of, amongst others, to formulate and conduct monetary policy in Malaysia and to provide oversight over money and foreign exchange markets. By the power vested by the Financial Services Act 2013, the Bank issued foreign exchange administration notices to regulate the remittance of funds from and into Malaysia. As at the Latest Practicable Date, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of RM asset, provided that the repatriation is made in foreign currency.

Laws and Regulations Relating to Importation and Exportation

The Malaysia Quarantine and Inspection Services Act 2011 (“**MQISA**”) provides for the Malaysia Quarantine And Inspection Services for the purpose of providing integrated services relating to quarantine, inspection and enforcement at the entry points, quarantine stations and quarantine premises and certification for import and export of plants, animals, carcasses, fish, agricultural produce, soils and microorganisms and includes inspection of and enforcement relating to food and for matters connected to it. The MQISA defines agriculture produce as any product from plant, animal, carcass or fish, whether processed or otherwise. It provides that no person shall import and/or export any plant, animal, carcass, fish, agricultural produce, soil or microorganism without a permit, licence or certificate issued under MQISA.

Any person who is involved in the importation and exportation of any plant, animal, carcass, fish, agricultural produce, soil or microorganism without permit, licence or certificate issued under MQISA, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding six years or to both and, for a second or subsequent offence to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding seven years or to both.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN JAMAICA

A summary of the applicable laws and regulations material to our Group’s business activities in Jamaica is set out below. Unless otherwise stated, the rules and regulations in this framework are contained in customs and practices developed by the applicable regulatory agencies and are not codified into statute.

REGULATORY OVERVIEW

Contracts executed between a foreign entity and a Jamaican entity

Commercial contracts in Jamaica are governed generally by the principles under the common law of contract.

Under the common law of contract, parties are free to make contracts with terms of their choice in so far as both parties enter the contract freely, agree to the terms and the contract is not being made for an illegal purpose. Contracts between two companies must be executed by the signature of an authorised officer from each company accompanied by the company seal. It is prudent for contracts executed between companies in different jurisdictions to include provisions to arbitrate disputes and indicate the relevant jurisdiction and governing law applicable to the contract.

Where contracts concern goods which will be provided to the public, the parties cannot contract out of the duties and liabilities imposed for the protection of the public by the Consumer Protection Act. These duties and liabilities are enumerated in parts III and IV of the Consumer Protection Act and make it illegal for either party to avoid liability for negligence or enforce a contract made by fraud.

Jamaica's import regime with respect to processed coconut products

The Coconut Industry Board is a statutory body given responsibility for the oversight of the Jamaican coconut industry. An import permit must be issued by the Coconut Industry Board for each shipment of coconut milk or coconut product to Jamaica. The duty is on an importer to apply for this permit. The permit is given for each specific shipment and is only valid for a period of three months. Failure to obtain this permit will result in the shipment being held at the port of entry until a release document is issued by the Coconut Industry Board. Application for the permit will require certain basic information regarding the shipment such as the type of product, number of packages and weight of each package.

The importer must also apply for a release permit from the Coconut Industry Board when the product arrives at port in Jamaica. The application for the release permit must include the Coconut Industry Board import permit number and issue date, the name of the carrying vessel, date of its arrival, quantity and type of product arriving, copies of the invoice from the manufacturer/supplier of the product and copies of the bill of lading.

An additional import permit must be obtained by the importer from the Ministry of Industry, Commerce, Agriculture and Fisheries (the “**Ministry of Industry**”) if the product imported into Jamaica contains sodium caseinate. This permit must be obtained from the Ministry of Industry for every shipment of the product prior to shipping. The manufacturer will not be able to ship the product from its country of origin without this permit. The permit expires after three months and can be used for one shipment only. In order to receive the permit, the importer will need certain information from the manufacturer of the product. This information includes but is not limited to:

1. the country of origin of the product;
2. details of the product and its target market;

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3. name, location and identifying information of the production facility;
4. evidence that the production facility is compliant with international trade and food safety standards;
5. copy of export health certificate for the shipment issued by the relevant veterinary or health authority in the export country; and
6. disclosure of all other products manufactured in the same facility and specification of any products made using the same machinery as the imported product.

If the information provided by the manufacturer does not satisfy the Ministry of Industry, an import permit will not be issued to the importer and the shipment to be supplied by the manufacturer will not be allowed to enter Jamaica.

When the product arrives at port in Jamaica, the import permit issued by the Ministry of Industry as well as a health certificate from the country of origin must be presented by the importer to inspectors from the Ministry of Industry. If these are not presented, the shipment will not be released from the port of entry.

Labeling

The Standards Act and the Standards Act regulations establish the Bureau of Standards (the “**Bureau**”). The Bureau is the regulatory body responsible for setting the quality and content standards which imported processed foods must meet for entry into Jamaica. The only regulation by the Bureau which applies to coconut processed food products is JS CRS 5: 2010 — “*Jamaica Standard Specification for labeling of pre-packaged food*”. This is a labeling standard which dictates the information that must be included on the label of all prepackaged products, including prepackaged coconut products. Its general requirements include list of product ingredients, manufacturer and lot information and a nutrient declaration for any product claiming to bestow health benefits. Directions under the labeling standard include:

Section 4.4.1 - “The net content shall be declared in the metric system (Système International d’Unités). If the imperial system is used to declare the net content, it shall be stated in conjunction with the metric system.”

Section 4.8.1.4 — “The date of minimum durability shall be declared by the words “best before” or words expressing similar intent”

Section 7.1.3 — “The information appearing on the label shall be in letters and or numbers of not less than 1.5 mm in height based on lower case “o”.”

The Bureau must be provided with a sample of the labeled product to ensure it meets the labeling standard. The Bureau has the discretion to test the product to ensure the information on the label is accurate. Once the Bureau is satisfied with the labeling, the Bureau will issue a certificate of

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compliance which allows the product to be imported, or if already at port, enter Jamaica. The certificate of compliance is valid as long as there are no changes to the product, its label or the labeling standard. Accordingly, the importer is obligated to notify the Bureau if there are any changes to the product or its label and supply a sample for testing if requested.

If the Bureau finds an issue with the labeling, they will withhold certification until the defect in the label is corrected. If there is no certificate of compliance issued by the Bureau for a product's label, the shipment from the manufacturer will be held at the port of entry in Jamaica until the certificate is issued. An importer may require under a contract for labeling and supply by a manufacturer that the manufacturer amend the labeling to comply with the standard.

Liability for food safety

An overseas manufacturer does not have to meet the Jamaican laws regulating the processing and storage of food processed locally. However they must meet any relevant standards in their own jurisdiction including those set by the relevant veterinary and health authorities. They must also meet general international standards such as CODEX Alimentarius and the World Organization for Animal Health (OIE) Terrestrial animal health code.

The possible consequences of non-compliance with the various requirements under the Jamaican labeling, import and distribution regime is largely the refusal of entry of the imported goods and or fines on the importer. The regime therefore places the burden of ensuring the safety of imported processed food products on the importer as there is no legislative consequence to the manufacturer. It is the importer's responsibility to satisfy themselves that the manufacturer is a reputable supplier and manufacturer who will not cause liability to the importer for damages to any user of the product arising from the manufacture or labeling of the imported products.

The Consumer Protection Act prevents parties from contracting out of liability for injury to consumers caused by negligence in the manufacture and supply of a product. It also prohibits parties entering contracts under fraudulent representations, such as false statements of their ability to perform a contract, including their ability to provide the product processed in the manner required.

The manufacturer is therefore unlikely to be liable for injuries or damage caused to a consumer of the product supplied as the onus is on the importer to ensure the safety of the product supplied. However, if it is proven that the injury or damage was caused by negligence by the manufacturer or some fraudulent representation concerning their ability to supply the goods as specified, liability is possible.

LAWS AND REGULATIONS RELATING TO OUR BUSINESS IN SAUDI ARABIA

Kingdom of Saudi Arabia ("KSA")

A summary of the applicable laws and regulations material to our Group's business are set out below.

REGULATORY OVERVIEW

Sale of goods through a distributor in KSA

The relationship between a foreign principal and distributor is governed by the Commercial Agencies Law enacted by the Saudi Arabian Royal Decree No. M/11 (1962) as amended by Royal Decree No. 32, 19/08/1980 its regulations and ministerial resolutions. Any foreign principal looking to appoint a distributor in KSA must enter into a written distributor agreement with a KSA entity that is 100% wholly-owned by KSA nationals. The distributor agreement must be registered in the commercial register of Ministry of Commerce and Industry of KSA (“**MOCI**”) by the distributor within three months from the date of the distributor agreement in order to be legally valid and enforceable. The distributor may potentially also be fined with an amount not less than Saudi Riyals (“**SR**”) 5,000, and not more than SR50,000 if the distributor violates the provisions of the Commercial Agencies Law, as well as its amendments and its implementing regulation.

OEM transactions in KSA

The OEM contracts between a KSA importer and a foreign manufacturer of coconut products will be legally valid and enforceable in KSA as long as they do not contain contractual terms that are contrary to the laws and regulations of KSA such as interest payments and ambiguous terms which have contradictory interpretations etc., are prohibited under Sharia law or Islamic principles. There is no provision of law that requires OEM contracts to be registered with MOCI or any government bodies of KSA. The distributor dealing with a foreign principal and importers having business transactions with foreign manufacturer should have Commercial Registration Certificate (“**CR**”) with food trading as its business activity, failure of which would result in the Customs department rejecting the entry of the goods into KSA.

Importation of food products into KSA

The Saudi Food and Drug Authority (“**SFDA**”) and Uniform GCC Customs Law (“**Customs Law**”) governs the importation of food products into KSA. Laws and Regulations of Saudi customs operations, import and export procedures are governed by the Saudi Customs Law, enacted by Royal Decree No. 425 of 23/11/1952., as amended by the Royal Decree No. M/41 dated 23/03/2002 titled as “**Uniform GCC Customs Law**” and Council of Ministers Resolution No.241 dated 30/12/2002.

Without prejudice to the general import requirements stipulated in the Saudi Customs, the basic requirements¹ by SFDA for the importation of food into KSA include the following:

1. importers or agents (distributors) shall register an account with SFDA and shall register their food items;
2. imported food item shall meet all the regulations, requirements, technical regulations and standards applied in KSA.;
3. the importer must have a CR, which shall include food trading as its business activity;

¹ Notified in the website of SFDA as general requirements “https://www.sfda.gov.sa/en/food/about/administration/mangement_food/Pages/EDOIFC-FoodImportReq.aspx”

REGULATORY OVERVIEW

4. the original invoice issued by the foreign principal/ manufacturer shall be certified by the competent authority in the country of origin; and
5. one or more of the following certificates (for each food item) shall be made available to the Customs officials during the customs clearance:
 - i) certificate of origin (copy); and ii) any other documents or certificates required by the SFDA.

The General Requirements of Import² as set out by Saudi Customs include:

1. the importer shall have a CR, which shall mention the type of importer's activity that must match the imported goods type;
2. original invoice should be attested from the competent authorities by the agency responsible for trade in the exporting country;
3. a certificate from the exporting country stating that the consignment is in conformity with the approved Saudi or international specifications;
4. original certificate of origin legalised by the Chamber of Commerce from the exporting country;
5. irremovable label showing the country of origin affixed on the commodity; and
6. the validity period of the food product including the ingredients should be labelled in Arabic in accordance with the Saudi or GCC specifications.

Article 56 of the Customs Law prescribes that the goods entering KSA by import are ordered for inspection and analysis by the director general of the Customs department. The customs office may have the goods analysed and inspected by specialised agencies to verify the kind and specifications of the goods or whether they conform to the applicable laws and regulations of KSA. However after a sample is taken for inspection and analysis, the director general may release the goods subject to an appropriate undertaking ensuring that the goods will not to be disposed or sold until the analysis result from specialised agencies is issued.

If the inspections and analysis of the goods reveal any non-conformance to the applicable laws and regulations of KSA, then the goods will be destroyed at the expenses of the respective owners or their representatives, in certain cases, the goods shall be re-exported to the country of origin and a report of the same shall be recorded.

² Notified in the website of Saudi Customs as general import requirements "<https://www.customs.gov.sa/sites/sc/en/sRules/sUnitedsRulesChapter/Chapter06/Pages/Pages/LandingPage.aspx>"

REGULATORY OVERVIEW

Labelling of food products

The labels of food products entering KSA are required to comply with Circular No.711 dated 24/04/2010 of Saudi Food and Drug Authority (“**SFDA**”), which states that such food labels should fully adhere to GCC Standard Specifications No. GSO 9/2007 titled “Labelling of Pre-packaged Food Stuffs Technical regulation”, which was amended and approved by the Standardization Organization of the Cooperation Council for the Arab States of the Gulf (“**GSO**”) Board of Directors in its meeting No. (18), held on 02/10/2013 (“**Amended GSO 9/2007**”). The Amended GSO 9/2007 requires labels for imported pre-packaged food products to be in Arabic including any adjoining explanatory statements. Where another foreign language is used, the Arabic translation shall be next to the foreign language and such Arabic translation should reflect the same information as that set out in the foreign language. The label is required to include certain mandatory information such as the name of the food, list of ingredients, net contents name and address, country of origin and date marking and instructions for storage and use. It is a mandatory requirement of SFDA and Customs Law that the imported food products should bear the label containing country of origin mark. If the imported food products do not bear the label containing origin mark, the consignment will be dealt with procedures as per the circular letter issued by SFDA, No. 99S/43/M dated 12 March 2008 and amended on 28 January 2009.

Food Safety

With regards to food safety matters relating to coconut products manufactured by our Group, our Group must comply with the standard GSO 2299:2013 titled as “GSO 2299:2013 Grated Desiccated Coconut”, which was approved by the Standardisation Organisation of the Cooperation Council for the Arab States of the Gulf (GSO) Board of Directors in its meeting No. (18), held on 02/10/2013 (“**GSO 2299:2013**”) which applies to all types of desiccated coconut. The GSO 2299:2013 sets out the composition required for basic ingredient as defined in section 3.1 of GSO 2299:2013 that it should be prepared from substantially sound white kernel obtained from the whole nut of coconut (*Cocos nucifera* L.), having reached appropriate development for processing, without oil extraction in conformity with section 4.2.4 (c) of this GSO 2299:2013 processed in an appropriate manner, undergoing operations such as dehusking, hatcheting, paring, washing comminuting, drying and sifting. Further the coconut product are required to comply with the quality requirements stated in GSO 2299:2013 such as colour and texture, flavour, odour, chemical and physical characteristics.

Our Group must also comply with the standard GSO 1930:2009 titled as “GSO 1930:2009 Aqueous Coconut Products” in respect of products such as coconut milk and coconut cream, which was been approved by the Standardisation Organisation of the Cooperation Council for the Arab States of the Gulf (GSO) Board of Directors in its meeting No. (10), held on 24 May 2009 (“**GSO 1930:2009**”). The GSO 1930:2009 requires that aqueous coconut products to be prepared by using a significant amount of separated, whole, disintegrated, macerated or comminuted fresh endosperm (kernel) of coconut palm (*Cocos nucifera* L.) and expelled, where most filterable fibres and residues are excluded, with or without coconut water, and/or with additional water; or reconstituting coconut cream powder with potable water; or dispersing finely comminuted dehydrated coconut endosperm with potable water. Further, such aqueous coconut products have to be processed by heat

REGULATORY OVERVIEW

appropriately, before or after being hermetically sealed in a container, in order to prevent spoilage. In addition to the above processing, the aqueous coconut product is required to contain the required levels of total solids, non-fat solids, fat, moisture and pH level and other permitted ingredients that are specified in GSO 1930:2009.

As stated above, as per Article 56 of the Customs Law the goods may be ordered for inspection and analysis by the director general of the Customs department. The customs office may have the goods analysed and inspected by specialised agencies to verify the kind and specifications of the goods or their conformity to the regulations and laws, if such analysis proves that there are non-compliances to the regulations and laws, then the goods will be destroyed at the expenses of the respective owners or their representatives (i.e. the consignee). In certain cases, the goods shall be re-exported to the source country in which case a report of the same shall be made.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 10 November 2016. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, as more particularly described in “Reorganisation” in this section, our Company became the holding company of our Group for the purpose of the Listing.

Our history can be traced back to 2002 when Mr. Tang together with Mr. Lee and an Independent Third Party indirectly acquired S&P Food Industries from an Independent Third Party. Upon completion of such acquisition, S&P Food Industries was ultimately owned as to 62% by Mr. Tang, 25% by Mr. Lee and 13% by an Independent Third Party. At the relevant time, S&P Food Industries was engaged in the manufacturing and sale of coconut cream powder and related products under the “Santan” brand and the property development business involving a residential property project in Malaysia.

In 2008, as part of the internal restructuring and with a view to separating the two different lines of business under two separate entities, S&P Industries, a company established by Mr. Tang and Mr. Lee, acquired all business and assets (including the production facilities and the “Santan” brand name) from S&P Food Industries. S&P Industries has continued to manufacture and trade coconut cream powder products under the “Santan” brand name as the core business of our Group since then.

For further biographical information of each of Mr. Tang and Mr. Lee, please refer to “Directors and senior management” of this prospectus.

OUR BUSINESS DEVELOPMENT AND KEY MILESTONES

We set forth below our key business development and milestones:

Year	Event
2008	<p>S&P Industries acquired all operating assets (including plant, machinery and factory equipment from S&P Food Industries.</p> <p>We installed our ERP system, which was implemented throughout our Group.</p> <p>We upgraded our production facilities in our Perak Plant by installing and implementing our computerised automated dosing system.</p> <p>We launched our ketupat products.</p> <p>S&P Industries obtained HALAL certification.</p>
2009	<p>We purchased and installed advanced packaging equipment in our Perak Plant.</p> <p>We launched our kerisik products.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2010	We introduced and installed the SCADA system in our Perak Plant, thereby introducing a fully automated production system for our production process for our core products.
2011	S&P Industries and Stancodex obtained ISO 9001:2008 certifications.
2012	S&P Industries launched and implemented the HACCP system, and obtained the MS 1480:2007 and ISO 22000:2005 certifications.
2013	<p>We established our own in-house shelling and paring production section within our Perak Plant to extract our own white kernels from coconuts.</p> <p>We completed the installation of our biomass boiler at our Perak Plant which burns biofuels (such as coconut shells) instead of fossil fuels, thereby saving substantially on fuel costs.</p> <p>S&P Industries and Stancodex obtained KOSHER certifications.</p>
2014	<p>We increased the production capacity of our Perak Plant to 750 kilograms per hour by upgrading the spray dryer.</p> <p>We began to customise our product formulations according to the specifications of our OEM customers and industrial customers, improving the quality of our products and tailoring our products to their needs.</p> <p>We established our R&D team to assist with the technical aspects of the product formulations. R&D team began developing formulations for various coconut-related products in the pipeline, including coconut milk, coconut water, and coconut spread.</p>

CORPORATE DEVELOPMENT

Overview

The table below sets out some brief details of our Company and its subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of nominal share capital/ registered capital	Amount of paid up capital	Principal activities
Our Company	10 November 2016	Cayman Islands	HK\$50,000,000	HK\$0.60	Investment holding

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of nominal share capital/ registered capital	Amount of paid up capital	Principal activities
SP Coco	11 November 2016	BVI	US\$50,000	US\$1	Investment holding
S&P Hong Kong	25 November 2016	Hong Kong	HK\$1	HK\$1	Investment holding
Edaran	29 November 2001	Malaysia	RM100	RM100	Investment holding
Radiant	11 July 1998	Malaysia	RM100	RM100	Investment holding
S&P Industries	20 December 2004	Malaysia	RM10,000,000	RM5,000,000	Manufacturing and trading of coconut cream powder, low fat dessicated coconut and related products
Rasa Mulia	20 October 1999	Malaysia	RM50,000	RM50,000	Trading of coconut cream powder, low fat dessicated coconut, ketupat, kerisik and related products
Shifu	4 July 1996	Malaysia	RM100,000	RM100,000	Manufacturing of ketupat and kerisik
SSB	4 March 1998	Malaysia	RM2,400,004	RM2,400,004	Trading of coconut cream powder, low fat dessicated coconut and related products

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of nominal share capital/ registered capital	Amount of paid up capital	Principal activities
M Ace Malaysia	13 November 1996	Malaysia	RM100,000	RM100,000	Inactive
SPL	16 November 2015	Singapore	SGD50,000	SGD50,000	Inactive

Key operating subsidiaries

As at the Latest Practicable Date, our Group had established a number of operating subsidiaries to carry out our businesses. Major corporate changes of members of our Group which were material to the performance of our Group during the Track Record Period, namely S&P Industries and SSB, are set out below:

S&P Industries

S&P Industries was incorporated in Malaysia with limited liability on 20 December 2004. Upon its incorporation, S&P Industries had an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each, of which 2 shares of RM1 each were issued and subscribed at par as to one share by Mr. Tang and one share by Mr. Lee. On 21 December 2004, the two subscriber shares held by Mr. Tang and Mr. Lee were transferred to Edaran (which was then owned as to 62% by Mr. Tang, 25% by Mr. Lee and 13% by an Independent Third Party) for cash at par. S&P Industries has been wholly owned by Edaran since then.

In order to increase the share equity base of and provide additional capital resources to S&P Industries for its business development and acquisition of the business and assets of S&P Food Industries, on 8 August 2008, 4,999,998 shares of RM1 each were allotted and issued to Edaran (which was then owned as to 62% by Mr. Tang, 25% by Mr. Lee and 13% by an Independent Third Party) for cash at par. In May 2013, Edaran became owned as to 70% by Mr. Tang and 30% by Mr. Lee. In December 2016, Edaran became wholly-owned by S&P Hong Kong pursuant to the Reorganisation.

Pursuant to the Reorganisation, S&P Industries became an indirect wholly owned subsidiary of our Company.

During the Track Record Period and up to the Latest Practicable Date, S&P Industries had been principally engaged in the manufacturing and trading of coconut cream powder, low fat dessicated coconut and related products.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

SSB

SSB was incorporated in Malaysia with limited liability on 4 March 1998. Upon its incorporation, SSB had an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each, which was subsequently increased to RM5,000,000 divided into 5,000,000 ordinary shares of RM1 each pursuant to an ordinary resolution passed on 18 September 1998.

On 18 September 1998, in consideration of the advancement of RM2,400,000 by its then directors and other parties for payment of the partial purchase price of a piece of land in Malaysia together with factory premises and assets and machinery thereon, SSB allotted and issued 2,400,000 ordinary shares of RM1 each to such directors and parties as consideration shares.

On 7 November 2001, the entire issued share capital of SSB became wholly owned by Radiant and remained so up to the Latest Practicable Date. At the material time, Radiant was owned as to 62% by Mrs. Tang (on trust for Mr. Tang), 25% by Mrs. Lee (on trust for Mr. Lee) and 13% by an Independent Third Party. Radiant became owned as to 70% by Mrs. Tang (on trust for Mr. Tang) and 30% by Mrs. Lee (on trust for Mr. Lee) in May 2013. The trust arrangement concerning the shareholding interest of Mr. Tang and Mr. Lee in Radiant was terminated when Radiant became wholly-owned by S&P Hong Kong in December 2016 pursuant to the Reorganisation.

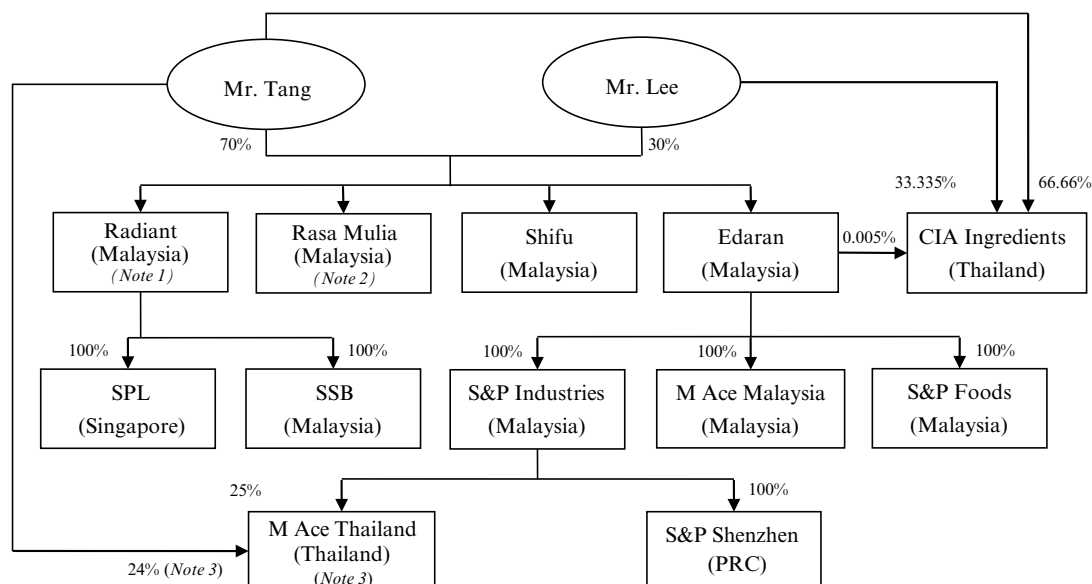
Pursuant to the Reorganisation, SSB became an indirect wholly owned subsidiary of our Company.

During the Track Record Period and up to the Latest Practicable Date, SSB had been principally engaged in trading of coconut cream powder, low fat dessicated coconut and related products.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The shareholding and group structure of our Group prior to the Reorganisation was as follows:



Notes:

1. Mr. Tang and Mr. Lee were the beneficial owners of 70% and 30% shares in Radiant, respectively. Such shares were held as to (i) 70% by Mrs. Tang (the spouse of Mr. Tang) on trust for Mr. Tang; and (ii) 30% by Mrs. Lee (the spouse of Mr. Lee) on trust for Mr. Lee.
2. Mr. Tang and Mr. Lee were the beneficial owners of 70% and 30% shares in Rasa Mulia, respectively. Such shares were held as to (i) 75% by Ekhmal Fizie Bin Bambang Hariyanto (an Independent Third Party save for being an ex-director of Rasa Mulia and an employee of our Group) on trust as to 70% for Mr. Tang and 5% for Mr. Lee; and (ii) 25% by Saiful Ezman Bin Ismail (as Independent Third Party save for being a director of Rasa Mulia and an employee of our Group) on trust for Mr. Lee.
3. The remaining 51% shares in M Ace Thailand were held by Sirilak Panpetch (an Independent Third Party).

Our Group underwent the Reorganisation prior to the Listing which involved the following steps:

Incorporation of our Company

On 10 November 2016, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, one subscriber Share was transferred from the initial subscriber, who is an Independent Third Party, to TYJ at par. On the same day, six Shares were subscribed by TYJ and three Shares were subscribed by Trinity at par. Following the above share allotment and transfer, the issued share capital of our Company was owned as to 70% by TYJ and 30% by Trinity.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of SP Coco

On 11 November 2016, SP Coco was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon its incorporation, one share (100% of the issued share capital of SP Coco) was subscribed by our Company at par. Upon completion of such subscription, SP Coco became a direct wholly-owned subsidiary of our Company.

Incorporation of S&P Hong Kong

On 25 November 2016, S&P Hong Kong was incorporated in Hong Kong with an initial share capital of HK\$1.00 and one share (representing 100% of the issued share capital of S&P Hong Kong) was subscribed by SP Coco at a consideration of HK\$1.00. Upon completion of such subscription, S&P Hong Kong became an indirect wholly-owned subsidiary of our Company.

Share swaps

(i) Shifu share swap

On 29 December 2016, S&P Hong Kong acquired 70% of the issued shares of Shifu from Mr. Tang at a consideration of RM70,000 and 30% of the issued shares of Shifu from Mr. Lee at a consideration of RM30,000. The consideration was determined with reference to the total amount of paid up capital of Shifu of RM100,000. The above consideration was settled by our Company by way of allotment and issuance of seven Shares to TYJ (as directed by Mr. Tang) and three Shares to Trinity (as directed by Mr. Lee). Following such share swap, Shifu became a direct wholly-owned subsidiary of S&P Hong Kong.

(ii) Edaran share swap

On 29 December 2016, S&P Hong Kong acquired 70% of the issued shares of Edaran from Mr. Tang at a consideration of RM26,461,208.90 and 30% of the issued shares of Edaran from Mr. Lee at a consideration of RM11,340,518.10. The consideration was determined with reference to the total shareholder's equity of Edaran of RM37,801,727 as at 31 December 2015. The above consideration was settled by our Company by way of allotment and issuance of seven Shares to TYJ (as directed by Mr. Tang) and three Shares to Trinity (as directed by Mr. Lee). Following such share swap, Edaran became a direct wholly-owned subsidiary of S&P Hong Kong.

(iii) Radiant share swap

On 29 December 2016, S&P Hong Kong acquired 70% of the issued shares of Radiant from Mrs. Tang (as directed by Mr. Tang as beneficial owner) at a consideration of RM7,835,032.10 and 30% of the issued shares of Radiant from Mrs. Lee (as directed by Mr. Lee as beneficial owner) at a consideration of RM3,357,870.90. The consideration was determined with reference to the total shareholder's equity of Radiant of RM11,192,903 as at 31 December 2015. The above consideration was settled by our Company by way of allotment and issuance of seven Shares to TYJ (as directed by

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Mr. Tang as beneficial owner) and three Shares to Trinity (as directed by Mr. Lee as beneficial owner). Following such share swap, Radiant became a direct wholly-owned subsidiary of S&P Hong Kong.

(iv) *Rasa Mulia share swap*

On 29 December 2016, S&P Hong Kong acquired 75% of the issued shares of Rasa Mulia from Ekhmal Fizie Bin Bambang Hariyanto (an Independent Third Party other than being ex-director of Rasa Mulia and an employee of our Group) (as directed by Mr. Tang as beneficial owner of 70% shares and by Mr. Lee as beneficial owner of 5% shares) at a consideration of RM37,500 and 25% of the issued shares of Rasa Mulia from Saiful Ezman Bin Ismail (an Independent Third Party other than being a director of Rasa Mulia and an employee of our Group) (as directed by Mr. Lee as beneficial owner of such 25% shares) at a consideration of RM12,500. The consideration was determined based on the total amount of paid up capital of Rasa Mulia of RM50,000. The above consideration was settled by our Company by way of allotment and issuance of 14 Shares to TYJ (as directed by Mr. Tang as beneficial owner) and six Shares to Trinity (as directed by Mr. Lee as beneficial owner). Following such share swap, Rasa Mulia became a direct wholly-owned subsidiary of S&P Hong Kong.

Upon completion of the above share swaps, the issued share capital of our Company comprised 60 Shares having par value of HK\$0.01 each, with TYJ holding 42 Shares (representing 70% of our Shares then in issue) and Trinity holding 18 Shares (representing 30% of our Shares then in issue).

Disposal of inactive entities

As each of S&P Foods, S&P Shenzhen, M Ace Thailand and CIA Ingredients are inactive and did not have any material contribution to the results of operation of our Group during the Track Record Period, to avoid incurrence of administrative expenses for the maintenance of these inactive entities and with a view to streamlining our Group structure, our Directors consider that it is in the interest of our Group to dispose of these entities pursuant to the Reorganisation.

(i) *Disposal of S&P Foods*

On 21 December 2016, Edaran disposed of 100% of the issued shares in S&P Foods at a total consideration of RM206,352, as to 70% of such shares to Mr. Tang at a consideration of RM144,446.40 and 30% of such shares to Mr. Lee at a consideration of RM61,905.60. The consideration was determined with reference to the total shareholders' equity of S&P Foods of RM206,352 as at 31 December 2015 and had been settled in full. Following such share transfer, our Group ceased to have any shareholding interest in S&P Foods.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(ii) *Disposal of S&P Shenzhen*

On 30 December 2016, S&P Industries entered into an equity transfer agreement with Mr. Tang, pursuant to which S&P Industries disposed of 100% equity interest in S&P Shenzhen at a nominal consideration of RMB10,000 to Mr. Tang. The consideration was determined on the basis that none of the registered capital amount of S&P Shenzhen had been paid up and with reference to the administrative expenses to be incurred by S&P Industries for the equity transfer. The consideration for such equity transfer had been settled in full. Following such equity transfer, our Group ceased to have any equity interest in S&P Shenzhen.

(iii) *Disposal of M Ace Thailand*

On 21 December 2016, S&P Industries disposed of 25% of the issued shares in M Ace Thailand (representing all the issued shares held by S&P Industries in M Ace Thailand) to Mr. Lee at a total consideration of THB500,000. The consideration was determined with reference to the total issued share capital of THB2,000,000 of M Ace Thailand and had been settled in full. Following such share transfer, our Group ceased to have any shareholding interest in M Ace Thailand.

(iv) *Disposal of CIA Ingredients*

On 21 December 2016, Edaran disposed of 0.005% of the issued shares in CIA Ingredients (representing all the issued shares held by Edaran in CIA Ingredients) to Sirilak Pantech (an Independent Third Party) at a total consideration of THB100. The consideration was determined with reference to the total issued share capital of THB2,000,000 of CIA Ingredients and had been settled in full. Following such share transfer, our Group ceased to have any shareholding interest in CIA Ingredients.

Confirmation

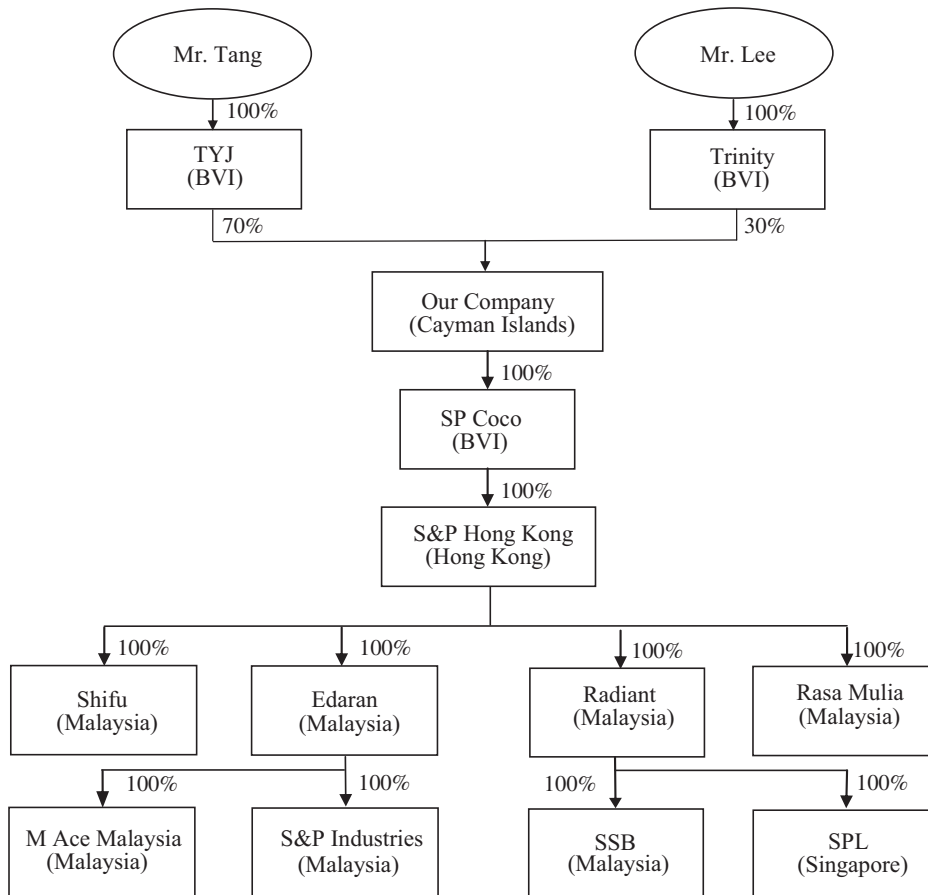
Each of the equity transfers and allotment of shares pursuant to the Reorganisation has been properly and legally completed and settled and all necessary approvals from and registrations with the relevant authorities have been obtained and completed.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

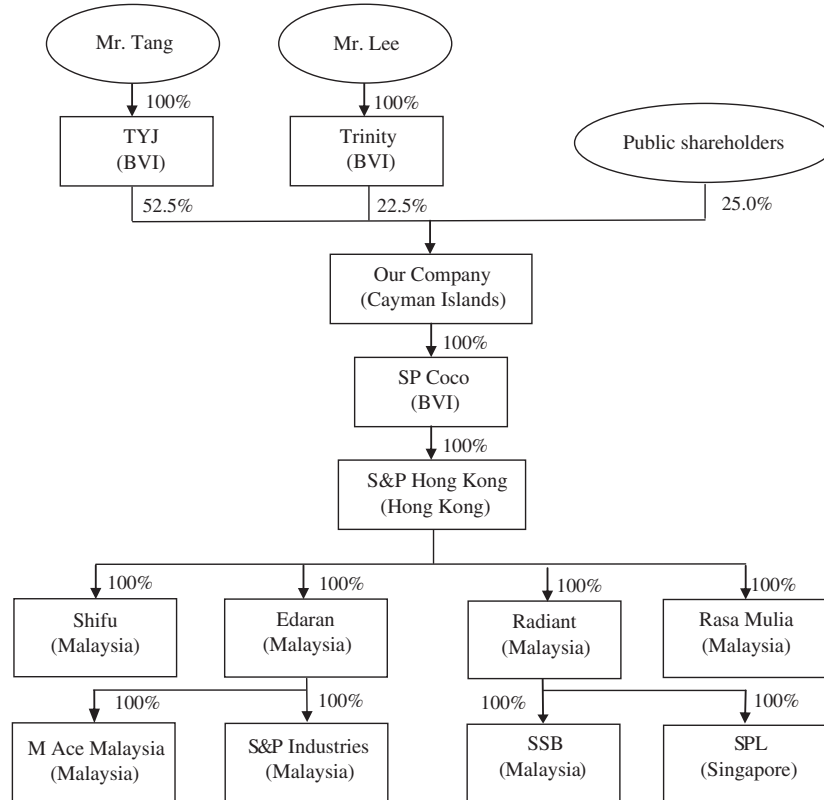
CORPORATE AND SHAREHOLDING STRUCTURE

The following chart shows the shareholding structure of our Group immediately after the Reorganisation but before completion of the Capitalisation Issue and the Global Offering:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart shows the shareholding structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering (assuming that the Offer Size Adjustment Option is not exercised and no option is granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We manufacture and trade food products. Our core products include coconut cream powder and low fat desiccated coconut, which we manufacture at our Perak Plant. We also manufacture other food products, such as non-dairy creamer and other traditional South-east Asian traditional food ingredients, such as rice dumplings (ketupat) and toasted coconut paste (kerisik).

Our best-selling core product, coconut cream powder, is a cooking ingredient which is used extensively in South-east Asian cuisine, and is also used widely within other cuisines in various parts of the world. We manufacture our coconut cream powder by spray drying natural coconut milk extracted from selected fresh coconuts, to provide a versatile, easy to store product that encapsulates the natural taste of coconut cream in an instant and convenient form to consumers. According to the Ipsos Report, our brands “Santan” and “Cocos” are global major brands of coconut cream powder. Our other core product is low fat desiccated coconut, which is manufactured concurrently during our coconut cream powder production process. Low fat desiccated coconut is used as a key ingredient for fillings and toppings in bakery and confectionery products. During the Track Record Period, our revenue of our core products amounted to approximately RM56.4 million, RM71.5 million and RM82.6 million, respectively, representing approximately 86.6%, 91.3% and 91.9% of our total revenue, respectively.

We also manufacture other food products such as non-dairy creamer, which is made from vegetable oil, and other traditional South-east Asian food products such as rice dumplings called “ketupat”, and toasted coconut paste called “kerisik”. We also sell coconut milk products to our customers as part of our product offering, which we procure from our OEM suppliers. Please refer to “Our products” in this section for further details of our product range.

We have a wide international footprint, and our products are sold to customers in over 40 countries worldwide. We principally sell our products to five main categories of customers, namely: (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers. Please refer to “Marketing, sales and customers — Sales and customers” in this section for further details of our customers. We package our own products under our “Santan”, “Cocos” and “Rasa Enak” brands to our distributors, industrial customers, trading companies and wholesaler customers. We generally manufacture and sell products to our OEM customers packaged under their brands.

Our core products are manufactured at our factory at our Perak Plant. Our Perak Plant is equipped with a multi-stage spray dryer. Our production system is fully automated and monitored centrally, from the cleaning of our raw materials, to our spray drying process, right through to its clean-in-place function. We believe that our fully automated system and minimal human intervention production approach ensures that we deliver consistently high quality products to our customers.

BUSINESS

Our Perak Plant has a maximum production capacity of around 4,500 metric tonnes of coconut cream powder per year. We plan to recommission our Johor Plant, which will contribute an increase in our maximum production capacity of coconut cream powder by approximately another 2,000 metric tonnes annually by third quarter of 2018. During the Track Record Period, our production volume for our coconut cream powder produced at our Perak Plant amounted to approximately 3,959 metric tonnes, 4,432 metric tonnes and 3,261 metric tonnes, respectively, representing utilisation rates of approximately 88%, 98% and 72%, respectively. Please refer to “Production — Production capacity and utilisation rate” in this section for further details.

We strive to produce high quality products that are safe for human consumption. We have adopted and implemented HACCP standards which is an internationally recognised management system addressing food safety. In recognition of our standards and efforts, we have been accredited with various certifications, including ISO9001:2008, ISO22000:2005 and MS1480:2007 in relation to our quality management and food safety. Our products are also certified HALAL and KOSHER, which enable our products to be sold to customers of various ethnic communities. We believe that these certifications also give our customers assurance as to our quality and standard when they purchase and consume our products.

The table below sets forth a summary of the audited consolidated financial information of our Group for the periods/as at the dates indicated:

	For the year ended/As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Revenue	65,181,204	78,343,631	89,795,056
Gross profit	18,642,350	27,165,948	30,567,899
Profit for the year	7,349,043	13,622,235	13,357,301
Total assets	67,268,450	78,713,244	73,995,833
Net cash from operating activities	<u>5,793,028</u>	<u>13,545,382</u>	<u>672,053</u>

OUR COMPETITIVE STRENGTHS

We believe that our success and future prospects are primarily driven by a combination of the following competitive strengths which differentiate us from our competitors:

We are global major brands in the coconut cream powder industry and are committed to producing the highest quality products

We are global major brands in the coconut cream powder industry according to the Ipsos Report. We have an established brand for coconut cream powder with a proven business track record. According to the Ipsos Report, our brands, “Santan” and “Cocos”, are global major brands of coconut cream powder. We believe that, over the years, we have established a brand image that is associated

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with premium taste, high standards and good quality products which has gained us our customers' faith and loyalty. During the Track Record Period, our revenue generated from our sales in Malaysia amounted to approximately RM21.4 million, RM20.4 million and RM20.6 million, respectively, representing approximately 32.8%, 26.0% and 23.0% of our total revenue, respectively, whereas our revenue generated from our overseas sales amounted to approximately RM43.8 million, RM58.0 million and RM69.2 million, respectively, representing approximately 67.2%, 74.0% and 77.0% of our total revenue, respectively.

We are committed to producing the highest quality products and have adopted stringent quality control measures at all stages in our production chain, from procurement and selection of our raw materials to packaging. Please refer to "Quality control" in this section for further details.

We also maintain stringent hygiene standards in order to ensure that our products are safe for consumption. We have adopted and implemented the HACCP system, an internationally recognised management system to ensure food safety from biological, chemical and physical hazards in the production processes and to ensure these risks are kept to a safe level in our production processes. We are also in the process of applying for the FSSC 22000 certification, an internationally recognised food safety system certification system. In recognition of our stringent quality control measures, we are accredited with ISO9001:2008, ISO22000:2005, MS1480:2007 quality management and food safety management certifications. In addition, our coconut related products have been certified HALAL and KOSHER, which enable our products to be sold to customers of various ethnic communities. We believe that, over the years, our stringent quality control standards have helped us to establish a brand image that is associated with good quality and consistent products that are suitable for a wide range of customers.

We are a leading coconut cream powder manufacturer in Malaysia in terms of production capacity and we are equipped with fully automated production equipment ensuring quality and stable production

According to the Ipsos Report, our Group is the leading manufacturer of coconut cream powder in Malaysia in terms of production capacity in 2015.

At the heart of our operations is our multi-stage spray dryer. Our spray dryer is our key piece of equipment and technology, and the multi-stage system enables it to spray dry a range of different products as well as to promote better product solubility. Our production process is fully automated, from the beginning of the spray drying production process, to the CIP phase, which we believe allows us to deliver consistent and high quality products. Please refer to "Production — Production capacity and utilisation rate" in this section for further details. Our Johor Plant, which we plan to recommission, also has a spray dryer which would increase our total maximum production capacity by approximately 2,000 metric tonnes of coconut cream powder annually by third quarter of 2018. In addition to our leading position in terms of production capacity, acquiring such technology and equipment requires a significant capital outlay, which we believe, creates a barrier against smaller players from entering the market. Please refer to "Production — Production plants, machinery and equipment" in this section for further details of our spray dryer.

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We have an international network of customers and distributors, with an established global presence

We have a wide international footprint, and our products are sold to customers in over 40 countries worldwide. We principally sell our products to five main categories of customers, namely: (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers. We believe that we have a stable customer base. Of our 10 largest customers during the Track Record Period, six of them have been trading with us since our Group's inception. We believe that, through providing high quality and consistent products, we have developed and established a large base of loyal customers. Please refer to "Marketing, sales and customers — Sales and customers" in this section for further details.

As at the Latest Practicable Date, we had 17 distributors who are appointed on an exclusive distributorship basis to distribute, sell and market our products within a specified territory, which we believe gives them confidence when promoting and distributing our products in their respective territories. Other than the terms set out in the distributorship agreements, we generally afford our distributors latitude in marketing and selling our products, as they are more suited to judge local market trends and sentiments based on their expertise, knowledge and experience of their customers. We believe that this distributorship model is mutually beneficial to our growth, and assists us in retaining our distributors. Please refer to "Marketing, sales and customers — Distributors" in this section for further details.

We have a dedicated R&D team

We have an in-house R&D team led by three qualified professionals, each with tertiary qualifications in food technology. Our R&D team is capable of developing new products and producing improved variations of our existing products. Please refer to "Research and development" in this section for further details. Our R&D team works closely with our sales and marketing team in order to understand the specific needs of our customers, and possesses the technical knowledge to offer in-house solutions and develop tailor-made product formulations in order to suit the specific needs of our various customers, and to provide after-sales technical support to our customers in relation to product application and technical know-how. In order to keep ourselves up-to-date with the latest market trends on matters of innovation and safety, our R&D team conducts market research and participates in food trade exhibitions and conferences.

During the Track Record Period, our R&D team developed new products as an extension of our existing core coconut cream powder, such as functional coconut cream powder products which can be applied to yoghurt and other beverages. Our R&D team also developed formulations for various coconut related products, such as coconut paste, coconut water and coconut milk products. We plan to launch these new products in the future and to capitalise on the growing coconut related products markets as well as the increasing demand in coconut milk products from our customers. We believe that our R&D team's vision and capabilities are vital towards growing our revenue, profit and market share, by enhancing our existing products' value and versatility as well as developing new products to enter into new markets.

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We benefit from our geographical proximity with our suppliers

A large portion of the coconuts (the key raw materials of our products) that we use in our production processes are grown in Sumatra, Indonesia, which we source from local suppliers in Batu Pahat, a district in Johor, Malaysia close to Sumatra, Indonesia. According to the Ipsos Report, Indonesia is currently the world's top coconut producing country with over 18 million metric tonnes of coconuts a year. Our current production facilities for our core products are located in Perak, Malaysia, and we plan to recommission an existing plant that we own in Johor to enhance our production capacity.

Separated by the narrow body of water that is the Strait of Malacca, Batu Pahat is easily accessible from Sumatra by ferry, making Batu Pahat a popular locality for suppliers of coconuts. As coconuts are perishable items, the length of time and distance involved in the transport of coconuts are key factors to be taken into consideration for our procurement of coconuts. Our Perak Plant is situated strategically in Bagan Datoh, a location approximately 400 kilometres away from Batu Pahat, and is in an area surrounded by local Malaysian coconut plantations, giving us ease of access to both local and Indonesian sources of coconuts. Our Johor Plant (which we plan to recommission, the process of which we plan to complete by the third quarter of 2018) is in even closer proximity to our coconut suppliers, being approximately 20 kilometres from Batu Pahat. We believe that the strategic location of our Perak Plant (and in the future, our Johor Plant) affords strategic geographical proximity to the source of coconuts, which enables us to capitalise on key cost-cutting factors such as lower transportation costs and shorter transportation time of our key raw materials. As such, we believe we are able to obtain our fresh raw materials at more competitive prices than our competitors outside of Malaysia and Indonesia which lowers our cost of raw materials and enhances our profitability.

We have a stable management team with extensive industry expertise

We have a stable and experienced management team. Our Directors and most members of our senior management have been serving our Group since its inception. We believe that our management team has developed an in-depth knowledge of coconut-related products and the food production industry through their active involvement in our Group's day-to-day management and operations, which has been one of the key factors to our success. Our chairman and executive Director, Mr. Tang, has over 15 years of experience in the fast moving consumer goods industry. Mr. Tang is responsible for the overall leadership, management direction and leading our Directors and senior management and setting the overall strategies and business direction for our Group. Our managing Director and executive Director, Mr. Lee, who has over 30 years in the fast moving consumer goods industry, is responsible for all matters related to sales and marketing and other operational areas of our Group's business, and is also responsible for spearheading the automation, upgrading and plant improvement of our Perak Plant. Our other executive Directors and members of our senior management are also experienced in the various critical aspects of our operations, including production, sales and marketing, R&D, and corporate management. We believe that under our management's visionary leadership, our Group's revenue and market share will continue to grow and our business will continue to flourish. Please refer to "Directors and senior management" of this prospectus for further details.

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OUR BUSINESS STRATEGIES

We aim to strengthen our position as a leading coconut-related products brand. In order to achieve this objective, we plan to pursue the following strategies:

Producing our own coconut milk products and expanding and upgrading the existing facilities of our Perak Plant

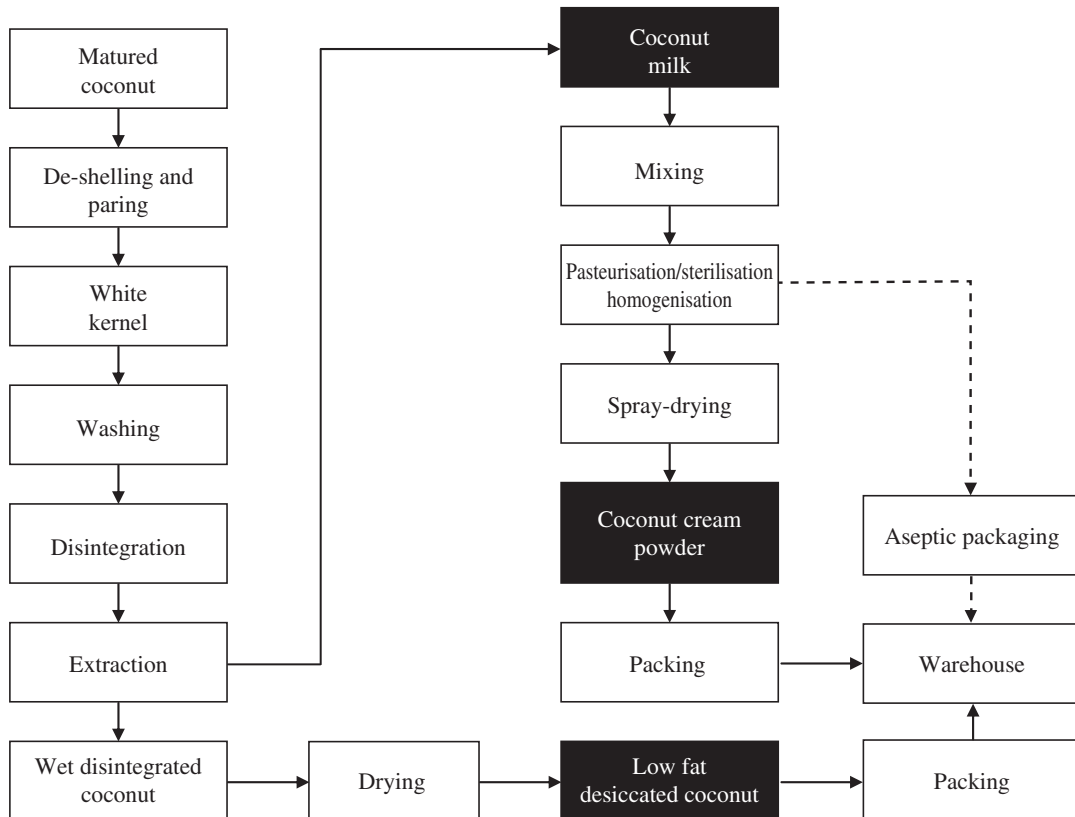
At present, we sell a relatively modest quantity of coconut milk products which we procure from our suppliers on an OEM basis, even though we receive frequent sales enquiries for coconut milk products from existing and potential customers from various parts of the world. During the Track Record Period, and up to the Latest Practicable Date, we received eight, 11, 19 and 18 sales enquiries for coconut milk products from potential customers, respectively, and 10 out of the 56 of the above mentioned enquiries specified the quantity required. During the Track Record Period and up to the Latest Practicable Date, the enquiries requested for a total of nil, approximately 344 metric tonnes, 308 metric tonnes and 116 metric tonnes of coconut milk products, respectively. As a result of insufficient supply from our OEM suppliers, our Group has been unable to satisfy these sales enquiries for our coconut milk products. Furthermore, the limited supply from our OEM suppliers meant that we were unable to satisfy our existing customers' target annual purchase quotas for coconut milk products by reliance on such OEM suppliers. During the Track Record Period, we experienced a shortfall of approximately 120 metric tonnes, 153 metric tonnes and 118 metric tonnes, respectively against the target annual purchase quotas of our existing customers.

According to the Ipsos Report, the global sales revenue of coconut milk grew from US\$412.4 million in 2011 to US\$739.1 million in 2015 at a CAGR of 15.7%, and is expected to increase from US\$865.2 million in 2016 to US\$1,650.8 million in 2020 at an estimated CAGR of 17.5%. The sales revenue of coconut milk in Malaysia increased from US\$2.1 million in 2011 to US\$30.1 million in 2015 at a CAGR of 9.3%, and is expected to increase from US\$32.9 million in 2016 to US\$48.4 million in 2020 at an estimated CAGR of 10.1%. Our Directors believe that such surging sales revenue of coconut milk (and hence demand for coconut milk) globally and in Malaysia has also led to an increasing demand for our coconut milk products, as evidenced by the frequent sales enquiries we have been receiving. Our Directors believe that by producing our own coconut milk products, we will be able to reduce reliance on our OEM suppliers, as well as increase sales volume, minimise supply disruptions, monitor and effectively enhance quality, and lower costs of our coconut milk products.

In addition to producing our core products, we also plan to produce our own coconut milk products by expanding and upgrading our production facilities at our Perak Plant through acquiring and installing machinery and equipment for the production of coconut milk products which we believe will be well-integrated into the existing production equipment at our Perak Plant. Our coconut milk products will be manufactured according to the existing specifications which we use with our OEM suppliers. The processes involved in producing coconut milk products are very much similar to that of producing coconut cream powder, and we are already well-versed in producing coconut milk as part of our existing production process for coconut cream powder. The only additional process in producing coconut milk products as compared to coconut cream powder, is that coconut milk products are subject to higher temperature sterilisation and packaged in aseptic packaging, instead of being pasteurised and spray dried. We plan to package our coconut milk products under our own brands. Please refer to the diagram on the following page for further information.

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Production process for coconut cream powder, low fat desiccated coconut and coconut milk products



Note: The dotted line indicates the new processes involved in the production of coconut milk products.

As the existing production facilities at our Perak Plant will continue to be utilised for the production of our core products, in order to produce our own coconut milk products, we intend to, among other things, (i) expand and upgrade the production area of our Perak Plant by approximately 7,750 sq.m., which would include building an aseptic pre-processing plant, an aseptic filling station, extra coconut storage and white kernel cleaning station; (ii) purchase machinery for the plant, including aseptic packaging equipment, and coconut collection and processing equipment (such as a conveyor belt system, and shelling and paring machinery); and (iii) recruit up to 50 more workers with estimated additional annual labour cost of approximately RM0.5 million to be paid out of our internal fund and provide them with comprehensive training in the skills and processes required to produce our coconut milk products. Following the expansion and upgrading of our Perak Plant, we expect to have a maximum production capacity of approximately 22,560 metric tonnes of coconut milk products per year[#] by second quarter of 2018. The aseptic packaging machinery and equipment that we plan to purchase is one of the lowest capacity models available from one of the most recognised makers in the aseptic food packaging industry.

[#] The maximum production capacity represents the annual maximum production volume of the aseptic packaging machinery and equipment used in the production of coconut milk products, which is based on a maximum output of approximately 9,400 litres per hour, eight working hours a day, and 300 production days a year.

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Our Directors believe that there will be no significant changes to our cost structure given the same processes and methods in extracting coconut milk will be utilised in the production of coconut milk and coconut cream powder products. The pasteurisation/sterilisation processes and aseptic packaging will, for the most part, be done mainly by automated machineries, which will be funded by proceeds obtained from the Listing. Depreciation of such machineries will form part of the cost of sales of our manufactured coconut milk. We believe that, as a result of producing our own coconut milk products instead of purchasing from OEM suppliers, our Group's profitability will be improved in the long run by lowering costs.

Recommissioning our Johor Plant and expanding our production capacity

We expect that the demand for our coconut related products will continue to grow. In addition, our Directors consider that the current utilisation of our existing production facilities at our Perak Plant to be high. During the Track Record Period, the utilisation rates at our Perak Plant for our coconut cream powder products were approximately 88%, 98% and 72%, respectively, and those for low fat desiccated coconut products were approximately 57%, 74% and 64%, respectively. Please refer to "Production — Production capacity and utilisation rate" in this section for further details of the utilisation rates. At the current rate, our Directors expect that our Perak Plant will reach our annual maximum production capacity of 4,500 metric tonnes for our main flagship product, namely coconut cream powder, by late 2018. In order to maintain our sales volume growth and our competitive edge amongst our major competitors, we have to increase our corresponding production capacity, which we plan to achieve by recommissioning our Johor Plant, by third quarter of 2018. Please refer to "Production — Production plants, machinery and equipment" in this section for details relating to the suspension of our Johor Plant's operations.

Our Johor Plant is currently equipped with a functional and operational spray dryer and low fat desiccated coconut dryer, which we expect will increase our Group's coconut cream powder and low fat desiccated coconut's maximum annual production capacity by approximately 2,000 metric tonnes and 1,800 metric tonnes*, respectively, by third quarter of 2018. We plan to, as part of the recommissioning process, (i) purchase and install a biomass boiler; (ii) build a waste water treatment plant; (iii) purchase and install milk extraction equipment; (iv) recruit up to 30 workers to operate our Johor Plant with estimated additional annual labour cost of approximately RM0.4 million to be paid out of our internal fund; and (v) upgrade or replace our other machineries and equipment where necessary.

In light of the high utilisation rate of our Perak Plant during the Track Record Period, our Directors consider the recommissioning of our Johor Plant to be appropriate as:

- a) there has been a continuous growth in the sales volume of our coconut cream powder products. During the Track Record Period, sales volume of our coconut cream powder products amounted to approximately 3,177 metric tonnes, 3,437 metric tonnes and 3,841 metric tonnes, respectively, representing a CAGR of approximately 10.0%. During the Track Record Period, revenue attributable to the sale of our coconut cream powder products amounted to approximately RM51.8 million, RM63.9 million and RM79.1 million, respectively, representing a CAGR of approximately 23.5%;

* Although the annual designed maximum production capacity of the low fat desiccated coconut dryer is 1,800 metric tonnes, the actual annual maximum production capacity of low fat desiccated coconut (as a by-product of coconut cream powder) is approximately 700 metric tonnes as it is limited to the amount of coconut cream powder that is produced.

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- b) stable growth is expected in the market demand of coconut cream powder products. According to the Ipsos Report, during the forecast period from 2016 to 2020, the sales value of coconut cream powder products in Malaysia, Jamaica, Saudi Arabia, and UAE is expected to expand from US\$26.0 million to US\$26.7 million, US\$14.0 million to US\$16.4 million, US\$8.7 million to US\$10.2 million, and US\$7.1 million to US\$9.0 million, respectively, representing an estimated CAGRs of approximately 0.7%, 4.0%, 4.1% and 6.0%, respectively. Please refer to “Industry overview — Demand for coconut and related products — Coconut cream powder” of this prospectus for further details; and
- c) stable growth is also expected in the sales value of low fat desiccated coconut. According to the Ipsos Report, during the forecast period from 2016 to 2020, the sales value of desiccated coconut in Pakistan and Malaysia, which were our Group’s two largest markets for low fat desiccated coconut during the Track Record Period, is expected to expand from US\$60.5 million to US\$72.4 million, and US\$13.8 million to US\$14.9 million, respectively, representing an estimated CAGRs of approximately 4.6% and 1.9%, respectively. Please refer to “Industry overview — Demand for coconut and related products — Desiccated coconut” of this prospectus for further details.

Our Directors believe that increasing our production capacity through the recommissioning of our Johor Plant is essential for laying the fundamental groundwork in anticipation of the growth of our business operations and to prepare for the expansion of our global market reach, and capture a larger market share in areas of stable market growth by capitalising on the strength of our brand name and reputation, which our Directors believe will be key towards maintaining our competitive edge against our major competitors.

Expanding our global market reach

According to the Ipsos Report, the coconut and related products production industry in Malaysia has been growing due to the increasing popularity of coconut and related products in the global market. Owing to rising health consciousness, an increasing number of people consume coconut and related products. During the Track Record Period, we sold our products to customers in over 40 countries, and our sales to customers overseas amounted to approximately RM43.8 million, RM58.0 million and RM69.2 million, respectively, representing approximately 67.2%, 74.0% and 77.0% of our total revenue, respectively. Our Directors believe that our overseas sales will continue to be a main source of our revenue. In order to maintain our growth, we plan to expand our global market reach by increasing our sales and marketing efforts by sourcing new customers in different countries by promoting and marketing our products at well-known food exhibitions around the world. We also aim to expand our global market reach and deepen market penetration by identifying and engaging new distributors and/or other categories of customers in countries and locations where we currently do not have a strong market presence. During the Track Record Period, our advertising and promotion expenses amounted to approximately RM1.7 million, RM2.0 million and RM2.4 million, respectively. We plan to increase our advertising and promotion budget to facilitate our sales and marketing efforts. We believe that the global market still holds significant opportunities for our business growth, and that we can leverage the strength of the reputation of our global major brand names, “Santan” and “Cocos”, to expand our global market presence.

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Enhancing our R&D capabilities

We believe that our ability to develop new products and produce improved variations of our existing products enables us to satisfy the demands and requirements of our customers and consumers of coconut-related products. We established our in-house R&D team in 2014 to provide our sales team with technical assistance by providing solutions and developing tailor-made product formulations in order to suit the specific needs of our various customers, and to provide after-sales technical support to our customers in relation to product application and technical know-how. In addition, our R&D team has been developing new pipeline products to expand our product portfolio by utilising our pilot spray dryer located in our Selangor Plant. Please refer to “Research and development” in this section for further details about our R&D team.

We plan to enhance our R&D capabilities by investing in new equipment, such as oil extraction equipment. At present, during the shelling and paring processes of our production, the skins of the coconut, or testa, are collected and sold to third parties, who process them into coconut crude oil, which can be refined and used for various other applications. We believe that, equipped with new hardware and support, our Group’s innovation and creativity would lead to a more diversified range of products in the future. We also believe that by enhancing our R&D capabilities, we may be able to turn a part of our production waste into a potential source of revenue.

BUSINESS MODEL

We engage in manufacturing and trading food products. Our core products are coconut cream powder and low fat desiccated coconut, which are manufactured at our Perak Plant. Our product portfolio also consists of coconut milk, which we procure from our OEM suppliers. We also manufacture other food products, such as non-dairy creamer and other traditional South-east Asian traditional food ingredients, such as rice dumplings (ketupat) and toasted coconut paste (kerisik). Our products are versatile food ingredients, and are either incorporated by our customers into their food products or are sold on to their respective customers.

We are committed to these core values:

- delivering high quality and safe food products and services;
- meeting customer expectations and complying with legal requirements; and
- continually improving customers’ satisfaction and having a quality management system.

We principally sell our products to five main categories of customers, namely:

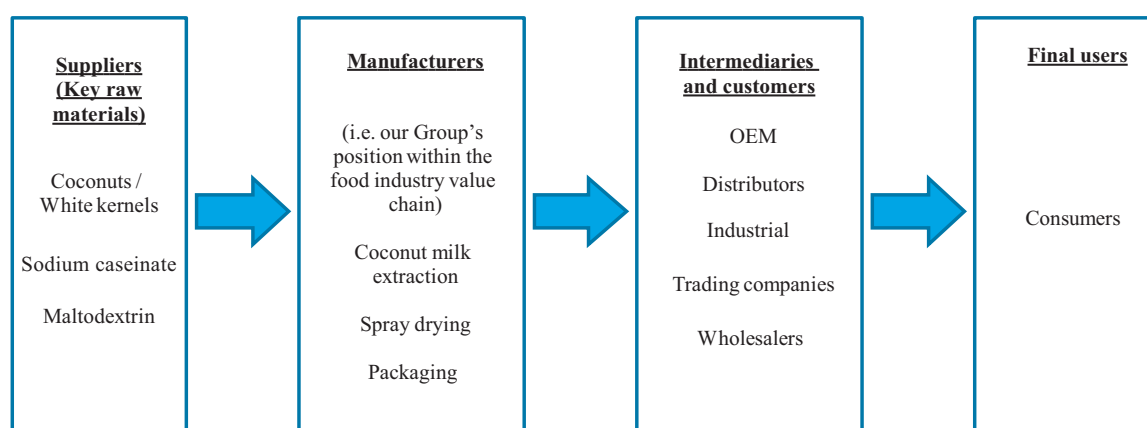
- OEM customers;
- distributors;
- industrial customers;
- trading companies; and

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- wholesaler customers.

Please refer to “Marketing, sales and customers — Sales and customers” in this section for further details of each category of our customers. Our products sold under our different brands “Santan”, “Cocos” and “Rasa Enak”, are formulated differently and are sold to different market sectors. Our products under the “Santan” and “Cocos” brands are usually found in large supermarkets, hypermarkets and department stores in Malaysia and abroad, whereas our “Rasa Enak” branded products are usually found in local grocery stores in Malaysia. For OEM customers, we sell products packaged under their brands. We package our products in different sizes and specifications to suit the requirements of the different categories of our customers.

The following diagram sets out our position within the value chain of the coconut-related food manufacturing industry and our role:



OUR PRODUCTS

Our business mainly focuses on the manufacturing and trading of coconut-related food products, including coconut cream powder, low fat desiccated coconut, coconut milk, and other food products. Our products are food ingredients, which are generally consumed by consumers year round and are not subject to seasonality. The table below sets forth the breakdown of our revenue by product category for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Coconut cream powder	51,818,594	79.5	63,894,576	81.6	79,054,432	88.0
Low fat desiccated coconut	4,628,759	7.1	7,632,361	9.7	3,546,111	3.9
Coconut milk	4,042,456	6.2	3,480,808	4.4	3,415,093	3.8
Others (<i>Note</i>)	4,691,395	7.2	3,335,886	4.3	3,779,420	4.3
Total	65,181,204	100.0	78,343,631	100.0	89,795,056	100.0

Note: Others primarily include non-dairy creamer, rice dumplings (ketupat) and toasted coconut paste (kerisik).

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The table below sets forth the average selling prices of our core products and coconut milk for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>RM/metric tonne</i>	<i>RM/metric tonne</i>	<i>RM/metric tonne</i>
Coconut cream powder	16,311	18,590	20,582
Low fat desiccated coconut	4,542	4,576	3,940
Coconut milk	7,219	7,328	7,473

Coconut cream powder

Our flagship and best-selling product is coconut cream powder. We manufacture our coconut cream powder by spray drying natural coconut milk extracted from carefully selected fresh coconuts to provide a versatile and easy to store product that encapsulates the natural taste of coconut cream in an instant and convenient form to consumers. Please refer to “Production” in this section for further details. Coconut cream powder is used in many South-east Asian cuisines. Coconut cream powder is used in both sweet and savoury dishes, and is a key ingredient for a wide variety of recipes, from curries and meat dishes to baked products, confectionery, and drinks.

Our coconut cream powder contains no added preservatives. We have three different variants of coconut cream powder, namely original, pandan and omega. Our original coconut cream powder offers the traditional natural taste of rich coconut cream in an instant and versatile form. Our pandan (or screwpine leaf) coconut cream powder is spray dried with pandan juice in addition to natural coconut milk, which enriches the natural coconut taste of our product, has a natural shade of green and is usually used in desserts and sweets. Our omega coconut cream powder is spray dried with omega fish oil in addition to natural coconut milk.

We manufacture, package and sell our coconut cream powder under our own brands, “Santan”, “Cocos” and “Rasa Enak”. Our products under “Santan” and “Cocos” brands are usually found in large supermarkets, hypermarkets and department stores in Malaysia and abroad, and have a different formulation to our products packaged under “Rasa Enak”, which are usually found in local grocery stores in Malaysia.

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Our coconut cream powder products are sold under our “Santan”, “Cocos”, and “Rasa Enak” brands:



We sell our coconut cream powder products to all five main categories of our customers. To suit the different needs of our customers, we package our products in different sizes and packaging. Our OEM customers purchase our coconut products packaged under their own brands and according to their specifications. We sell our “Santan” and “Cocos” branded coconut cream powder products to our distributors and trading company customers. Our “Rasa Enak” branded coconut cream powder products are sold to our wholesaler customers. For our industrial customers, we bulk package our coconut cream powder. Our coconut cream powder products have a typical shelf life of approximately 12 to 24 months.

During the Track Record Period, the average selling price of our coconut cream powder products was approximately RM16,311 per metric tonne, RM18,590 per metric tonne and RM20,582 per metric tonne, respectively.

Low fat desiccated coconut

Our low fat desiccated coconut is produced as part of the production process of our coconut cream powder. After the coconut milk has been extracted from the flesh of our carefully selected matured coconuts, the flesh is dried and turned into low fat desiccated coconut. Please refer to “Production — Production process for coconut cream powder and low fat desiccated coconut” in this section for further details. Our low fat desiccated coconut is a key ingredient for fillings and toppings and is mostly used in baking, confectionery and ice-cream toppings.

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We sell the vast majority of our low fat desiccated coconut products to trading companies, who to the best of our Directors' knowledge, in turn sell to their customers, or end users such as food manufacturers and bakeries. For our trading company customers, we bulk package the majority of our low fat desiccated coconut and sell in multi-ply kraft paper bags. We also package a relatively modest quantity of low fat desiccated coconut in small packets under our "Santan" brand which we sell to our distributors. Our low fat desiccated coconut products have a typical shelf life of approximately 12 to 18 months.



During the Track Record Period, the average selling price of our low fat desiccated coconut products was approximately RM4,542 per metric tonne, RM4,576 per metric tonne and RM3,940 per metric tonne, respectively.

Coconut milk

Coconut milk is the liquid extracted from white kernels that has not yet been processed into powder, and is pasteurised by ultra-high temperature (UHT) processing, which sterilises the coconut milk by heating it for a very short time. Our coconut milk products are mainly used for cooking and are used extensively in Asian and Caribbean cuisine as an ingredient in savoury foods such as curry, as well as desserts. Our coconut milk products have a typical shelf life of approximately 18 months.

Our coconut milk products are sold under our "Santan" and "Rasa Enak" brands:



We currently sell our coconut milk products procured from our OEM suppliers in Indonesia and Thailand, who package the coconut milk into either aseptic packaging or cans. In recent years, we have

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been receiving requests for more orders of coconut milk products from our existing customers, yet we are limited to only selling the amount of coconut milk which we are able to procure from our OEM suppliers. To meet this increasing customer demand, we plan to produce and package our own coconut milk products under our own brands. Our Directors believe that, in light of the high demand for coconut milk products from our existing customers, our plan to produce our own coconut milk products could very well lead to coconut milk becoming one of our core products in the future. Please refer to “Our business strategies — Producing our own coconut milk products and expanding and upgrading the existing facilities of our Perak Plant” in this section for further details.

During the Track Record Period, the average selling price of our coconut milk was approximately RM7,219 per metric tonne, RM7,328 per metric tonne and RM7,473 per metric tonne, respectively.

Other products

To complement our range of core products and coconut milk, we also manufacture and sell other food products such as non-dairy creamer and other traditional Malaysian food products, namely rice dumplings (ketupat) and toasted coconut paste (kerisik). Brief descriptions of these products are set forth below.

Non-dairy creamer

Our non-dairy creamer is made from vegetable oil, and is commonly used as a substitute for milk or cream. We believe our non-dairy creamer gives a smooth and rich texture to coffee, chocolate or tea. Non-dairy creamer dissolves instantly in hot beverages, and can also be utilised in bakery for bread, cake, cookies and doughnut recipes to add an extra dimension of flavour and texture. We mainly bulk pack and sell our non-dairy creamer to our industrial and trading companies customers. Our non-dairy creamer products are not sold under any of our own brands.

Rice dumplings (Ketupat)

Ketupat are traditional rice dumplings or packed rice cakes. Ketupat is usually steamed and served in place of rice with certain dishes such as rendang and satay, and is commonly used as a staple food in South-east Asian cuisines. Ketupat is traditionally packaged in woven leaves. We pack our ketupat products in modernised and convenient packaging, and sell them under our brand names, “Santan” and “Rasa Enak”.

Toasted coconut paste (Kerisik)

Kerisik is made from toasted desiccated coconut that is pounded into paste and is used to thicken curry and rendang based dishes. Kerisik is a popular food ingredient in Malaysian, Singaporean and Indonesian cuisines, and is an essential ingredient for preparing dishes, such as rendang. We package and sell our kerisik products under our own brand, “Rasa Enak”.

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We set forth below a summary of the information relating to the products as sold under our brands:

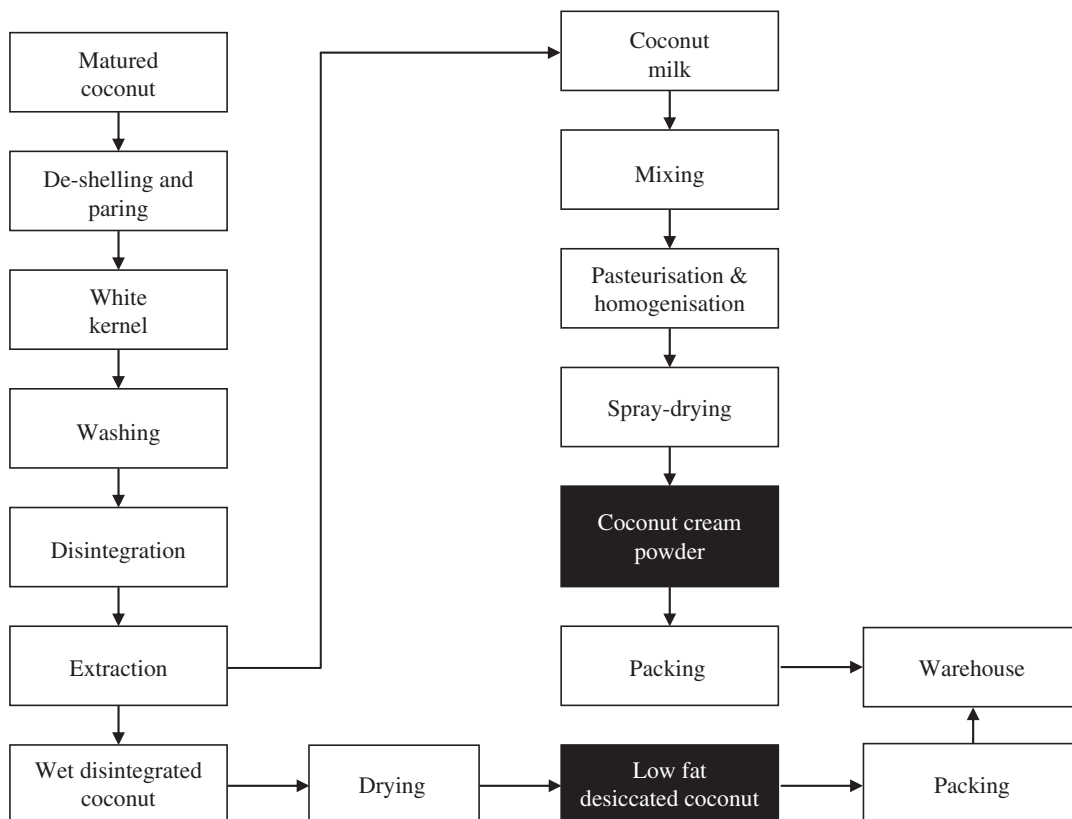
	Coconut Cream Powder	Low fat desiccated coconut	Coconut milk	Other products		
				Non-dairy creamer	Ketupat	Kerisik
Santan	✓	✓	✓	x	✓	x
Cocos	✓	x	x	x	x	x
Rasa Enak	✓	x	✓	x	✓	✓

PRODUCTION

We produce all our core products at our Perak Plant. A brief description of the production processes is set forth below.

Production process for coconut cream powder and low fat desiccated coconut

We produce our core products, coconut cream powder and low fat desiccated coconut at our Perak Plant. The following diagram illustrates the production process of our coconut cream powder and low fat desiccated coconut products:



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Pre-production phase

We purchase coconuts from our suppliers, which we de-shell manually at the site of our Perak Plant to extract white kernels. This is a labour-intensive process, and we employ factory workers to operate the de-shelling and paring of coconuts. White kernels are the white flesh from coconuts that have been de-shelled, and is the key ingredient of our two core products, namely coconut cream powder and low fat desiccated coconut. We also purchase white kernels directly from our suppliers. For quality assurance, all white kernels we purchase are subject to a screening process by our quality assurance personnel before production.

We seek to utilise every part of the coconut. We collect and burn the coconut shells as bio-fuel for our biomass boiler to produce the heat required in our production process. We switched to using bio-fuel instead of fossil fuels in 2013 as it saves us substantial fuel costs and is more friendly to the environment.

After the screening process, we load the selected white kernels onto our conveyor belt system, and they enter the production phase.

Production phase

Our production process is fully automated. It is run on the SCADA system and is centrally monitored from our control room. The process begins with the washing and cleaning of the white kernels. The white kernels are disintegrated by crushing and pressing in our screw-press machine, and sieved to extract the coconut milk. The remaining white kernel flesh is sent by conveyor belt to another production line to be dried and produced into low fat desiccated coconut.

The extracted coconut milk is piped into our mixing tank and mixed with maltodextrin and sodium caseinate. The mixture is then homogenised and pasteurised. The coconut milk is then fed into our multi-stage spray dryer, and spray dried into coconut cream powder.

Post-production phase

We have adopted critical hazard checks at various points in the production process to comply with HACCP standards. We run final tests on every bag of product to screen for traces of metal in our products before they are labelled and stored. After the products are checked, the coconut cream powder is labelled, packed and stored in the appropriate cartons and packaged in our automated packaging assembly line, and quarantined. We also employ factory workers in the post-production phase to facilitate the packaging of the various products according to their various specifications.

Save for the quarantine period, the entire process, from the preparation of the raw materials to the packaging of the finished product, takes less than a day.

Production plants, machinery and equipment

As at the Latest Practicable Date, we had an aggregate of two production sites and four production lines.

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Our main production facility, the Perak Plant, is located in Bagan Datoh, Perak, Malaysia, where we produce our core products, namely coconut cream powder and low fat desiccated coconut. Our non-dairy creamer is also produced at our Perak Plant. We own the production facility of our Perak Plant, which comprises a parcel of land with a production plant with an approximate total site area of 26,329.8 sq.m. In addition, we rent an additional property with an approximate total site area of 743.2 sq.m. in Bagan Datoh, Perak, Malaysia, which is used for the purposes of warehousing. Our main machinery is our fully automated multi-stage spray dryer system, which is installed at our Perak Plant.

Our second production facility, the Selangor Plant, is located in Selangor, Malaysia, where we produce our other products, namely ketupat and kerisik. Our R&D department is also located in our Selangor Plant. We own the production facility at our Selangor Plant, with an approximate total site area of 1,610 sq.m.

In addition to our Perak Plant and our Selangor Plant, our Group also owns a third plant in Johor. In 2012, our Group decided to suspend our operations at our Johor Plant in order to streamline and consolidate our operations, as our Perak Plant had sufficient production capacity to meet our customers' demand at the time, and our Directors believed that it would be more cost efficient to operate one plant instead of two and focus our efforts on our Perak Plant only. In order to maintain our sales volume growth and our competitive edge amongst our major competitors, we will recommission our Johor Plant and complete the recommissioning process in the third quarter of 2018 so as to increase our production capacity. Our Johor Plant is currently equipped with a functional and operational spray dryer and a low fat desiccated coconut dryer. In order to recommission our Johor Plant and render the plant fully functional again, certain major pieces of machineries and equipment need to be upgraded or replaced, such as installing a new biomass boiler, building a new waste water treatment plant, and installing new milk extraction equipment.

We set forth below details of our main types of machineries and equipment, their principal usage and function, and their weighted average remaining useful life at our Perak Plant, Selangor Plant and Johor Plant as at 31 December 2016:

<u>Machineries and equipment</u>	<u>Number of units</u>	<u>Principal usage and function</u>	<u>Approximate weighted average remaining useful life (years)^(Note 1)</u>
<i>Perak Plant</i>			
Raw material processing equipment	62	Paring and de-shelling coconuts, weighing, cleaning, processing and storing raw materials	10.6
Mixing and pasteurisation equipment	7	Automatically measuring the batches and doses of raw materials into the mixing tank, cleaning, killing pathogens and microbes, and emulsifying the fat in the milk	9.0

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Machineries and equipment	Number of units	Principal usage and function	Approximate weighted average remaining useful life (years)^(Note 1)
Multi-level spray drying and low fat desiccated coconut drying processing systems	2	Producing coconut cream powder by evaporating moisture from coconut milk, and producing low fat desiccated coconut by drying disintegrated coconut flesh	9.1
Warehouse & packaging equipment	12	Storing and transporting raw materials, semi-finished and finished products within the plant, and packing our products into different sized sachets and cartons	7.4
Energy and environmental equipment	6	Supplying steam and heat for the spray drying process, generating power and treating waste water from the production process	10.1
<i>Selangor Plant</i>			
Kerisik production equipment	6	Toasting coconut paste and packaging kerisik products	—
Ketupat production equipment	3	Oven drying rice grains and packing rice into dumplings	—
<i>Johor Plant</i> ^(Note 2)			
Raw material processing equipment	19	Paring and de-shelling coconuts, weighing, cleaning, processing and storing raw materials	2.8
Mixing and pasteurisation equipment	4	Measuring the batches and doses of raw materials into the mixing tank, cleaning, killing pathogens and microbes, and emulsifying the fat in the milk	0.5
Spray drying and low fat desiccated coconut drying processing systems	2	Producing coconut cream powder by evaporating moisture from coconut milk, and producing low fat desiccated coconut by drying disintegrated coconut flesh	4.0

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<u>Machineries and equipment</u>	<u>Number of units</u>	<u>Principal usage and function</u>	<u>Approximate weighted average remaining useful life (years)^(Note 1)</u>
Energy and environmental equipment	2	Supplying steam and heat for the spray drying process, generating power and treating waste water from the production process	0.5

Note:

- (1) The weighted average remaining useful life of our principal machineries and equipment as set forth in the table above is based on the weighted average of the remaining depreciable period of each type of machinery, which is determined in accordance with our applicable accounting policies, under which depreciation is calculated using the straight line method to allocate their costs to their residual values over the estimated useful lives. The principal annual rates used for calculation of depreciation of our machineries and equipment range from approximately 7% to 20%. When the machinery in question is fully depreciated, the remaining useful life will be zero and results in a lower weighted average remaining useful life.
- (2) In accordance with paragraph 55 of IAS 16, “*depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated*”. The depreciation policy of our property, plant and equipment at our Johor Plant follows our Group’s depreciation policy as disclosed in note 3(h)(iii) of section B to the Accountants’ Report in Appendix I to this prospectus. During the Track Record Period, we recognised the depreciation of approximately RM0.6 million, RM0.5 million and RM0.5 million, respectively, for our property, plant and equipment at our Johor Plant.

Our Directors consider that as at the Latest Practicable Date, our existing machineries and equipment, including the machineries and equipment whose useful lives have reached the end of their expected useful lives (but excluding the machineries and equipment which need to be upgraded or replaced in the recommissioning process of our Johor Plant. Please refer to “Future plans and use of proceeds — Use of proceeds” of this prospectus for further details), were in good working condition. We do not have a pre-determined or regular replacement policy for our machineries and equipment, and we only replace our aged machineries when necessary. In particular, our Directors consider our spray dryers which are made of stainless steel, are durable with long operational lives, and would only be replaced if new technology renders it obsolete.

During the Track Record Period, we purchased an amount of approximately RM1.3 million, RM0.9 million and RM0.6 million of new plant and machineries, respectively. Our machineries and equipment require maintenance and repairs from time to time. We have a dedicated maintenance team, including two qualified engineers, to ensure that our machineries and equipment are in good running condition. Save for a one-off fire incident which occurred in late February 2016, we did not encounter any material machineries or equipment breakdown that had a material adverse impact our operations. Please refer to “Environment — Work safety” in this section for further details.

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Production capacity and utilisation rate

The table below sets forth our maximum production capacity, actual production volume and our utilisation rate of our production lines for our core products produced at our respective production sites for the periods indicated:

Product	For the year ended 31 December								
	2014			2015			2016		
	Maximum production capacity	Actual production volume	Utilisation rate	Maximum production capacity	Actual production volume	Utilisation rate	Maximum production capacity	Actual production volume	Utilisation rate
	<i>(Metric tonnes)</i>	<i>(Metric tonnes)</i>	<i>(%)</i>	<i>(Metric tonnes)</i>	<i>(Metric tonnes)</i>	<i>(%)</i>	<i>(Metric tonnes)</i>	<i>(Metric tonnes)</i>	<i>(%)</i>
	<i>(Notes 1 and 2)</i>		<i>(Note 3)</i>	<i>(Notes 1 and 2)</i>		<i>(Note 3)</i>	<i>(Notes 1 and 2)</i>		<i>(Note 3)</i>
Coconut cream powder	4,500	3,959	88	4,500	4,432	98	4,500	3,261	72
Low fat desiccated coconut	1,800	1,032	57	1,800	1,341	74	1,800	1,160	64

Notes:

- (1) The maximum production capacity represents the maximum annual production volume of coconut cream powder based on a maximum output of 750 kilograms/hour, 20 working hours a day and 300 production days a year.
- (2) The maximum production capacity represents the maximum annual production volume of low fat desiccated coconut based on a maximum output of 300 kilograms/hour, 20 working hours a day and 300 production days a year.
- (3) The utilisation rate is calculated based on the actual production volume for the relevant year divided by the maximum production capacity.

In light of (i) the increase in the forecasted sales demand of our coconut cream powder in the first quarter of 2016; (ii) the anticipation of the increasing trend of the overall market price of coconuts in 2016; and (iii) the slight drop of our unit purchase price of coconuts from our suppliers in the fourth quarter of 2015 as compared to the third quarter of 2015, we purchased large quantities of coconuts and increased our production volume of coconut cream powder from approximately 3,959 metric tonnes in 2014 to approximately 4,432 metric tonnes in 2015. Our utilisation rate for the production of coconut cream powder rose from 88% in 2014 to approximately 98% in 2015. Our production volume of our coconut cream powder of approximately 3,959 metric tonnes and 4,432 metric tonnes in 2014 and 2015, respectively, exceeded our sales volume of approximately 3,177 metric tonnes and 3,437 metric tonnes in 2014 and 2015, respectively, which was primarily attributable to the increase in the production level of our coconut cream powder in the fourth quarter of 2014 and 2015 mainly as a result of (i) a drop of our unit purchase price of coconuts in the fourth

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quarter of 2014 and 2015 as compared to the third quarter of 2014 and 2015 in order to lower the unit cost of our coconut cream powder with the objective of maintaining competitive selling prices; and (ii) our effort to maintain sufficient level of coconut cream powder products in order to meet the continuing increase in our overseas sales demand in 2015 and 2016 with the objective of timely delivery of our coconut cream powder products and having a level of finished goods reserves as buffer for unexpected sales demand and other contingencies.

Having accumulated sufficient inventories to meet customers orders on hand and in addition to the sharp increase in our unit purchase price of coconuts from the second half of 2016, we scaled back our production in 2016. In addition, we also experienced a one-off suspension in production in late February 2016 for a period of around three weeks due to an accidental fire incident (please refer to “Environment — Work safety” in this section for further details). As a result, our production volume of coconut cream powder in 2016 decreased to approximately 3,261 metric tonnes, and our utilisation rate for the production of our coconut cream powder decreased to approximately 72%.

MARKETING, SALES AND CUSTOMERS

Marketing and promotion

We market our products through our sales and marketing team which as at the Latest Practicable Date, comprised eight members of our staff, who, our Directors believe, are well-trained and familiar with our products. Our sales and marketing team reports to our managing Director, Mr. Lee. We market our products through a variety of channels and methods to increase the penetration of our target markets, which include, among others, using social media platforms and video-sharing websites, through listings on online trading platforms, placing advertisements on highway billboards, paper media (e.g. magazines and newspaper), side panels of vehicles, sponsoring and participating in cooking demonstrations by celebrity chefs, and supermarket gondola displays and promotions (both in Malaysia and abroad). We also maintain frequent contact with our customers by frequent visits, which facilitate our obtaining feedback on our products and gauging customer satisfaction, as well as improving our business relationship with them.

During the Track Record Period, we exhibited our products at various high profile food exhibitions and trade shows in Malaysia and abroad, including, among others, the Salon International de l'alimentation (SIAL) Paris in France, SIAL China in Shanghai, China, Food and Hotel (FHA) in Singapore, Fispal Food Service in Sao Paulo, Brazil, Summer Fancy Food in the U.S., and Seoul Food in Korea. Our Directors believe that attending these food exhibitions and trade shows and exhibiting our products at these events help raise our brand recognition and product profile in our export markets, and facilitate our gathering of market intelligence and our meeting with potential and existing customers.

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During the Track Record Period, our advertising and promotion expenses amounted to approximately RM1.7 million, RM2.0 million and RM2.4 million, respectively.

We adopted a sales commission scheme to incentivise the performance of our sales and marketing staff for the successful sales of our products. During the Track Record Period, we paid our sales and marketing team members a total of approximately RM0.1 million, RM0.1 million and RM0.1 million in sales commissions respectively.

Sales and customers

During the Track Record Period, we mainly sold our products to five main categories of customers, namely:

- i) OEM customers, who purchase products from us which are manufactured according to their specifications and packaged under their brands;
- ii) distributors, who mainly purchase our “Santan” and “Cocos” branded products, and sell to their wholesale, industrial, HORECA, and retail customers within their designated territories;
- iii) industrial customers, who purchase our bulk-packaged products for use in their food products;
- iv) trading companies, who mainly purchase our bulk-packaged low fat desiccated coconut products and our “Santan” and “Cocos” branded coconut cream powder products, and sell them to their customers, for example, consumers and end users such as food manufacturers; and
- v) wholesaler customers, who only purchase our “Rasa Enak” branded products and sell to their customers in Malaysia, for example, consumers and end users such as food manufacturers.

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The table below sets forth the breakdown of our revenue attributable to each of our principal sales channels for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
<i>Domestic sales</i>						
- OEM customers	413,615	0.6	445,397	0.6	558,967	0.6
- Distributors	8,529,960	13.1	7,864,200	10.0	8,104,383	9.0
- Industrial customers	3,018,012	4.6	3,053,649	3.9	3,537,905	3.9
- Trading companies	2,949,493	4.5	1,398,313	1.8	1,246,568	1.4
- Wholesaler customers	6,256,822	9.6	6,960,435	8.9	6,453,932	7.2
- Others	229,015	0.4	634,102	0.8	738,903	0.9
	<u>21,396,917</u>	<u>32.8</u>	<u>20,356,096</u>	<u>26.0</u>	<u>20,640,658</u>	<u>23.0</u>
<i>Overseas sales</i>						
- OEM customers	22,353,751	34.3	30,987,911	39.5	41,135,809	45.8
- Distributors	11,189,195	17.2	13,416,902	17.2	15,692,533	17.5
- Industrial customers	3,646,233	5.6	3,592,834	4.6	5,366,118	6.0
- Trading companies	6,595,108	10.1	9,989,888	12.7	6,959,938	7.7
- Wholesaler customers	—	—	—	—	—	—
- Others	—	—	—	—	—	—
	<u>43,784,287</u>	<u>67.2</u>	<u>57,987,535</u>	<u>74.0</u>	<u>69,154,398</u>	<u>77.0</u>
Total	<u><u>65,181,204</u></u>	<u><u>100.0</u></u>	<u><u>78,343,631</u></u>	<u><u>100.0</u></u>	<u><u>89,795,056</u></u>	<u><u>100.0</u></u>

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Our products are sold to customers in over 40 countries. The table below sets forth the breakdown of our revenue by geographical location of our customers generated for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Domestic:						
Malaysia	21,396,917	32.8	20,356,096	26.0	20,640,658	23.0
Overseas:						
Jamaica	10,421,399	16.0	17,710,963	22.6	24,282,310	27.0
Saudi Arabia	6,996,298	10.7	7,086,718	9.0	9,364,308	10.4
United Arab Emirates	6,250,329	9.6	4,924,356	6.3	6,009,912	6.7
Belize	2,087,712	3.2	3,218,917	4.1	4,435,699	4.9
Other countries and regions <i>(Note)</i>	18,028,549	27.7	25,046,581	32.0	25,062,169	28.0
Subtotal	<u>43,784,287</u>	<u>67.2</u>	<u>57,987,535</u>	<u>74.0</u>	<u>69,154,398</u>	<u>77.0</u>
Total	<u>65,181,204</u>	<u>100.0</u>	<u>78,343,631</u>	<u>100.0</u>	<u>89,795,056</u>	<u>100.0</u>

Note: Other countries and regions mainly included Brunei, Canada, Hong Kong, Oman, Pakistan, Singapore, South Korea, Trinidad and Tobago, the U.S. and the PRC.

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Details of our top five customers for the year ended 31 December 2014 are set forth below:

Rank	Name of customer	Type	Background	Location	Product sold	Length of relationship	Revenue	Percentage to total revenue
							<i>RM</i>	%
1	Customer A	OEM customer	A conglomerate listed on the Jamaica stock exchange, with a division specialising in the food industry, and is one of the largest distributors in the Caribbean for food related products	Caribbean	Coconut cream powder	Since our inception	13,549,886	20.8
2	Customer B	Distributor	A subsidiary of a Malaysia listed company, and is one of the largest distributors of groceries and food related products in Malaysia	Malaysia	Coconut cream powder, low fat desiccated coconut, coconut milk and others	Since our inception	7,983,261	12.2
3	Customer C	Distributor	A multi-industry conglomerate in the Gulf area with business interests spanning manufacturing, distribution, retail and mining	Saudi Arabia	Coconut cream powder and coconut milk	Since our inception	5,321,094	8.2
4	Customer D	OEM customer	One of the leading business groups in the Sultanate of Oman, with a diversified portfolio of businesses, including real estate, distribution of fast moving consumer goods, automotive, construction, engineering etc.	Oman	Coconut cream powder	Since our inception	2,294,679	3.5
5	Customer E	Trading company	A company that trades in all types of chemicals as well as food products and ingredients	Malaysia	Non-dairy creamer	4 years	1,854,000	2.8
Total							<u>31,002,920</u>	<u>47.6</u>

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Details of our top five customers for the year ended 31 December 2015 are set forth below:

Rank	Name of customer	Type	Background	Location	Product sold	Length of relationship	Percentage to total revenue	
							Revenue	to total revenue
							<i>RM</i>	<i>%</i>
1	Customer A	OEM customer	A conglomerate listed on the Jamaica stock exchange, with a division specialising in the food industry, and is one of the largest distributors in the Caribbean for food related products	Caribbean	Coconut cream powder	Since our inception	22,658,181	28.9
2	Customer B	Distributor	A subsidiary of a Malaysia listed company, and is one of the largest distributors of groceries and food related products in Malaysia	Malaysia	Coconut cream powder, low fat desiccated coconut, coconut milk and others	Since our inception	7,306,740	9.3
3	Customer C	Distributor	A multi-industry conglomerate in the Gulf area with business interests spanning manufacturing, distribution, retail and mining	Saudi Arabia	Coconut cream powder and coconut milk	Since our inception	5,939,910	7.6
4	Customer F	OEM customer	A company engaged in the marketing of food products in the Middle East	UAE	Coconut cream powder	Since our inception	1,845,300	2.4
5	Customer D	OEM customer	One of the leading business groups in the Sultanate of Oman, with a diversified portfolio of businesses, including real estate, distribution of fast moving consumer goods, automotive, construction, engineering etc.	Oman	Coconut cream powder	Since our inception	1,638,923	2.1
	Total						<u>39,389,054</u>	<u>50.3</u>

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Details of our top five customers for the year ended 31 December 2016 are set forth below:

Rank	Name of Customer	Type	Background	Location	Product sold	Length of relationship	Revenue	Percentage to total revenue
							<i>RM</i>	<i>%</i>
1	Customer A	OEM customer	A conglomerate listed on the Jamaica stock exchange, with a division specialising in the food industry, and is one of the largest distributors in the Caribbean for food related products	Caribbean	Coconut cream powder	Since our inception	31,623,252	35.2
2	Customer B	Distributor	A subsidiary of a Malaysia listed company, and is one of the largest distributors of groceries and food related products in Malaysia	Malaysia	Coconut cream powder, low fat desiccated coconut, coconut milk and others	Since our inception	7,627,863	8.5
3	Customer C	Distributor	A multi-industry conglomerate in the Gulf area with business interests spanning manufacturing, distribution, retail and mining	Saudi Arabia	Coconut cream powder and coconut milk	Since our inception	6,630,827	7.4
4	Customer F	OEM customer	A company engaged in the marketing of food products in the Middle East	UAE	Coconut cream powder	Since our inception	2,327,710	2.6
5	Customer G	OEM customer	A company engaged in the marketing of food products in the Middle East	UAE	Coconut cream powder	Since our inception	2,031,816	2.3
Total							<u>50,241,468</u>	<u>56.0</u>

During the Track Record Period,

- (a) approximately 32.8%, 26.0% and 23.0% of our total revenue was derived from customers based in Malaysia, respectively;
- (b) approximately 67.2%, 74.0% and 77.0% of our total revenue was derived from overseas customers, respectively;

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- (c) our top five customers collectively accounted for approximately 47.6%, 50.3% and 56.0% of our total revenue, respectively; and
- (d) our largest customer accounted for approximately 20.8%, 28.9% and 35.2% of our total revenue, respectively.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date,

- (a) all of our top five customers were Independent Third Parties;
- (b) none of our top five customers was also our supplier;
- (c) none of our Directors, their respective close associates or any of our Shareholders who owned more than 5% of our share capital had any interest in any of our top five customers.

We have adopted a sales order processing procedure in order to standardise the processing of our customers' orders, which includes, among others, providing price quotations in response to customers' enquiries, providing customers with pro-forma invoices to facilitate their preparation of the necessary documents (such as letters of credit), preparing sales orders on our ERP system specifying such details as the terms and conditions of the delivery, time estimated for delivery, any required certificates or documents, marking and stickers. Depending on factors such as whether we have sufficient packaging materials in our inventories, delivery lead time is usually within four to eight weeks of the sales order date. Our staff conducts inventory verification, issues work orders to our production team, obtains the requisite certificates, organises transportation and logistics, obtains the requisite internal and external approvals, and readies the customer's order in preparation for delivery. We believe that these procedures and our ERP system help us organise our orders and customer enquiries smoothly and efficiently.

OEM customers

We mainly sell to our OEM customers coconut cream powder and non-dairy creamer products, which are produced and packaged according to stipulated specifications and requirements. We believe that we have a stable and established relationship with our OEM customers, a majority of whom we have been trading with for over five years.

During the Track Record Period, our revenue derived from our OEM customers was the highest among our five main categories of customers, amounting to approximately RM22.8 million, RM31.4 million and RM41.7 million, respectively, representing approximately 34.9%, 40.1% and 46.4% of our total revenue, respectively.

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Typical terms of our sales to OEM customers

We agree on matters relating to the manufacturing process, quality control and specifications and the designs of the products with our OEM customers. We set forth the typical terms of our sales to our OEM customers below:

<u>Principal terms</u>	<u>Summary</u>
Manufacture of products	: Specifications of the product, labelling, packaging, quantity, delivery mode and schedule are provided by the OEM customer.
Price, billing and payment	: Prices of the products are set with reference to price lists, which we determine from time to time, and are subject to change at our sole discretion (with agreed notice periods to our customers). Payment terms are stipulated.
Return of goods	: Products are not returnable and are non-refundable.
Labelling	: OEM customers are responsible for creating and designing the artwork and final layout, and ensuring they comply with applicable laws and industry guidelines. OEM customers grant us limited licences to use their intellectual property to produce and package their products.
Materials	: We are responsible for the raw materials and packaging materials.

To the best of our Directors' knowledge, as at the Latest Practicable Date, all of our OEM customers were Independent Third Parties, and none of their shareholders or directors was our previous employees.

Distributors

We mainly sell to our distributor customers our coconut cream powder and coconut milk products, which are generally packaged under our own "Santan" and "Cocos" brands, which are aimed at higher end supermarkets and department stores in Malaysia or abroad. We believe that we have a stable and established relationship with our distributor customers, a majority of whom we have been trading for over five years. During the Track Record Period, our revenue derived from our distributor customers amounted to approximately RM19.7 million, RM21.3 million and RM23.8 million, respectively, representing approximately 30.3%, 27.2% and 26.5% of our total revenue, respectively.

We have an extensive network of distributors spanning 14 countries worldwide operating on an exclusive distributorship basis. Our distributors generally distribute, sell and market our products within a specified territory. According to the Ipsos Report, this model is common for the coconut cream powder industry. We believe this gives our distributor customers the confidence to market our products in their respective territories, secure in the knowledge that they do not have to share their respective markets or contend with other competitors when selling our products.

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We believe that by engaging distributors, we are able to leverage their expertise and knowledge of the target local markets as well as their existing distribution channels and resources, which helps us expand our market reach over a much wider geographical area, and to achieve deeper market penetration than if we were to proceed with direct sales and marketing alone, without incurring substantial sales and marketing costs in establishing our brand and product presence in such markets. We believe that this helps us to better concentrate our resources on areas where we need them the most.

As at the Latest Practicable Date, we had 17 distributors in 14 countries worldwide. We maintained a steady number of distributors during the Track Record Period. The table below sets forth the movement in the number of our distributors for each period of the Track Record Period:

	For the year ended 31 December		
	2014	2015	2016
Distributors at the commencement of the year	17	17	17
New distributors added during the year	—	—	—
Distributors terminated during the year	—	—	—
Number of distributors at the end of the year	<u>17</u>	<u>17</u>	<u>17</u>

Selection criteria of our distributors

We select our distributors according to certain criteria, including the size of their operations and sales network, geographic location, their market expertise and influence within their local territory, expertise within the food distribution industry, creditworthiness, and logistics and delivery capability. In practice, we generally allow new distributors a trial period of around six months after which, we assess whether to retain the distributor in question. Our Directors believe that this practical approach lowers our risk. Our distributors are responsible for obtaining all the requisite approvals and licences needed to import and sell our products in their respective territories.

Salient terms of our distribution agreements

We generally enter into standard distribution agreements with our distributors. The typical salient terms of our distribution agreements for our major distributors are set forth below:

Principal terms	Summary
Term	: Usually a period of two years (which shall be automatically renewed for an additional period at the expiry of each term), subject to termination.
Designated distribution territory	: Our distributors are generally granted exclusivity within their designated distribution territory.

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<u>Principal terms</u>	<u>Summary</u>
Products	: Products by brand and specification to be sold by the distributor are stipulated.
Price, billing and payment	: We sell our products to our distributors with reference to price lists, which we determine from time to time at our sole discretion and issue to our distributors. Payment terms are usually stipulated. Please refer to “Marketing, sales and customers - Pricing and credit policies” in this section for further details.
Distributor’s general obligations	: Our distributors are required to: (a) use their best efforts to market and sell our products based on sales targets we set for the territory on an annual basis; (b) undertake and/or assist in promotional and marketing campaigns initiated by us from time to time to stimulate sales of the products; (c) provide us with monthly sales and inventory reports; (d) meet the agreed minimum order requirements; and (e) provide sales support to customers. We prohibit our distributors from: (a) distributing or selling products made or sold by our competitors; and (b) engaging any sub-distributor for distributing or selling the our products.
Our general obligations	: We are obliged to: (a) ensure that our products are of merchantable quality, fit for human consumption and free of any defects in the manufacturing and packaging processes; (b) use our best efforts to promote our products within the territory; and (c) provide adequate sales support to our distributors.
Return of goods	: Our products are generally not returnable and not refundable.
Termination	: By notice — Either party may terminate the agreement by giving the other party 60 days prior written notice. By breach — We are entitled to terminate the agreement immediately if the distributor fails to make any payment in accordance with the terms of the invoice. Either party may terminate the agreement with the other party if (a) breaches or fails to perform any of their obligations under the agreement and such breach or failure is not capable of remedy or if capable of remedy is not remedied within 30 days of receipt of written notice from the innocent party; or (b) becomes insolvent; or (c) ceases or threatens to cease to carry on business.

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Relationship with our distributors

We have a seller/buyer relationship with our distributor customers. As such, other than the stipulated terms of our exclusive distributorship agreements, we generally do not impose policies and controls on our distributors beyond their purchase of our products. We believe that our distributors are better suited to judge local market trends and sentiments based on their expertise, knowledge and experience of their customers, and we give them latitude in the manner in which they sell our products. We do not control the prices at which our distributors sell our products. We do not retain ownership over the products which we sell to our distributors. The risks and rewards of the products pass to them when they accept delivery of our products.

Management of our distributors

We believe that by trading with a relatively limited number of reliable distributors on an exclusive distributorship basis, we are able to effectively manage our distribution network and avoid issues of cannibalisation. To the best of our Directors' knowledge, during the Track Record Period, none of our distributors had breached the terms of their distributorship agreements.

We also regularly evaluate the performance and progress of our distributors by communicating with them on a frequent basis. Our distributors submit monthly sales and inventory reports to us, which help us to effectively monitor whether they are meeting their key performance indicators, and to assess whether our distributors are encountering any performance or non-compliance issues. If we become aware of any significant fluctuations in the sales activities of our distributors, we will ask them for explanations and work with them to resolve any issues. We are contractually entitled to terminate the distribution agreements if our distributors are not able to resolve any breach or issues of non-compliance within a specified period. We also conduct random site visits on annual basis at our distributors' outlets to check whether they are operating in accordance with the terms of our distributorship agreements.

Through the above measures, we believe that our sales represent genuine demand from our ultimate end customers, and lower any risk of channel stuffing at the distributor level. To the best of our Directors' knowledge, we are not aware of any material accumulation of excess inventories of our distributors during the Track Record Period.

We generally recognise our sales to our distributors based on shipment terms. Please refer to "Marketing, sales and customers — Pricing and credit policies" in this section for further details. Generally, once we have sold our products to our distributors, all risks are passed to them and they are not entitled to any recourse from our Group if they fail to sell our products to their customers.

Protection of our distributors' exclusive rights

To protect our distributors' exclusive right to distribute, sell and market our branded products according to the terms of their distributorship agreement within their specified territory, when a prospective customer makes an enquiry about purchasing our branded products, we first ascertain the geographical location in which they intend to sell those particular products. If the prospective

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customer intends to sell such branded products in a territory where the same branded products are already sold by one of our exclusive distributors, we reject the prospective customer's order. We believe that our approach gives our exclusive distributors peace of mind and confidence in distributing, marketing and selling our branded products within their specified territory.

To the best of our Directors' knowledge, as at the Latest Practicable Date, all of our distributors were Independent Third Parties, and none of their shareholders or directors was our previous employees.

Industrial customers

Our industrial customers are generally food manufacturers and operators of the food and catering industry. We sell our bulk-packaged coconut cream powder, low fat desiccated coconut and non-dairy creamer products to our industrial customers, who use them in their products. We do not enter into long term sales agreements with our industrial customers.

During the Track Record Period, our revenue derived from our industrial customers amounted to approximately RM6.7 million, RM6.6 million and RM8.9 million, respectively, representing approximately 10.2%, 8.5% and 9.9% of our total revenue, respectively.

To the best of our Directors' knowledge, as at the Latest Practicable Date, all of our industrial customers were Independent Third Parties, and none of their shareholders or directors was our previous employees.

Trading companies

We sell the majority of our low fat desiccated coconut products (and our other "Santan" and "Cocos" branded products such as coconut cream powder and non-dairy creamer) to trading companies in over 25 countries. We generally sell our low fat desiccated coconut products in bulk, and, to the best of our Directors knowledge, our trading company customers either sell them directly, or re-package them into smaller units before selling to their customers such as consumers and end users (for example, food manufacturers and bakeries). During the Track Record Period, our revenue from our trading company customers amounted to approximately RM9.5 million, RM11.4 million and RM8.2 million, respectively, representing approximately 14.6%, 14.5% and 9.1% of our total revenue respectively.

We do not enter into long term sales agreements with our trading company customers. Our trading company customers comprise recurring and non-recurring customers. We have a seller/buyer relationship with our trading company customers. We do not have any control over our products or the trading company customers once our products are sold to them, and we are not obliged to monitor their performance.

We generally recognise our sales to our trading company customers based on shipment terms. Please refer to "Marketing, sales and customers — Pricing and credit policies" in this section for further details. Generally, once we have sold our products to our trading company customers, all risks are passed to them and they are not entitled to any recourse from our Group if they fail to sell our products to their customers.

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To the best of our Directors' knowledge, as at the Latest practicable Date, all of our trading company customers were Independent Third Parties, and none of their shareholders or directors were our previous employees.

Wholesaler customers

Our wholesaler customers purchase our products packaged under our "Rasa Enak" brand, which is aimed at the mid to mass sectors of the market, such as local grocery stores in Malaysia. We do not enter into long term sales agreements with our wholesaler customers. Our wholesaler customers comprise recurring and non-recurring customers. To the best of our Directors' knowledge, our wholesaler customers are located in Malaysia, and their customers are generally consumers and end users (such as restaurant operators).

During the Track Record Period, our revenue derived from our wholesaler customers amounted to approximately RM6.3 million, RM7.0 million and RM6.5 million, respectively, representing approximately 9.6%, 8.9%, and 7.2% of our total revenue, respectively.

To the best of our Directors' knowledge, as at the Latest Practicable Date, all of our wholesaler customers were Independent Third Parties, and none of their shareholders or directors were our previous employees.

We set forth below a summary of the information relating to the products which we sell to each category of customer:

	Coconut cream powder	Low fat desiccated coconut	Coconut milk	Other products		
				Non-dairy creamers	Ketupat	Kerisik
OEM customers	✓	x	x	✓	x	x
Distributors	✓	✓	✓	x	x	x
Industrial customers	✓	✓	x	✓	x	x
Trading companies	✓	✓	x	✓	x	x
Wholesaler customers	✓	✓	✓	✓	✓	✓

Measures to control competition among our customers

We principally sell our products to our five main categories of customers. Through a combination of internal control policies and existing sales practices, our Directors believe that we have in place effective measures to avoid significant competition among our different types of customers, which are summarised below:

Entering into binding agreements

We generally enter into binding agreements with two categories of customers, namely our OEM customers and our distributors.

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Our products sold to OEM customers are produced and packaged according to stipulated specifications and requirements, and their product packaging and appearance clearly delineate the OEM customers' products from our own brands of products: "Santan", "Cocos" and "Rasa Enak". Our largest customer during the Track Record Period, a conglomerate listed on the Jamaica stock exchange, is one of our OEM customers. In Jamaica, we only sell OEM products, and not our "Santan", "Cocos" and "Rasa Enak" branded products.

Our distributors are bound by their distribution agreements to sell our "Santan" and "Cocos" products within their designated territories. The product brand and specifications which they are permitted to sell are also stipulated in their distribution agreements. In return, we have internal control measures in place to protect our distributors' interests by offering them exclusivity and priority. When any customer (whether they are a distributor or trading company customer) wishes to purchase our "Santan" or "Cocos" branded products, we first check to see where they intend to sell such a product. If such customer's intended market involves a territory which is already covered by an existing distributor of the same branded product, we reject the prospective customer's sales order, or advise it to contact our distributor instead, which effectively prevents competition against our distributor in that territory. Please refer to "Marketing, sales and customers — Distributors — Protection of our distributors' exclusive rights" in this section for further details. If our distributors breach the terms of their distributorship agreements, we are entitled to terminate our business relationship with them.

Different branding, pricing and market segment

We segregate, to a large extent, the various categories of our customers by virtue of the brands of our products sold. We mainly sell: a) our "Santan" and "Cocos" branded products to our distributors and trading company customers; b) our "Rasa Enak" branded products to our wholesaler customers; and c) our unbranded products packaged in bulk to our industrial customers. As major global brands, our "Santan" and "Cocos" branded products are aimed at a higher market segment, such as large supermarkets, hypermarkets and departments in Malaysia and abroad, and have a different formulation to and are sold at higher prices than our "Rasa Enak" branded products, which are usually found in local grocery stores in Malaysia.

Product specification and product type

Although we sell our flagship product, coconut cream powder, across the board to all of our categories of customers (as this is the product which we are best known for), we package coconut cream powder into different sizes and weight specifications to suit the needs of different customers. Generally, our 50 gram sachets, 150 gram, 250 gram, 300 gram boxes of coconut cream powder are mainly sold to our OEM customers and distributors customers, whom to the best knowledge of our Directors, sell them on to consumers or HORECA customers. Our 1 kilogram and 25 kilogram bulk-packaged coconut cream powder products are sold to our industrial customers, who use them in their production of food products, such as cakes, biscuits and ice-cream, and whose end products are not in competition with our products at all.

The majority of our low fat desiccated coconut products are sold, bulk-packaged and unbranded in 25 kilogram multi-ply kraft paper bags to trading company customers, whom to the best of our Directors' knowledge re-package them and sell to their respective customers. We also package a

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modest amount of low fat desiccated coconut in small packets under our “Santan” brand, which are sold to our distributors. Most of our customers who purchase our coconut milk, ketupat and kerisik products are wholesalers, whereas most of our customers who purchase our non-dairy creamer products are industrial customers.

Specified territory

Our distributors are bound by their distribution agreements to sell our “Santan” and “Cocos” branded products within their specified territories. While our trading companies customers are not similarly bound, we do not accept their orders if they intend to sell a “Santan” or “Cocos” branded product in a territory where a distributor already sells the same product. Further, we do not sell our “Santan”, “Cocos” and “Rasa Enak” branded products in Jamaica, and we only supply OEM products to our OEM customer.

In addition, we sell the majority of our products to our OEM customers, distributors, trading companies and industrial customers around the world, whereas our wholesaler customers are located only in Malaysia. Our Directors believe that a wide geographic sales network also reduces the chances for direct competition between our customers. We also frequently correspond with and visit our customers, which our Directors believe effectively helps us to discover at the first instance and monitor any issues or problems which may arise.

Concentration and counterparty risk

During the Track Record Period, the revenue derived from our largest customer, Customer A, amounted to approximately RM13.5 million, RM22.7 million and RM31.6 million, respectively, representing approximately 20.8%, 28.9% and 35.2% of our total revenue, respectively. We intend to expand our global reach by increasing our sales and marketing efforts around the world, which we believe may help reduce the concentration and counter-party risk arising from our largest customer in the future. Please refer to “Risk factors — Risks relating to our business — We are exposed to concentration risk of heavy reliance on our largest and top five customers” of this prospectus for further details of our concentration and counter-party risk.

Pricing and credit policies

We determine our products’ prices based on several factors. Our products are sold on a cost-plus basis, and take into account, among other things, the prevailing market prices of our raw materials, and production costs. We generally review our product price lists twice a month. Following the review, we establish a base selling price for our products. Our sales team does not sell our products at prices lower than our base selling price without obtaining approval from our managing Director, Mr. Lee in advance. Please refer to “Our products” in this section for further details of the average selling price of our core products during the Track Record Period.

We recognise our sales to our customers based on shipment terms. Our sales are mainly billed in USD for export customers, and in RM for our domestic customers. Our customers generally settle their payments by letters of credit. We adapt our credit policy to our customers and vary their payment terms depending on our credit evaluation of them, based on factors such as our business history with

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them, their payment history, size of operations and business performance. Payment terms for our customers can be broadly categorised into the following categories: (i) pre-payment; (ii) staggered payments; (iii) immediate payment of the full amount upon delivery or presenting the required documents to the financial institution backing the letter of credit; or (iv) payment after a stipulated number of days. We usually allow credit periods of up to 60 days for our customers abroad, and up to 90 days for our domestic customers.

We monitor our overdue trade receivables regularly, and when appropriate, provide for impairment of trade receivables. During the Track Record Period, we directly wrote off bad debts approximately RM0.1 million, RM5,000 and RM0.1 million, respectively. Please refer to “Financial information — Discussion of selected items of consolidated statements of financial position — Trade and other receivables — Trade receivables” of this prospectus for further details.

Our sales team submits rolling sales forecasts of around three months to our production team, which sets out the quantity and type of our core products that they require. These forecasts are in turn communicated to our procurement team in order to manage the flow of our inventories.

Product returns and warranty

Except for quality issues or damaged packaging, we generally do not accept product returns or provide refunds for our products. Nevertheless, our Group has adopted a customer complaint policy and a product return policy to handle complaints from our customers regarding the quality of our products, and to ensure any returned products are properly documented and accounted for, which includes several steps, including (i) verifying the customer complaint; (ii) conducting quality testing on the alleged sub-standard product; (iii) if our products prove to be defective, following up the matter with our customer and our factory, and either issuing the customer with a credit note for the value of the defective goods, or replacing the defective goods with new ones to our customers; and (iv) addressing the issues giving rise to the quality issues or defective packaging.

Under the terms of the distribution agreement with one of our customers, we allow such customer to return expired, damaged, soiled and/or slow-moving products to us up to a maximum value of 2% to 3% (depending on the product sold to it) of its total purchases for the year. During the Track Record Period and up to the Latest Practicable Date, sales return from such customer did not exceed the threshold. We made this exception for this customer due to its proximity, size of operations, and its business history with us. During the Track Record Period, the sales return for expired, damaged, soiled and/or slow-moving products amounted to approximately RM0.2 million, RM0.2 million and RM0.1 million, respectively, which is an insignificant amount when compared to our total revenue.

In 2015, we received a complaint from a customer, alleging that a batch of our ketupat products was tainted with weevils (tiny harmless beetles that are found in rice and flour). The sales return for these defective products (amounting to approximately RM0.2 million which was offset against that customer’s next payment to us) represents an insignificant amount when compared to our total revenue in 2015. We have not received any similar complaints since.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not experience any other product return, product recall, litigation or claim that was material to our business and operations.

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PROCUREMENT AND SUPPLIERS

Our supplies are classified into two main categories, namely (i) raw materials for our products; and (ii) packaging materials. Our main raw materials consist of (a) coconuts and white kernels; (b) sodium caseinate; and (c) maltodextrin. Our packaging materials mainly consist of (1) display boxes; (2) aluminium foil; and (3) paper cartons. During the Track Record Period, the total cost of our packaging and raw materials amounted to approximately RM37.4 million, RM41.6 million and RM43.4 million, respectively, representing approximately 72.5%, 74.1% and 75.9% of our total cost of production, respectively.

We source most of our coconuts, the key raw material of our products, from local suppliers. We also source raw materials and packaging materials from various suppliers abroad.

We purchase our coconuts either whole, or in the form of white kernels (which are coconuts that our suppliers have already pared and de-shelled, leaving behind only the white coconut flesh). Coconuts are the principal raw materials we use in the production of our coconut cream powder and low fat desiccated coconut products.

Our raw materials are commodities and as such are generally affected by market factors, such as price fluctuations, market supply and demand, and logistics and transport costs. Our procurement team meets once a month to monitor the changes in prices and to decide whether we need to adjust our purchasing patterns. As our products are sold on a cost-plus basis, we are generally able to pass on any increase in the prices of our raw materials to our customers.

For a sensitivity analysis and breakeven analysis in relation to changes in cost of sales, please refer to “Financial information — Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Cost of sales — Sensitivity analysis of cost of packaging and raw materials” of this prospectus for further details.

Procurement

Our procurement and logistics team is responsible for purchasing of our raw materials and packaging materials and negotiation of contracts with our suppliers. As the proper procurement of our suppliers is crucial to the smooth operation of our production, we have adopted standardised procurement procedures in order to improve the efficiency of our operations, including: (i) conducting weekly reviews of inventory balances and planning purchases accordingly; (ii) conducting supplier assessments; (iii) issuing purchase requisitions and obtaining approvals; (iv) obtaining price quotations from suppliers; (v) issuing purchase orders; and (v) receiving supplies.

As our sales team provides regular rolling forecasts of around three months to our production team, we are able to project and communicate these forecasts to our procurement team, which ensures that there is sufficient lead time for our suppliers to provide us with the relevant raw materials and packaging materials.

Our quality control personnel inspects and samples our raw materials and packaging materials with various techniques to ensure that they comply with our specifications and quality control standards. Please refer to “Quality control” in this section for further details.

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Suppliers

Details of our top five suppliers for the year ended 31 December 2014 are set forth below:

Rank	Name of supplier	Background	Location	Product supplied	Length of relationship	Purchases	Percentage to total purchases
						<i>RM</i>	<i>%</i>
1	Supplier A	A trader of local and Indonesian coconuts, white kernels and coconut shells	Malaysia	Coconuts, white kernels and coconut shells	Since our inception	7,207,437	18.2
2	Supplier B	A trader of Indonesian coconuts, white kernels and coconut shells	Indonesia	Coconuts, white kernels and coconut shells	Since our inception	4,469,854	11.3
3	Supplier C	An importer and exporter of various kinds of goods, including wholesale of pre-packaged food products and food additives	PRC	Maltodextrin	5 years	3,309,108	8.3
4	Supplier D	A wholesaler of various coconut products, including coconut cream, desiccated coconut and crude palm oil	Singapore	Coconut milk	Since our inception	2,456,227	6.2
5	Supplier E	A trader of coconuts and local produce in Malaysia	Malaysia	Coconuts, white kernels and coconut shells	6 years	2,380,916	6.0
	Total					<u>19,823,542</u>	<u>50.0</u>

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Details of our top five suppliers for the year ended 31 December 2015 are set forth below:

Rank	Name of supplier	Background	Location	Product supplied	Length of relationship	Purchases	Percentage to total purchases
						<i>RM</i>	<i>%</i>
1	Supplier A	A trader of local and Indonesian coconuts, white kernels and coconut shells	Malaysia	Coconuts, white kernels and coconut shells	Since our inception	11,170,859	25.2
2	Supplier E	A trader of coconuts and local produce in Malaysia	Malaysia	Coconuts, white kernels and coconut shells	6 years	7,222,468	16.3
3	Supplier C	An importer and exporter of various kinds of goods, including wholesale of pre-packaged food products and food additives	PRC	Maltodextrin	5 years	3,601,413	8.1
4	Supplier D	A wholesaler of various coconut products, including coconut cream, desiccated coconut and crude palm oil	Singapore	Coconut milk	Since our inception	2,780,437	6.3
5	Supplier F	A trader of coconuts and other local agricultural produce in Malaysia	Malaysia	Coconuts	2 years	2,327,242	5.2
Total						<u>27,102,419</u>	<u>61.1</u>

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Details of our top five suppliers for the year ended 31 December 2016 are set forth below:

Rank	Name of supplier	Background	Location	Product supplied	Length of relationship	Purchases	Percentage to total purchases
						<i>RM</i>	<i>%</i>
1	Supplier A	A trader of local and Indonesian coconuts, white kernels and coconut shells	Malaysia	Coconuts, white kernels and coconut shells	Since our inception	10,032,827	21.9
2	Supplier F	A trader of coconuts and other local agricultural produce in Malaysia	Malaysia	Coconuts	2 years	8,435,132	18.4
3	Supplier E	A trader of coconuts and local produce in Malaysia	Malaysia	Coconuts, white kernels and coconut shells	6 years	3,406,817	7.4
4	Supplier G	A supplier of wet and dry foodstuffs in Malaysia	Malaysia	Coconuts, white kernels and coconut shells	Since our inception	2,741,499	6.0
5	Supplier D	A wholesaler of various coconut products, including coconut cream, desiccated coconut and crude palm oil	Singapore	Coconut milk	Since our inception	2,301,022	5.0
Total						<u>26,917,297</u>	<u>58.7</u>

During the Track Record Period:

- (a) our top five suppliers collectively accounted for approximately 50.0%, 61.1% and 58.7% of our Group's total purchases, respectively;
- (b) our largest supplier accounted for approximately 18.2%, 25.2% and 21.9% of our total purchases, respectively; and

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- (c) our average trade payable turnover days were approximately 25.3 days, 26.3 days, and 25.7 days, respectively.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date,

- a) all of our top five suppliers were Independent Third Parties;
- b) save for a one-off incident, none of our top five suppliers was also our customer (*Note*); and
- c) none of our Directors, their respective close associates or any of our Shareholders who owned more than 5% of our share capital had any interest in any of our top five suppliers.

Note: Owing to a minor fire incident in late February 2016, production at our Perak Plant was suspended for around three weeks, during which we made a one-off sale of our white kernels amounting to approximately RM0.1 million to one of our top five suppliers to mitigate our losses.

Salient terms of supply contracts

Historically, we did not enter into any long term agreements with our suppliers. During the Track Record Period, we did not experience any significant shortage of supply in our raw materials and packaging materials that affected our operations. However, in light of the ever increasing popularity of coconuts and coconut-related products with consumers in recent years, we decided to enter into supply agreements with our main coconut suppliers in order to secure the stable supply of raw materials. We set forth below the typical provisions of these agreements:

Principal terms	Summary
Term	: Typically two years, automatically renewable at the expiry of each term unless terminated.
Raw materials	: We generally stipulate the quantity and specifications of the raw materials to be supplied to us. Foreign suppliers are responsible for obtaining all requisite approvals and permits for importing the raw materials into Malaysia.
Delivery and inspection	: Delivery such as date, time and place are stipulated. We are entitled to examine and reject the raw materials at the point of delivery to ensure their conformity with the stipulated specifications, merchantability, suitability and fitness for purpose. We are entitled to reject the deliveries in their entirety or in part. We are required to notify the supplier in writing of any such rejection within two working days of delivery.
Price and payment	: Prices and payment are determined on a per order basis.

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<u>Principal terms</u>	<u>Summary</u>
Warranties	: The supplier warrants that the raw materials shall be of merchantable and satisfactory quality and fit for purpose, fit for human consumption, and that it will not violate any Malaysian law regulating the importation of agricultural produce or the terms of any permit issued by the Department of Agriculture or any other relevant governmental authority, and agrees to indemnify and hold us harmless against all actions, proceedings, damages, penalties, costs, claims and demands by reason of any breach by the Supplier of its warranties.
Termination	: Either party may terminate the agreement with 60 days prior written notice. The agreement may be terminated if (a) either party breaches its obligations under the agreement, and such breach is not capable of remedy or not remedied within 30 days of written notice from the non-defaulting party requiring the same; (b) if either party becomes insolvent; or (c) if the either party ceases to carry on business.

Material terms of our OEM supplier arrangements

We do not enter into any long term agreements with our OEM suppliers for coconut milk products. We set forth below the typical terms of our arrangements with our OEM suppliers:

<u>Principal terms</u>	<u>Summary</u>
Packaging	: Packaged according to our packaging designs.
Product specifications/ formulation	: Formulation of the coconut milk products, such as the fat content of the coconut milk, are produced according to our requirements.
Quantity	: Minimum order quantity: ranging from one to seven containers* of coconut milk products depending on the supplier.
Price	: Usually determined on a per order basis.
Payment terms	: Pre-payment.
Shipping terms	: Usually free on board or cost and freight.

* One container contains approximately 17 to 18 metric tonnes of coconut milk products.

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Principal terms

Summary

Delivery and inspection : Delivery details such as date and place are agreed.
Inspection of the coconut milk products take place at the warehouse by warehouse personnel.

As our OEM suppliers manufacture coconut milk products under our brand name, we take steps to ensure the quality of the coconut milk products, including reviewing the quality analysis reports issued by our suppliers or certificates issued by the relevant authorities attached to the invoices to ensure that the coconut milk products conform to our specifications, checking the certifications of our suppliers, and conducting visits to our suppliers' factories to check the production conditions of their factories.

Selection criteria of our suppliers

We conduct assessments on all of our new suppliers before we commence procurement from them. We assess our suppliers every year after we have approved of them as a supplier. We maintain an approved suppliers list ("**Approved Suppliers List**") and assess our suppliers based on key criteria such as the quality of their goods, delivery, technical support and responsiveness. As at the Latest Practicable Date, we had over 90 approved suppliers on our Approved Suppliers List. For our OEM products, some of our customers may require us to procure our raw materials from designated suppliers.

Concentration and counterparty risk

During the Track Record Period, purchases from our largest supplier amounted to approximately RM7.2 million, RM11.2 million and RM10.0 million, respectively, representing approximately 18.2%, 25.2% and 21.9% of our total purchases, respectively and purchases from our top five suppliers amounted to approximately RM19.8 million, RM27.1 million and RM26.9 million, respectively, representing approximately 50.0%, 61.1% and 58.7% of our total purchases, respectively. Our raw materials are commodities which are available from a large number of local suppliers. We have more than one supplier for each type of our raw material to reduce reliance on any single supplier. During the Track Record Period, we did not experience any significant difficulties in obtaining our raw materials or packaging materials, and we did not encounter any significant problems with the quality of our raw materials or packaging materials. Please refer to "Risk factors — Risks relating to our business — We rely on third party suppliers for our main raw materials and are exposed to concentration risk of heavy reliance on our major suppliers for raw materials for our products" of this prospectus for further details of our concentration and counter-party risk.

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INVENTORY CONTROL AND MANAGEMENT

Our inventories mainly comprise packaging and raw materials, unpacked finished goods and finished goods. Our main raw materials consist of (i) coconuts and white kernels; (ii) sodium caseinate; and (iii) maltodextrin. Our unpacked finished goods consist of our products that have gone through the spray drying process but have yet been packaged in boxes. Our finished goods are products that have been sealed and packed and ready to be delivered to our customers.

We adopt a first in first out policy for our inventory management. We generally manufacture our products according to the purchase orders placed by our customers. Accordingly, this enables us to keep our inventory of raw materials to a minimum level. According to our inventory policy, our factory manager reviews our inventory levels of raw materials on a weekly basis.

Our Directors believe that we keep a sufficient level of finished products to meet short-term supply and demand. In late February 2016, we had a minor fire incident caused by frictional powder catching fire in our Perak Plant. Please refer to “Environment — Work safety” in this section for further details. Although the fire department closed down our operations in order to investigate the incident for around three weeks, our sales to our customers were not affected and we did not experience any material and adverse impact on our business operations as we had sufficient level of finished products to make up for the suspension in production.

As at 31 December 2014, 2015 and 2016, our inventories amounted to approximately RM17.1 million, RM22.0 million and RM19.9 million, respectively, representing approximately 25.4%, 28.0% and 26.9% of our total assets, respectively. During the Track Record Period, we recorded average inventory turnover days of approximately 113.8 days, 139.3 days and 129.6 days, respectively.

We have in place an ERP system to provide us with information on our inventory levels. Under our inventory control procedures, we track all incoming and outgoing inventories to ensure that optimal levels are maintained at all times to balance the needs of our customers while minimising any over-stocking issues. During the Track Record Period, we did not recognise any impairment losses on obsolete stocks.

QUALITY CONTROL

Our products have an average shelf life ranging from approximately 12 to 24 months. We do not add any preservatives to our products. We implement strict and comprehensive quality assurance procedures throughout all stages of our production, from our procurement of raw materials to the packaging and delivery of our finished products.

As at the Latest Practicable Date, our quality assurance team comprised eight personnel, who report to our executive Director, Mr. Yap Boon Teong. Please refer to “Directors and senior management” of this prospectus for further details of Mr. Yap Boon Teong’s qualifications and experience.

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During the Track Record Period and up to the Latest Practicable Date, save for a complaint from a customer in 2015 as described in “Marketing, sales and customers — Product returns and warranty” in this section, we did not receive any material claims or complaints by our customers in respect of the quality of our products, and there was no incident of failure of our quality assurance systems that had a material and adverse impact on our business operations.

Quality assurance standards

We adopted the HACCP system, an internationally recognised system to ensure food safety from biological, chemical, and physical hazards in the production processes, in order to keep these risks to a safe level in our production processes. We are also in the process of applying for the FSSC 22000 certification, a food safety system certification which is targeted at large sized food companies, which is an upgrade from the ISO22000:2005 that we already have.

In recognition of our stringent quality control measures, we received various certifications. These certifications demonstrate our ability to consistently provide quality products that meet our customers’ and regulatory requirements, and our KOSHER and HALAL certifications enable our products to be sold to customers of various ethnic communities. We set forth a summary of our material certifications in the table below:

<u>Certification</u>	<u>Date of grant</u>	<u>Issuing body / authority</u>	<u>Expiry date</u>
ISO9001:2008	23 November 2014	Intertek Certification Limited	22 November 2017
ISO22000:2005	11 June 2015	Intertek Certification Limited	23 June 2018
HALAL certificate	16 May 2017	Department of Islamic Development Malaysia	15 May 2019
KOSHER certificate	13 September 2016	London Beth Din Kashrut Division	13 September 2017
MS1480:2007 (Food safety according to HACCP system)	14 June 2015	Intertek Certification International Sdn Bhd	23 June 2018

Our quality control process

Our quality control measures are mainly formulated according to HACCP and ISO requirements. Our quality control personnel are required to record the analysis they conduct and to report to management. We have also implemented a policy to handle non-conforming products at each of the raw materials and finished products stage to prevent the unintended usage of non-conforming products and the proper disposal of the same. As at the Latest Practicable Date, our quality control processes mainly comprised the following:

Pre-production phase (packaging and raw materials)

All of our incoming raw materials are checked carefully by our quality control personnel. Coconuts and white kernels are checked for weight, acidity levels, physical appearance and odour,

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while other raw ingredients are checked for according to their certificates of analysis from the suppliers, labels to make sure they conform to the goods ordered, physical condition, moisture content, and manufacturing date. For packing materials that come into contact with our food products, we take swab tests and conduct microbiological analyses. Affected products are segregated.

Production phase (intermediate products)

At every mixing of our intermediate products, our quality control personnel carry out sampling tests for chemical analysis and acidity levels to monitor the consistency and quality of our products.

At our first critical control point, which occurs during the pasteurisation stage, our spray dryer operator carefully monitors the pasteurisation temperature at regular intervals.

After our semi-finished products have been sieved, they are subject to a screening process in our metal detector to check the powder for contamination of any metal fragments.

Post-production phase (finished products)

Our finished products are subject to a final comprehensive test by our quality control personnel, who carry out random sampling checks and physico-chemical analysis for acidity and moisture levels, density, solubility, carbohydrate, protein and fat content, and for presence of ash. Our quality control personnel carry out a final microbiological test for presence of any bacteria and pathogens, such as coli, coliform, salmonella, yeast and mould.

INSURANCE

We maintain insurance policies to cover our properties and assets, including our plant and machineries, buildings, laboratories, offices, equipment and stocks of trade. We also maintain employer's liability insurance for our employees, public liability insurance against any damages caused to third parties, consequential loss and special all risks policies.

As discussed in "Risk factors — Our business, reputation and brand may be affected by product liability claims, consumer complaints or adverse publicity in relation to our products" of this prospectus, we may be subject to product liability claims if our products are found to be unfit for consumption. As such, we maintain product liability insurance to cover any liabilities out of the sale of our products. We have also taken out an insurance policy against any damage that may be caused by our biomass boiler.

Our Directors are of the view that our current insurance cover is adequate and in line with our industry practices. During the Track Record Period, our insurance expenses were approximately RM0.1 million, RM0.1 million and RM0.1 million, respectively. Save as disclosed in "Environment — Work safety" in this section, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not make any material claims under the insurance policies taken out by us.

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INTELLECTUAL PROPERTY

“Santan” means coconut milk in Malay. We recognise the importance and the value of intellectual property and branding, and we have taken steps to protect and register our brand name and logo, which is the oldest brand of our coconut cream powder in Malaysia. As at the Latest Practicable Date, we had 16 registered trade marks in seven jurisdictions, including Malaysia, the PRC, Saudi Arabia, Brunei, UAE, Vietnam and Hong Kong. As at the Latest Practicable Date, we have applied for the registration of three trademarks in Hong Kong, and we were also in the process of lodging an appeal with the Trade Marks Registry of the Intellectual Property Department of the Hong Kong Government (“HKIPD”) against the declined trademark registration application of our “Cocos” mark in Hong Kong. HKIPD objected to the application for registration of our “Cocos” trademark in Hong Kong as the mark is considered by HKIPD to be descriptive of our products and devoid of distinctive character. A submission was made by our trade mark agent on our behalf on 9 June 2017 with HKIPD requesting HKIPD to reconsider the application on the basis that other similar trade marks have been registered in Hong Kong. As at the Latest Practicable Date, we have not yet received any further feedback from HKIPD. We also have three domain names. Please refer to “Statutory and general information — B. Information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details.

To the best of our Directors’ knowledge, during the Track Record Period and as at the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are aware of any such claim either pending or threatened against us.

RESEARCH AND DEVELOPMENT

We have a dedicated in-house R&D team headed by three qualified professionals, each holds a university degree in food technology. Our R&D team is led by Ms. Chew Mun Tho, who oversees the overall management of our R&D team. Our R&D team is responsible for the technical recipe designing and commercialisation of our products, and is in charge of our new product development projects and productivity and quality improvement initiatives. Please refer to “Directors and senior management” of this prospectus for further details of Ms. Chew Mun Tho’s qualifications and experience.

Our key focus is to develop and provide customised food solutions using coconut cream powder to meet our customers’ growing needs, and in order to achieve this, our R&D team works closely with our sales and marketing team in order to understand the specific needs of our customers. Our R&D team members possess the technical knowledge to offer in-house solutions and develop tailor-made product formulations in order to suit the specific needs of our various customers. In addition, our R&D team provides after-sales technical support to our industrial customers by providing them with technical know-how and training in the application of our various products (for example, how to use our products in their ice-cream or biscuit recipes).

Our R&D team also regularly attends food trade exhibitions, such as the Lab Asia 2015, Thai Fex 2016, SIAL Paris 2016 and the Malaysia International Food & Beverage Trade Fair 2016, conferences and external training such as those conducted by the Malaysian Institute Food Technology, EU-Malaysian Chamber of Commerce and Industry, National University of Malaysia, and the Federation of Malaysian Manufacturers — Malaysian Food Manufacturing Group in order to keep up to date with the latest market trends on matters of innovation and safety.

At our laboratory within our Selangor Plant, we installed a pilot laboratory-scale sized spray dryer. Being our key piece of R&D technological equipment, our pilot sized spray dryer facilitates the experiments and simulations carried out by our R&D team, which enables us to explore and improve the new formulations of our new and existing products.

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During the Track Record Period, our R&D team developed new products as an extension of our existing core coconut cream powder products, such as dairy free coconut cream powder (aimed at the vegan community and lactose intolerant customers), yoghurt coconut cream powder and functional coconut cream powder products which can be applied to other beverages. Recently, our R&D team also developed formulations for the production of our own coconut milk products, which we believe will become one of our key products in our product portfolio.

During the Track Record Period, our R&D expenses amounted to approximately RM0.1 million, RM0.1 million and RM0.4 million, respectively.

PROPERTIES

As at the Latest Practicable Date, we owned and occupied five properties and leased 13 properties in Malaysia. Save for one property which we have leased to a chain fast food restaurant (“**Dataran Sunway Property**”), the rest of our properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Since the carrying amount of the Dataran Sunway Property, which is used for property activities (as defined under Rule 5.01(2) of the Listing Rules) is less than 1% of our Group’s total assets, and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets, according to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Companies (WUMP) Ordinance, and accordingly, no valuation report is required to be included in this prospectus with respect to our Group’s interests in land or buildings.

Owned properties

The following table sets out the properties that we owned and occupied for our production facilities, warehouses and office premises as at the Latest Practicable Date.

<u>Location</u>	<u>Approximate total site area (sq.m.)</u>	<u>Usage</u>
No. 27-1, 27-2, 27-3, and 27-3A, Jalan PJU 5/13, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia	1,226.3	27-1 is leased to a chain fast food restaurant 27-2, 27-3, 27-3A are used as the head office of S&P industries
16, Jalan Teknologi 3/1, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia	1,610	Head office of Stancodex and Selangor Plant
PLO1, Kawasan Perindustrian 86400 Parit Raja, Batu Pahat, Johor, Malaysia	8,093	Johor Plant

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Location	Approximate total site area (sq.m.)	Usage
Lot 3709, Jalan Bagan Datoh Simpang Tiga, 36200 Selekoh, Perak, Malaysia	26,329.8	Perak Plant
Lot 3554, Jalan Bagan Datoh, 36200 Selekoh, Perak, Malaysia	6,055	Warehouse and food manufacturing and processing for Perak Plant

According to our Malaysian Legal Advisers, we have obtained all relevant approvals and title documents for our properties and own the full legal rights to use and assign these properties. The current usage of these properties are in compliance with all laws and regulations.

Leased properties

As lessee

The following table sets out our leased properties which are occupied by our Group for our production facilities and offices as at the Latest Practicable Date.

Location	Approximate total site area (sq.m.)	Usage	Term of lease
Lot 1421, Batu 25, Jalan Bagan Datoh, 36100 Perak, Malaysia	743.2	Warehouse, food manufacturing and processing	1 February 2016 to 31 December 2019
Lot 2138A, Off Jln Welfare, Kampung Baru Sg Buloh, 47000 Sg Buloh, Selangor, Malaysia	1,063.7	Warehouse, food manufacturing and processing	1 January 2017 to 31 December 2018
43B, Jalan Nova N U/5N, Subang Bestari, Shah Alam, Selangor, Malaysia	130.1	Office of Rasa Mulia	1 October 2016 to 30 September 2017
Lot 3555, Jalan Bagan Datoh, 36200 Selekoh, Perak, Malaysia	9,510.0	Warehouse storage	1 November 2016 to 31 October 2019

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As lessor

The following table sets out the property which we leased to a chain fast food restaurant as at the Latest Practicable Date.

Location	Approximate total site area (sq.m.)	Usage	Term of lease
No. 27-1, Jalan PJU 5/13, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia (ground floor)	306.6	Chain fast food restaurant	1 November 2016 to 31 October 2019

EMPLOYEES

As at the Latest Practicable Date, our Group employed a total of 247 employees in Malaysia. The following table sets forth the breakdown in numbers of our staff according to their respective functions and teams as at the Latest Practicable Date:

Department	Number of personnel
Directors	4
Finance	7
Human resources, IT and administration	15
Procurement and logistics	3
Sales and marketing	8
R&D	5
Factory audit	2
Factory and production	203
Total	247

Recruitment policy

Our human resources and administration department comprises six staff, who report to our executive Director, Ms. Wong Yuen Lee. Please refer to “Directors and senior management” of this prospectus for further details of Ms. Wong Yuen Lee’s qualifications and experience.

Our work force is one of our most valuable assets and is crucial to our Group’s operations and success. During the Track Record Period, we adopted a recruitment procedure to standardise hiring staff for our Group. For employees at the managerial level, our Directors’ approval is required. All other positions may be approved by our respective heads of department.

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When hiring staff, we generally take into account factors, such as our development plans, vacancies within our Group, the work experience and the education background of the candidate in question. There are a number of roles within our Group that have to be filled by personnel with the requisite skillset, work experience, educational background or certification. For example, our project manager position requires a bachelor's degree in engineering or equivalent qualification. Our quality assurance executives are required to have a degree, diploma or equivalent qualification in food technology or food science. Our boilermen require a boiler certificate issued by the Department of Occupational Safety and Health (Jabatan Keselamatan Dan Kesihatan Pekerja). Our R&D staff are required to have degrees in food technology or food science, and to have at least three years of relevant work experience.

Training

We believe that the quality of our staff plays a crucial role in our operations. We emphasise the importance of training with our employees and staff, and attendance of training sessions are taken into account when assessing their key performance indicators. Our employees undergo internal and external training to improve their understanding and knowledge of work safety issues and hazard identification, risk assessments and risk control issues.

Employee relationship

We generally enter into standard form employment contracts with our employees, which contain confidentiality clauses and standard restrictive covenants. We generally hire our employees through traditional recruitment channels. We believe that we have a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major labour disputes, work stoppages or labour strikes.

We hire foreign workers through agencies, who help us handle the requisite visas, paperwork and government approvals. The foreign workers are responsible for paying the agent their fees. We have leased nine properties in Malaysia to provide accommodation for our foreign workers. As at 31 December 2014, 2015 and 2016, we engaged 129, 151 and 131 foreign workers respectively, representing approximately 53%, 55% and 51% of our total work force, respectively.

Staff benefits

We believe that our remuneration package to our employees is in line with local industries. We offer our employees group hospitalisation and personal accident insurance. We also offer our employees an incentive bonus scheme which encourages their individual performance and to contribute to their departmental performance as well.

ENVIRONMENT

Environment

We primarily discharge liquid waste from our production processes at our Perak Plant and Selangor Plant. Our liquid waste is generated from our CIP system, which discharges nitric and caustic

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acid. We also discharge liquid waste as part of the process of cleaning our white kernels. We treat the liquid waste from our production processes with our on-site sewage treatment plant before it is discharged. We produce a small amount of solid waste, which is mainly the residual ash from burning coconut shells in our biomass boiler for energy. Our biomass boiler is inspected by both the Department of Environment and the Department of Occupational Safety and Health, which we service once a year. We have installed a system that monitors the emissions from our biomass boiler as required by the Department of Environment.

We are committed to operate in compliance with all applicable environmental laws and regulations. Our staff also attend training sessions on environmental protection provided by the Department of Environment. We have established a work and environment safety committee, comprising representatives from our factory managers and production managers, and from the human resources department, which meets every quarter to discuss and address matters related to environmental matters of our Group, as required by the Department of Occupational Safety and Health.

Our Directors confirm, and our Malaysian Legal Advisers concur, that we have complied with the relevant requirements of the Environmental Quality Act 1974 and Environmental Quality (Sewage and Industrial Effluents) Regulations 1979. During the Track Record Period, our environmental-related expenses comprising expenses related to waste water treatment and boiler emissions calibrations, amounted to approximately RM73,000, RM39,000 and RM65,000, respectively. Our Directors estimate that our environmental-related expenses for the next two years will be less than RM0.1 million each year.

Work safety

Our worker's safety and health are one of our main concerns, and we emphasise on matters related to work safety. Our operations are also subject to relevant rules and regulations on occupational health and safety in Malaysia. We require our staff and workers to attend regular training sessions on work safety. We place adequate warning signs around our production sites to give warning and remind our staff and workers of safety issues. We have adopted safe operating procedures to ensure the safety of our workers at our production sites, and our safety officers are responsible for overseeing our compliance with environmental health and safety regulations.

During the Track Record Period and up to the Latest Practicable Date, we had two work-related accidents, both of which occurred at our Perak Plant. Such accidents were the only accidents we had experienced since our Group's inception. A summary of the details of those two incidents are set forth below:

Worker injury

In August 2014, some low fat desiccated coconut residue was trapped in the rotary valve of the low fat desiccated coconut cyclone. Notwithstanding our training and standard safety protocols for dealing with these situations, one of our workers attempted to clear the residue from the rotary valve while the rotor was still on and running, and injured his hand. Our worker was taken to the hospital and was treated for his injury. Our system was thoroughly cleaned and fixed within hours of the

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incident, and we were back in operations. We did not suffer from any material adverse impact on our business operations as a result of this incident. The matter was duly reported to the Department of Occupational Safety and Health, and we were fined a sum of RM15,000 for the incident. Following the incident, we have remodified the rotary valve cover and we also conducted further training sessions with our staff members to prevent the re-occurrence of similar incidents.

Fire incident

In February 2016, frictional powder inadvertently caused a minor fire to flare up in our equipment. Our automated system shut down the production, and the matter was quickly resolved without substantial damage to our plant and equipment. We made insurance claims of approximately RM0.2 million in relation to damages to our inventories, plant and machineries, and buildings.

We duly reported the incident to the fire department, and our operations were shut down and our production was suspended for three weeks pending the fire department's investigations. Nevertheless, our sales to our customers were not affected and we did not experience any material and adverse impact on our business operations as we had sufficient levels of finished products to make up for the suspension in production.

We have since implemented rectification measures, including adopting fire precaution control measures, installing additional hydrants, improving the features of our fire safety door to better allow the expulsion of heat from our spray drying system, and installing automatic safety cut-off features in our system if our production plant reaches certain critical temperatures. Should a similar incident occur again, we believe these safety features will assist in containing our down time to no more than 30 hours, which would drastically cut down any suspension of production time and avoid any material adverse impact on our business operations.

LICENCES PERMITS AND APPROVALS

Our Directors confirm, and our Malaysian Legal Advisers concur, that, as at the Latest Practicable Date, we had obtained all material licences, permits and approvals from the relevant Malaysian authorities for our operations in Malaysia. We did not experience any material difficulty in obtaining or renewing our required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm, and our Malaysian Legal Advisers concur, that we do not expect any material impediment in renewing our material permits and licences as they expire in the future.

We set forth below information relating to our material licences, permits and certificates:

Type	Issuing body	Company	Effective date	Expiry date
Manufacturing license	Ministry of International Trade and Industry of Malaysia	S&P Industries	22 January 2009	No expiry date
Manufacturing license	Ministry of International Trade and Industry of Malaysia	Stancodex	30 September 1999	No expiry date
Food premises license	Ministry of Health Malaysia	S&P Industries (Perak Plant)	31 September 2015	20 September 2018

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Type	Issuing body	Company	Effective date	Expiry date
Food premises license	Ministry of Health Malaysia	S&P Industries (Headquarters)	6 March 2015	5 March 2018
Food premises license	Ministry of Health Malaysia	Stancodex (Factory)	13 March 2015	12 March 2018
Permit of scheduled controlled goods	Ministry of Domestic Trade, Co-operatives and Consumerism	S&P Industries	17 April 2017	16 April 2018
Industry and trading licence	Teluk Intan Municipal Council	S&P Industries	1 January 2017	31 December 2017
Industry and trading licence	Petaling Jaya Municipal Council	Stancodex	1 January 2017	31 December 2017
Business license	Petaling Jaya Municipal Council	S&P Industries	1 January 2017	31 December 2017
Business license	Batu Pahat Municipal Council	Stancodex	4 January 2017	31 December 2017
Food establishment licence	Petaling Jaya Municipal Council	S&P Industries	1 January 2017	31 December 2017

LITIGATION AND COMPLIANCE MATTERS

Our production operations are located in Malaysia, and as such we are required to comply with and conduct our businesses in accordance with the relevant laws and regulations of Malaysia. Please refer to “Regulatory overview” of this prospectus for further details of the material applicable laws and regulations to our operations.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance with the relevant laws and regulations in Malaysia which would have a material adverse effect on our business operations, results of operations and financial conditions.

To the best of our Directors’ knowledge, as at the Latest Practicable Date, no member of our Group was party to any litigation, arbitration or administrative proceedings, and our Directors are not aware of any pending or threatened litigation, arbitration or administrative proceedings against our Group that would have a material adverse effect on our business operations, results of operations and financial conditions.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors and senior management are responsible for the formulation and overseeing the implementation and effectiveness of our internal control and risk management systems, which are designed to ensure our ongoing compliance with the applicable laws, regulations and rules relevant to our business operations and/or corporate governance, and to prevent any recurrence of non-compliance incidents. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We engaged an internal control consultant to review our internal control system and we will implement the relevant suggestions they propose.

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We will adopt or have adopted and implemented the following internal control measures:

- (a) we have appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser upon Listing to advise our Group on compliance matters relating to the Listing Rules;
- (b) we have adopted an internal audit procedure to ensure that our management system is implemented and maintained through conducting internal audits of our departments. Our Audit Committee, comprising three independent non-executive Directors, will review and supervise the financial reporting process and internal control system of our Group;
- (c) we have established policies and procedures governing supplier selection and evaluation, including our new supplier evaluation forms and Approved Suppliers List that sets out the criteria and standards we use in evaluating our suppliers;
- (d) we adopted standard form agreements for our distributor customers that set out their obligations and formally and legally bind our distributor customers to us;
- (e) we will appoint a qualified Malaysian law firm upon Listing as our Group's external Malaysian legal advisers to facilitate our compliance with the relevant Malaysian laws and regulations and, if necessary, to provide us with training from time to time; and
- (f) we will appoint a Hong Kong law firm upon Listing as our Group's external Hong Kong legal advisers to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations and, if necessary, to provide us with the relevant training from time to time.

BUSINESS ACTIVITIES IN THE SANCTIONED COUNTRIES

The U.S. and other jurisdictions or organisations, including EU, UN and Australia, have comprehensive or targeted economic sanctions that are applicable to Sanctioned Countries. In addition, there are sanctions that target specific Sanctioned Persons independent of their location. During the Track Record Period, we had product sales in certain of the Sanctioned Countries, namely Sudan, Iran, Iraq and Egypt. Iran and Sudan are subject to very comprehensive economic sanctions, whilst sanctions applicable to Egypt and Iraq target certain industries and individuals. Our revenue derived therefrom in aggregate accounted for approximately RM0.7 million, RM1.4 million and RM0.3 million, respectively, representing approximately 1.1%, 1.7% and 0.3%, respectively, of our total revenue during the Track Record Period. We set forth below a summary of the sales of our products to such customers in the Sanctioned Countries during the Track Record Period and up to the Latest Practicable Date:

Sudan

During the Track Record Period, we sold our coconut cream powder products to two customers in Sudan, and our revenue derived from such sales amounted to approximately RM0.4 million, RM0.5 million and RM0.3 million, respectively, representing approximately 0.7%, 0.6% and 0.3% of our revenue, respectively, an insignificant amount when compared to our total revenue.

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Iran

During the Track Record Period, we sold our coconut cream powder products to one customer in Iran, and our revenue derived from such sales amounted to approximately RM0.3 million, nil and nil, respectively, representing approximately 0.4%, nil and nil of our revenue, respectively, an insignificant amount when compared to our total revenue.

Egypt

During the Track Record Period, we sold our low fat desiccated coconut products to one customer in Egypt, and our revenue derived from such sales amounted to nil, approximately RM0.2 million and nil, respectively, representing nil, approximately 0.3% and nil of our total revenue, respectively. We note that Egypt is not currently subject to U.S. sanctions.

Iraq

During the Track Record Period, we sold our low fat desiccated coconut products to one trading company customer in Iraq, and our revenue derived from such sales amounted to nil, approximately RM0.7 million and nil, respectively, representing nil, approximately 0.9% and nil of our total revenue, respectively.

As at the Latest Practicable Date, we had completed and ceased all our sales transactions with our customers in the Sanctions Countries. We have no present intention to undertake any future business or make any future sales to the Sanctioned Countries or with Sanctioned Persons.

Sanctions Risk

United States

When the U.S. Government imposes economic sanctions against a foreign country, entity, or individual, U.S. law generally prohibits U.S. companies or U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeting country, entity or individual. In the case of U.S. sanctions applicable to Iran during the Track Record Period, a U.S. person is not permitted to facilitate in any way activities of a third party with a sanctioned country or a sanctioned person if the U.S. person itself could not directly engage in the underlying activity under provisions of the Iranian Transactions and Sanctions Regulations. In the case of U.S. sanctions applicable to Sudan during the Track Record Period, the Sudanese Sanctions Regulations imposed comprehensive trade embargo on Sudan, prohibiting the facilitation by a U.S. person of the exportation or re-exportation of goods, technology, or services to Sudan from any location. As advised by our International Sanctions Legal Advisers, our transactions with customers in Egypt and Iraq do not raise International Sanctions concerns.

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Upon the advice of our International Sanctions Legal Advisers, on 28 February 2017, we submitted a VSD to OFAC, because five U.S. dollar payments that we received from two customers in Sudan and two U.S. dollar payments that we received from one customer in Iran during the Track Record Period, which were processed in the U.S. financial system before receipt by our Group, appear to be potential violations of U.S. sanctions regulations because U.S. banks could not have relied on OFAC's authorisations (general licenses) for sale of certain food products to Sudan or Iran to process these USD payments received by our Group. To be certain that all of our Group's issues under International Sanctions laws had been identified and addressed in the VSD filing, and that no other International Sanctions laws or regulations had been implicated by our operations, our International Sanctions Legal Advisers performed the following procedures on our sales during the Track Record Period: (a) reviewed our documents that evidence the sale of our products to Sanctioned Countries during the Track Record Period; (b) reviewed the list we provided of customers to whom such sales of products have been made during the Track Record Period against the lists of Sanctioned Persons, and confirmed that none of our customers are on such lists; and (c) received written confirmation from us all relevant documentation regarding the sales to Sanctioned Countries had been provided to our International Sanctions Legal Advisers, and that neither our Group nor any of our affiliates conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions except for the sales for which all documentation was provided.

On 23 May 2017, OFAC responded to the VSD with a Cautionary Letter representing a final enforcement response. In the Cautionary Letter, OFAC informed us that the seven U.S. dollar payments that we received from Iran and Sudan after 11 November 2014 were apparent violations of the U.S. sanctions. However, OFAC indicated that it was not pursuing any civil monetary penalty against us and the matter is addressed by issuance of the Cautionary Letter. Accordingly, both we (as advised by our International Sanctions Legal Advisers) and OFAC now consider the possible legal issues raised through the VSD to be fully closed with the issuance of the Cautionary Letter and without the imposition of any civil monetary penalty.

UN

Sanctions measures are adopted via a Resolution of the UN Security Council and are binding upon all members of UN. During the Track Record Period, the relevant UN sanctions on Iran maintained specific restrictions on trade with Iran which include measures specifically targeting Iran's oil and gas sector and Iranian financial institutions, restrictions on trade in goods and services in the nuclear industry, or in items which could contribute to Iran's nuclear weapons programme, as well as asset freezes and travel bans on certain listed individuals. The sanctions imposed against Iraq include a prohibition on the export of arms and related material to any person in Iraq and an asset freeze against the previous government of Iraq and any person designated by UN's 1518 Committee. The measures imposed against Sudan include prohibitions on the export of arms and related materials to any person in Sudan, and asset freeze and travel ban against persons designated by the 1591 Committee. On the other hand, UN has not imposed any sanctions on Egypt.

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On the basis that the counterparties identified as being located in countries subject to International Sanctions are not specifically designated under any existing UN sanctions regime, and our dealings in the sanctioned countries relate solely to the sales of coconut products, upon the advice of our International Sanctions Legal Advisers, our business dealings do not appear to implicate restrictive measures adopted by UN.

EU

Under EU sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures. The EU Iran sanctions in place during the Track Record Period required EU persons and entities to notify the relevant authorities or obtain those authorities’ approval before entering into significant financial transactions with Iranian persons and entities, as well as restricted exports of certain products including dual-use goods, technology and software. EU sanctions against Egypt freeze all funds belonging to persons alleged to be responsible for embezzlement of Egyptian public assets, and natural or legal persons, entities or bodies that are associated with them and that are placed on the EU sanctions list, and no funds or financial resources are to be made available by EU persons or entities to these persons. EU issued its own arms embargo on Iraq, prohibiting the sale or supply to Iraq of arms and related material, freezing all funds, financial assets or economic resources of the previous Government of Iraq or its State bodies, corporations or agencies located outside of Iraq as at 22 May 2003. In the case of EU sanctions applicable to Sudan, EU imposed an arms embargo on Sudan which also covers technical and financial assistance related to arms supplies.

Upon the advice of our International Sanctions Legal Advisers, our business dealings with respect to the identified customers in Iran, Egypt, Iraq and Sudan do not trigger the prohibitions or wider restrictions adopted by EU, including those extended to the UK Overseas Territories (including the Cayman Islands), since such business activities were not undertaken by EU or UK Overseas Territories persons or entities.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

Current Australian law sanctions against Iran include restrictions on the direct or indirect supply, sale or transfer to Iran, for use in Iran, or for the benefit of Iran, arms or related materials, raw or semi-fabricated graphite, aluminium and alloys, nickel and alloys, titanium and articles thereof and

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enterprise resource planning software designed specifically for use in nuclear and military industries. Australia fully implements the UN Security Council sanctions regime in relation to Iraq and Sudan, and has not imposed any targeted autonomous sanctions in relation to Iraq and Sudan. Furthermore, Australia has not imposed any targeted sanctions (autonomous or otherwise) in relation to Egypt.

Upon the advice of our International Sanctions Legal Advisers, on the basis that neither our Company nor any of our subsidiaries are connected to Australia in ways mentioned above, our activities do not implicate the prohibitions or wider restrictions under International Sanctions measures administered and enforced by the Government of Australia.

Our undertakings and internal control procedures

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., EU, UN or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

In addition, we have undertaken not to enter into any future business transactions that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., EU, UN or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in the Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and with Sanctioned Persons and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as at the date of this prospectus:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange. Our Directors will continuously monitor the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;

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- to further enhance our existing internal risk management functions, our Board has established a sanctions oversight committee, comprising our managing Director, Mr. Lee, our executive Director, Ms. Wong Yuen Lee, and our sales manager. Their responsibilities include, among others, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our sanctions oversight committee will hold at least two meetings each year to monitor our exposure to sanctions risks;
- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, our sanctions oversight committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, our sanctions oversight committee will review the information (such as the identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. Our sanctions oversight committee will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., EU, UN or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;
- our sanctions oversight committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when our sanctions oversight committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

In addition to the review and monitoring processes carried out by our sanctions oversight committee which was established in February 2017, our Directors believe that we have, through our contractual arrangements with our distributors, means of effectively ensuring that our distributors did not and will not on-sell our products to Sanctioned Countries. First, as set out in “Marketing, sales and customers — Distributors — Salient terms of our distribution agreements” in this section, our distributors are generally granted the right to distribute, sell and market our branded products within their specified territories according to the terms of their distributorship agreements, and are restricted from on-selling our products out of their respective specified territories. Second, as described in

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“Marketing, sales and customers — Distributors — Management of our distributors” in this section, we also regularly evaluate the performance and progress of our distributors by communicating with them on a frequent basis. Our Directors believe that this effectively allows our Group to keep track of and monitor our distributors’ sales on a regular basis and in a timely manner. Our Directors believe that in conjunction with our internal control procedures, these measures are adequate to minimise sanction risks when we conduct businesses, and to ensure that our distributors did not and will not on-sell our products to Sanctioned Countries.

Further, as advised by our International Sanctions Legal Advisers, in order to provide additional contractual deterrence to our distributors from on-selling our products to Sanctioned Countries, we have implemented an internal policy to insert additional clauses and/or conditions to our contracts and/or purchase orders with our distributors to the effect as follows: our Group and the distributor shall each retain responsibility for our and its compliance with all applicable sanctions related laws and regulations issued by the U.S., EU, UN, Australia, the UK and other international sanctions that may be applicable to our Group (“**International Sanctions**”). The distributor acknowledges and confirms that: (i) our Group intends to comply with all International Sanctions that might be applicable to our Group; (ii) our Group may take any actions that we deem appropriate for us to confirm compliance with applicable International Sanctions; and (iii) it will not take any action, including the sale, distribution or delivery of any products of our Group covered under the agreement, that would cause our Group or the distributor to violate any applicable International Sanctions.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Company to comply with our undertaking to the Stock Exchange.

Having taken the advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

Indemnity by our Controlling Shareholders to our Company

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken, on a joint and several basis to fully indemnify our Group in respect of, among other matters, any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines and penalties, which any member of our Group may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with the violations of U.S. sanctions as described in “Business activities in the Sanctioned Countries — Sanctions risk” in this section. Please refer to “Statutory and general information — D. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus for further details of the Deed of Indemnity.

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As our Controlling Shareholders have undertaken to indemnify us against all losses, liabilities or damages suffered by our Group on or before the date when the Global Offering becomes unconditional, our Directors consider that the abovementioned potential violations of U.S. sanctions will not have any material impact on our Group's business, operations and financial positions.

MARKET AND COMPETITION

According to the Ipsos Report, the market for the coconut related products production industry is relatively consolidated. In 2015, there were only approximately 10 major manufacturers producing coconut and related products in Malaysia. The top five companies accounted for a market share of approximately 73.6%, with the remainder of the market consisting of approximately 26.4%. The leading companies in the coconut and related products production industry in Malaysia have largely remained the same over the last decade. The increasing global coconut demand market and growing number of coconut and related products are driving the development of Malaysia coconut and related products production industry.

According to the Ipsos Report, the entry barriers to the coconut and related products industry are relatively low. First, existing manufacturers within the industry may have strong relationships with raw materials suppliers and may be able to obtain cost advantages which new entrants cannot, which may act as an entry barrier for new entrants who cannot profitably produce products at competitive prices. Second, major companies in the coconut and related products production industry have been in operation for over a decade and have an established customer base in domestic and overseas markets. New entrants may find it difficult to attract end customers due to their relative lack of experience and sales network. Third, the regulatory landscape is relatively complex, and new entrants entering into the industry may face multiple challenges in fulfilling all the necessary regulations and requirements to obtain the necessary certifications.

Please refer to "Industry overview" of this prospectus for further details of the competitive analysis of the coconut and related products production industry in Malaysia.

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As at the Latest Practicable Date, Mr. Tang (through TYJ) and Mr. Lee (through Trinity) were interested in 70.0% and 30.0% of the issued share capital of our Company respectively.

Upon completion of the Global Offering, and without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme, (i) Mr. Tang, through TYJ, will be interested in approximately 52.5% of the issued share capital of our Company and (ii) Mr. Lee, through Trinity, will be interested in approximately 22.5% of the issued share capital of our Company. As a result, upon the Listing, Mr. Tang and TYJ will be our Controlling Shareholders, but Mr. Lee and Trinity will not be considered as our Controlling Shareholders as the shareholding interest of Mr. Lee and Trinity in our Company will drop below 30%.

Each of TYJ and Trinity is an investment holding company principally engaged in holding Shares in our Company and does not have any other business.

Information on other companies owned by our Controlling Shareholders

As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates also had controlling interest in certain inactive companies (the “Excluded Companies”).

Our Directors consider that it is unnecessary and not in the interest of our Group to include the Excluded Companies in our Group given that those companies are inactive and are not in competition with our business and our Group will incur administrative expenses for the maintenance of these inactive companies. Please refer to “History, Reorganisation and corporate structure — Reorganisation — Disposal of inactive entities” of this prospectus for details of the disposal of certain inactive companies by our Group to our Controlling Shareholders as part of the Reorganisation.

Rule 8.10 of the Listing Rules

None of our Controlling Shareholders, our Directors and their respective close associates (other than our Group) is interested in any business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Independence from our Controlling Shareholders

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon Listing for the following reasons:

Management independence

Our Board comprises four executive Directors and three independent non-executive Directors. The management of the day-to-day operations of our Group primarily rests on our Board and members of our senior management team (details of which is set out in “Directors and senior management —

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Senior management” of this prospectus). We consider that our Board and members of our senior management team will function independently from our Controlling Shareholders because:

- (a) as at the Latest Practicable Date, save for Mr. Tang who held directorship in TYJ, no other executive Director or member of our senior management team had overlapping roles or responsibilities in any business operation of our Controlling Shareholders. As TYJ is an investment holding company which does not have any material business operation, the time required for Mr. Tang to attend to the affairs of TYJ is limited. On this basis, we believe that the directorship of Mr. Tang in TYJ does not conflict with his role in our Group under normal circumstances. In addition, pursuant to our Articles of Association which will become effective upon the Listing, any Director who (by himself/herself or through his/her close associate(s)) has any material interest in any matter to be resolved by our Board will be required to abstain from voting on the relevant Board resolution and will not be counted towards the quorum unless expressly permitted by the Articles of Association. In light of the above, the Board believes that the overlapping directorship of Mr. Tang does not affect the overall independence of our Board;
- (b) each Director is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her interest;
- (c) our Articles of Association provide that, in the event that there is an actual or a potential conflict of interest arising out of any transaction or arrangement to be entered into between our Company or any member of our Group and any of our Directors or his/her respective close associates, the interested Director(s) shall fully and fairly disclose his/her interest and shall abstain from voting on the relevant Board resolution, nor shall such interested Directors be counted in the quorum unless expressly permitted by the Articles of Association;
- (d) our Board comprises seven Directors and three of whom are independent non-executive Directors, which represent more than one-third of the members of our Board. This is in line with current corporate governance practice in Hong Kong; and
- (e) our independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made after due consideration or independent and impartial opinions.

Operational independence

Our Company has its own management team and makes business decisions independently. Our Group holds all relevant licenses necessary to carry on our business, and has sufficient capital, equipment and employees to operate our business independently. As at the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers.

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Save for the related party transactions as disclosed in notes 14, 16, 21 and 24 of section B in the Accountants' Report in Appendix I to this prospectus, we had not entered into any material transaction with any connected person of our Group during the Track Record Period. As at the Latest Practicable Date, our Group did not have any plan to enter into any connected transaction (including any provision or sharing of services or facilities) with our Controlling Shareholders or any of their respective close associates after the Listing which might be material to our business operation. Any future connected transaction between our Group and our Controlling Shareholders or any of their respective associates will be subject to compliance with the applicable requirements under the Listing Rules and approval by the disinterested members of our Board, including our independent non-executive Directors. Our Directors believe that there is no operational dependence by our Group on our Controlling Shareholders and we are able to operate independently from our Controlling Shareholders after the Listing.

Financial independence

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. We are financially independent of our Controlling Shareholders and their respective close associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates have been fully settled and all guarantees provided by our Controlling Shareholders on our Group's borrowing will be released upon Listing. In addition, our Group has an independent financial system and makes financial decisions according to its own business needs.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders and their respective close associates (other than our Group) after our Company is listed on the Stock Exchange.

Deed of Non-competition

In order to protect the interests of our Group, each of our Controlling Shareholders (collectively the "Covenantors", each a "Covenantor") executed the Deed of Non-competition in favour of our Company for itself and on behalf of its subsidiaries.

Pursuant to the Deed of Non-competition, each of the Covenantors has undertaken (among other things) that at any time during the Restricted Period (as defined below), he/it will not, and will procure his/its close associates (other than members of our Group) to not:

- (a) directly or indirectly (whether or not through his/its own, jointly with any person, corporation, partner, joint venture or any other contractual arrangements, and whether or not in exchange for profit or other benefits) participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business in competition with or may be in competition with the Restricted Business (as defined below) (in all cases, whether or not

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as shareholder, partner, agent or any other capacity, and whether or not for profits, returns or any benefits), provided that any direct or indirect interests in less than 5% of the shareholding of any company whose shares are listed on the Stock Exchange or any other stock exchanges shall be excluded from the above restrictions;

- (b) solicit or induce the existing or potential customers, suppliers, distributors or other business partners of our Group to not engage in business and/or transaction with our Group; or
- (c) solicit or induce any existing or potential employees (of managerial grade or more) of our Group to leave our Group, or hire or in any way employ such persons or engage such persons to provide any services.

For this purpose:

“**Restricted Business**” means the manufacturing, sale and distribution of coconut-related products and by-products, and any other new business which our Group may undertake from time to time after the Listing; and

“**Restricted Period**” means the period during which (i) any of our Shares is listed on the Stock Exchange or any other stock exchanges; and (ii) so far as each Covenantor is concerned, such Covenantor and his/its close associates are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of our Company, or otherwise in a position to control the composition of a majority of our Board.

Pursuant to the Deed of Non-competition, each of the Covenantors has also undertaken to our Company that if any new business investment or other business opportunity relating to the Restricted Business (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his or its close associates, he/it shall, and shall procure that his/its close associates will, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- (i) refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- (ii) upon receiving the Offer Notice, our Company shall seek approval from the Board or a Board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who

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has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- (iii) the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- (iv) the Independent Board shall, within 30 business days of receipt of the Offer Notice, inform the relevant Covenantor in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- (v) the Covenantors shall be entitled but shall not be obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board fails to respond within such 30 business days' period mentioned above; and
- (vi) if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the Covenantors, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

Corporate governance measures

We will adopt the following corporate governance measures to manage any potential conflict of interest with our Controlling Shareholders and to safeguard the interests of our Shareholders:

- Our independent non-executive Directors will review the compliance with the Deed of Non-competition by our Controlling Shareholders at least on an annual basis.
- Our Controlling Shareholders have undertaken under the Deed of Non-competition to provide (and to procure his/its close associates to provide) all information necessary for the review by our independent non-executive Directors in respect of compliance with and enforcement of the Deed of Non-competition and will make an annual declaration of his/its compliance with the Deed of Non-competition for inclusion in our Company's annual reports.

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- Our independent non-executive Directors will be responsible for deciding whether or not to take up a new business opportunity referred to us under the terms of the Deed of Non-competition. Any Director who has actual or potential interest in such business opportunity shall abstain from attending (unless his attendance is specifically requested by the independent non-executive Directors) and voting at, and shall not be counted in the quorum for, any meeting of the Board or a committee of the Board convened to consider such business opportunity.
- Our Company will disclose the decisions on matters reviewed by our independent non-executive Directors in relation to the Deed of Non-competition, including any decision to pursue or decline any business opportunity referred to our Company from the Controlling Shareholders) in our Company's annual report or by way of announcement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Offer Size Adjustment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering and the Capitalisation issue ⁽¹⁾		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue ⁽¹⁾	
		Number	Percentage	Number	Percentage
TYJ ⁽²⁾	Beneficial owner	42(L)	70%	567,000,000(L)	52.5%
Trinity ⁽³⁾	Beneficial owner	18(L)	30%	243,000,000(L)	22.5%
Mr. Tang ⁽²⁾	Interest of controlled corporation	42(L)	70%	567,000,000(L)	52.5%
Mr. Lee ⁽³⁾	Interest of controlled corporation	18(L)	30%	243,000,000(L)	22.5%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) TYJ is beneficially and wholly owned by Mr. Tang. By virtue of the SFO, Mr. Tang is deemed to be interested in the Shares held by TYJ.
- (3) Trinity is beneficially and wholly owned by Mr. Lee. By virtue of the SFO, Mr. Lee is deemed to be interested in the Shares held by Trinity.

If the Offer Size Adjustment Option is fully exercised, beneficial interests of each of Mr. Tang, Mr. Lee, TYJ and Trinity will be approximately 50.60%, 21.69%, 50.60% and 21.69%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by our Articles. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointment with each of our independent non-executive Directors.

The table below shows information in respect of members of the Board and senior management of our Company:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Group	Roles and Responsibilities
Mr. Tang Koon Fook	54	Since establishment of our Group	10 November 2016	Chairman and executive Director	Responsible for the overall management, strategic planning and the day-to-day business operation and financial management of our Group
Mr. Lee Sieng Poon	58	Since establishment of our Group	10 November 2016	Managing Director and executive Director	Responsible for the overall management, R&D and the day-to-day management of the sales and marketing and maintenance of customer and supplier relationship of our Group and overseeing the sanctions oversight committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Group	Roles and Responsibilities
Mr. Yap Boon Teong	50	1 January 2008	22 March 2017	Executive Director	Responsible for implementation of new projects and provide technical support to factory operations of our Group, including overseeing production and packaging matters, quality assurance, purchasing and warehouse and maintenance
Ms. Wong Yuen Lee	42	1 January 2008	22 March 2017	Executive Director	Responsible for supervising the human resources department, information technology department and the compliance department and serving as a member of the sanctions oversight committee
Mr. Fung Che Wai Anthony (馮志偉)	48	8 June 2017	8 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board
Mr. Chong Yew Hoong	62	8 June 2017	8 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board
Mr. Ng Hock Boon	55	8 June 2017	8 June 2017	Independent non-executive Director	Responsible for providing independent advice to the Board

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Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Group	Roles and Responsibilities
Ms. Jane Ong Bee Yen	32	2 November 2015	2 November 2015	Finance manager and joint company secretary	Responsible for the management of financial and accounting matters of our Group
Ms. Chew Mun Tho	49	1 March 2016	1 March 2016	R&D general manager	Responsible for the management of our R&D and provide technical support to our customers

Executive Directors

Mr. Tang Koon Fook, aged 54, was appointed as our Director on 10 November 2016. He was appointed as our chairman and has been re-designated as an executive Director on 22 March 2017. Mr. Tang is a director of various of our subsidiaries. He is primarily responsible for the overall management, strategic planning and the day-to-day business operation and financial management of our Group since the establishment of our Group. Mr. Tang has over 18 years of experience in the food industry. Mr. Tang joined Carrier (Malaysia) Sdn. Bhd., an air-conditioning company, as a credit assistant in January 1986 and last served as a credit officer in January 1990, where he was responsible for credit control. From November 1991 to January 1995, he was the accountant and credit controller of Jasa Kita Trading Sdn. Berhad (a subsidiary of Jasa Kita Berhad), an investment holding company and was listed on the stock exchange of Kuala Lumpur (stock code: 8648), where he was responsible for credit control and account management. From June 1995 to December 1997, Mr. Tang was the chief executive officer of Angkatan Hebat Sdn. Bhd., a fleet management service provider in Malaysia, where he was responsible for the overall management. From January 1998 to December 2007, Mr. Tang worked in S&P Food Industries as the general manager and managing director where he was in charge of the food manufacturing operations. Mr. Tang received a master's degree of business administration (banking and finance) from the University of Hull, England in July 1991.

DIRECTORS AND SENIOR MANAGEMENT

In addition to the above, Mr. Tang was a director of the following solvent and dormant companies incorporated in Malaysia prior to them being voluntarily struck off or which, as at the Latest Practicable Date, were undergoing procedures to be struck off voluntarily following application by their respective directors as the companies have ceased to conduct business:

Company	Date of dissolution
Gagasan Menawan Sdn Bhd	18 January 2007
S & P Corporate Services Sdn Bhd	18 August 2005
Setegap Masa Sdn Bhd	7 July 2005

Company	Date of commencement of dissolution procedures
S&P Food Manufacturing Sdn Bhd	9 September 2016
S&P Shenzhen	20 June 2017
Stancodex Marketing Sdn Bhd	28 June 2016

Mr. Tang confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Mr. Lee Sieng Poon, aged 58, was appointed as our Director on 10 November 2016. He was appointed as our managing director and has been re-designated as an executive Director on 22 March 2017. Mr. Lee is an executive director of S&P Industries and a director of various of our subsidiaries. He is primarily responsible for the overall management, sales and marketing, R&D, day-to-day management of the sales and marketing and maintenance of customer relationship of our Group since establishment of our Group and he is also responsible for overseeing the sanctions oversight committee. Mr. Lee has over 32 years of experience in the food industry. From September 1984 to October 1987, Mr. Lee was the financial executive of S&P Food Industries, where he was responsible for preparation of the management account, planning, sourcing and liaising with the suppliers. From October 1992 to January 2008, he was the executive director of S&P Food Industries, where he was responsible for the sales and marketing and factory operations. Mr. Lee studied in Sandford Park High School, Ireland until 1978.

In addition to the above, Mr. Lee was a director of the following solvent and dormant companies incorporated in Malaysia prior to them being voluntarily struck off or which, as at the Latest Practicable Date, were undergoing procedures to be struck off voluntarily following application by their respective directors as the companies have ceased to conduct business:

Company	Date of dissolution
Maxiwangsa Venture Sdn Bhd	11 February 2011
S & P Corporate Services Sdn Bhd	18 August 2005
Setegap Masa Sdn Bhd	7 July 2005

Company	Date of commencement of dissolution procedures
S&P Food Manufacturing Sdn Bhd	9 September 2016

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Mr. Yap Boon Teong, aged 50, was appointed as our executive Director on 22 March 2017. Mr. Yap is the general manager of the plant and technical division of SSB and is primarily responsible for the implementation of new projects and provide technical support to factory operations of our Group. Mr. Yap has over 20 years of experience in the food industry. From January 1996 to March 1998, Mr. Yap last served as the production manager of Dan Kaffe (Malaysia) Sdn. Bhd., a coffee manufacturer, where he was responsible for overall production. From April 1998 to August 1998, Mr. Yap worked as the factory manager of S&P Food Industries, where he was responsible for overseeing the production and packing department and quality assurance department, purchasing and warehouse department and maintenance department. Mr. Yap received a bachelor of technology (with honours) in the field of food technology from the Universiti Sains Malaysia in August 1991.

In addition to the above, Mr. Yap was a director of the following solvent and dormant companies incorporated in Malaysia which, as at the Latest Practicable Date, were undergoing procedures to be struck off voluntarily initiated by their respective directors as the companies have ceased to conduct business:

<u>Company</u>	<u>Date of commencement of dissolution procedure</u>
Portrait Galaxy Sdn Bhd	18 April 2016
Rewards Vision Sdn Bhd	28 June 2016

Mr. Yap confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Ms. Wong Yuen Lee, aged 42, was appointed as our executive Director on 22 March 2017. Ms. Wong joined S&P Industries on 1 January 2008 as an executive secretary and was promoted as the human resources manager in January 2011. She is the general operations manager of S&P Industries since March 2015 and serves as a member of the sanctions oversight committee. She is responsible for human resources and information technology matters and supervising the compliance department. Ms. Wong has over 10 years of experience in the food industry. Prior to joining our Group, Ms. Wong worked as the retail operations executive of Zitron Enterprise (M) Sdn. Bhd., a mobile phone distributor, from November 1999 to July 2004, where she was responsible for retail operations and customer service. From December 2004 to December 2007, Ms. Wong was the executive secretary of S&P Food Industries, where she was responsible for secretarial and administrative work. Ms. Wong received a bachelor of art degree from the Universiti Putra Malaysia, in July 1998.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Fung Che Wai Anthony (馮志偉), aged 48, was appointed as our independent non-executive Director on 8 June 2017. He is responsible for providing independent advice to our Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) now known as Zall Group Ltd. (卓爾集團股份有限公司), a property developer listed on the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Stock Exchange (stock code: 0295), where he was responsible for overall financial operation, company secretarial matters and investor relations. From September 2014 to April 2017, Mr. Fung was an independent supervisor of Chery HuiYin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was responsible for monitoring the company's operations as a member of the board of supervisors. Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8452), since April 2017, where he was responsible for supervising and providing independent advice to the board of directors. Since May 2017, Mr. Fung has been the chief financial officer of Beijing Enterprises Urban Resources Group Co., Ltd. (北控城市資源集團有限公司), where he is responsible for the overall financial and investor relations matters. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively. Mr. Fung received his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

Mr. Chong Yew Hoong, aged 62, was appointed as our independent non-executive Director on 8 June 2017. He is responsible for providing independent advice to our Board. He has over nine years of experience in managing audit, strategic planning and advisory services. Mr. Chong served as the partner of the advisory services division and the project consultant of Ernst and Young Vietnam Limited from October 2007 to December 2010 and from January 2011 to June 2011, respectively. From September 2011 to July 2014, he served as a member of the Council of Members and a member of Council of Risk Management Committee of Hong Leong Bank Vietnam Limited. Mr. Chong is currently the director of Tom Chong Business Advisory Services Sdn. Bhd., a company which is principally engaged in the provision of corporate restructuring, financial planning and executive training services, since August 2011 and the director of Delta 5 Group Sdn. Bhd., a company which is principally engaged in the provision of enterprise resource planning implementation and consulting services, since May 2014. He is also a director of Finsoft Consulting Sdn. Bhd., a company which is

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principally engaged in the provision of enterprise resource planning software and services, since January 2017. Mr. Chong was admitted as a certified public accountant of the Malaysia Association of Certified Public Accountants of Malaysia in April 1982 and a member of Malaysia Institute of Accountants in May 1985. Mr. Chong took a joint examination organised by the University of Cambridge, in collaboration with the University of Malaya, and obtained a Higher School Certificate, incorporating a General Certificate of Education, in December 1975.

Mr. Ng Hock Boon, aged 55, was appointed as our independent non-executive Director on 8 June 2017. He is responsible for providing independent advice to our Board. He has over 20 years of experience in company secretarial services. From October 1993 to August 1996, he worked as an assistant manager of corporate planning of Arab-Malaysian Merchant Bank Berhad, where he assisted in the provision of group corporate planning. From May 1998 to June 1999, Mr. Ng was the assistant general manager of Tru-Mix Concrete Sdn. Bhd., a concrete manufacturer, where he was responsible for assisting the general manager. From May 2001 to May 2005, Mr. Ng was the corporate affairs and company secretary of Shanghai Chong Kee Construction Sdn Bhd, a company which principally engages in interior design and fitout works. From April 2005 to July 2011, he was the personal assistant to the managing director of Shanghai Chong Kee Furniture and Construction Private Limited. Mr. Ng completed the company secretarial course of The Institute of Chartered Secretaries and Administrators of England in February 1985. Mr. Ng was re-elected as an Associate of The Malaysian Institute of Chartered Secretaries and Administrators in January 2017. He received a diploma in commerce (business management) from Tunku Abdul Rahman College in Malaysia in June 1985 and a master degree of business administration from The Cranfield Institute of Technology in England in June 1993.

In addition to the above, Mr. Ng was a director of the following solvent and dormant companies incorporated in Malaysia prior to them being voluntarily struck off or which, as at the Latest Practicable Date, were undergoing procedures to be struck off voluntarily initiated by their respective directors as the companies have ceased to conduct business:

<u>Company</u>	<u>Date of dissolution</u>
JSA Logistics Sdn Bhd	5 July 2007
Central Diligent Sdn Bhd	24 February 2017

Mr. Ng confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

SENIOR MANAGEMENT

Ms. Jane Ong Bee Yen, aged 32, is our finance manager since 2 November 2015 and was appointed as our joint company secretary on 22 March 2017. She is primarily responsible for the

DIRECTORS AND SENIOR MANAGEMENT

management of financial and accounting matters of our Group. Ms. Ong has more than four years of experience in accounting. From January 2013 to August 2013, she was the accountant of Total Sports Asia Sdn. Bhd., a global sports marketing company, where she was responsible for accounting matters. From September 2013 to October 2015, Ms. Ong worked as an accountant of Supermax Glove Manufacturing Sdn. Bhd., a company which principally engages in the manufacture of medical gloves, where she was responsible for accounting matters. Ms. Ong is a member of the Association of Chartered Certified Accountants since December 2012. Ms. Ong received a diploma in business studies (accounting) and an advanced diploma in commerce (financial accounting) from Tunku Abdul Rahman College in Malaysia in May 2005 and July 2007, respectively.

Ms. Chew Mun Tho, aged 49, is our R&D general manager since 1 March 2016 and is primarily responsible for the management of our R&D and provide technical support to our customers. Ms. Chew has over 10 years of experience in the food industry. From September 1994 to August 2014, Ms. Chew worked as a R&D manager of Cadbury Confectionery Malaysia Sdn. Bhd., a company which produces snack foods, where she was responsible for the overall management of R&D. Ms. Chew received a bachelor of technology degree from the University of Science in Malaysia in August 1992.

Save as disclosed in this prospectus, none of our Directors and senior management has been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

None of our Directors and senior management is personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders. Save as disclosed above, none of our Directors holds other position with our Company or its subsidiaries.

JOINT COMPANY SECRETARIES

Ms. Jane Ong Bee Yen was appointed as our joint company secretary on 22 March 2017. For details of her background, please refer to “Senior management” in this section.

Mr. Kwok Siu Man (郭兆文) was appointed our joint company secretary on 22 March 2017. He is presently an executive director and head of corporate secretarial of Boardroom Corporate Services (HK) Limited (“**Boardroom**”) and a director of Boardroom Share Registrars (HK) Limited. Mr. Kwok has legal, corporate secretarial and management experience and he is currently the company secretary or a joint company secretary of 13 other companies listed on the Stock Exchange. He was nominated by Boardroom to act as one of the named joint company secretaries of our Company pursuant to an engagement letter entered into between our Company and Boardroom, with a view to providing support to Ms. Jane Ong Bee Yen, who is our senior management, in her role as our joint company secretary. Mr. Kwok will be supported by other staff of Boardroom in providing the corporate secretarial services to our Company. Mr. Kwok is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries, The Association of Hong Kong Accountants, The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and personnel management. Mr. Kwok completed the Common

DIRECTORS AND SENIOR MANAGEMENT

Professional Examination in England and Wales and obtained a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University (formerly the Hong Kong Polytechnic) and a post-graduate diploma in laws from the Manchester Metropolitan University in England. In light of Mr. Kwok's experience and his supporting role to Ms. Ong, and considering that Mr. Kwok himself will be supported by other staff of Boardroom in providing the corporate secretarial services to our Company, we are of the view that Mr. Kwok has sufficient time and capacity to fulfill his duties as a joint company secretary of our Company.

BOARD COMMITTEES

Audit Committee

Our Company has established the Audit Committee on 8 June 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Fung Che Wai Anthony, Mr. Chong Yew Hoong and Mr. Ng Hock Boon. Mr. Fung Che Wai Anthony has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established the Remuneration Committee on 8 June 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, namely Mr. Ng Hock Boon, Mr. Chong Yew Hoong and Mr. Tang. Mr. Chong Yew Hoong has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company has established the Nomination Committee on 8 June 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Tang, Mr. Ng Hock Boon and Mr. Chong Yew Hoong. Mr. Tang has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of members of our Board.

Sanctions oversight committee

We have established a sanctions oversight committee on 28 February 2017. The sanctions oversight committee comprises our managing Director, Mr. Lee, our executive Director, Ms. Wong Yuen Lee and our sales manager as members. Our sanctions oversight committee shall be responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our corporate governance practices have complied with the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of fees, salaries, allowances, discretionary bonuses, other benefits in kind and contributions to employees' provident fund. The aggregate remuneration (including fees, salaries, allowances, discretionary bonuses, other benefits in kind and contributions to employees' provident fund) paid to our Directors for each of the three years ended 31 December 2016 was approximately RM1.3 million, RM1.7 million, and RM1.9 million, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years during 31 December 2017.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals in respect of each of the three years ended 31 December 2016 was approximately RM1.5 million, RM1.9 million and RM2.1 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended 31 December 2016. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, other benefits in kind and contributions to employees' provident fund) of our Directors for the year ending 31 December 2017 is estimated to be no more than RM2.0 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Dongxing Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 3.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Offer Size Adjustment Option or Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised):

	<u>Nominal value</u>
	<i>(HK\$)</i>
Authorised share capital:	
5,000,000,000 Shares of HK\$0.01 each	50,000,000.00
Issued and to be issued, fully paid or credited as fully paid:	
60 Shares in issue as at the date of this prospectus	0.60
809,999,940 Shares in issue pursuant to the Capitalisation Issue	8,099,999.40
<u>270,000,000</u> Shares to be issued under the Global Offering	<u>2,700,000.00</u>
<u>1,080,000,000</u> Total	<u>10,800,000.00</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other Stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and general information — A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 23 June 2017, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in "Statutory and general information — D. Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

As a matter of the Cayman Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus.

FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with our audited consolidated financial information for the Track Record Period and the accompanying notes (“**Financial Information**”), included in the Accountants’ Report in Appendix I to this prospectus. Our Financial Information and consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain respects from generally accepted accounting principles in other countries. Potential investors should also read the entire Accountants’ Report in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

The discussion and analysis in this section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in “Risk factors” of this prospectus.

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We manufacture and trade food products. Our core products include coconut cream powder and low fat desiccated coconut, which we manufacture at our Perak Plant. We also manufacture other food products, including non-dairy creamer, coconut milk and other traditional South-east Asian traditional food ingredients, such as rice dumplings (ketupat) and toasted coconut paste (kerisik). We have a wide international footprint, and our food products are sold to customers located in over 40 countries worldwide. According to the Ipsos Report, our brands “Santan” and “Cocos” are the global major brands of coconut cream powder.

Our revenue increased from approximately RM65.2 million in 2014 to approximately RM78.3 million and RM89.8 million in 2015 and 2016, respectively, representing a CAGR of approximately 17.4%. Our adjusted net profit (excluding our listing expenses) increased from approximately RM7.3 million in 2014 to approximately RM13.6 million and RM15.2 million in 2015 and 2016, respectively, representing a CAGR of approximately 43.9%.

In the future, we target to further develop our business to increase our revenue and profitability primarily by the following strategies: (i) producing our own coconut milk products and expanding and upgrading the existing facilities of our Perak Plant; (ii) recommissioning our Johor Plant and expanding our production capacity; (iii) expanding our global market reach; and (iv) enhancing our R&D capabilities.

Please refer to “Business” of this prospectus for further details of our business operations and business strategies.

FINANCIAL INFORMATION

BASIS OF PREPARATION

The Financial Information is presented in RM, which is also the functional currency of companies comprising our Group and was prepared and presented in accordance with IFRS.

Pursuant to our Reorganisation, our Company became the holding company of the companies now comprising our Group. As all the companies now comprising our Group that took part in our Reorganisation were beneficially owned and controlled by our Controlling Shareholders before and after our Reorganisation, there was a continuation of the risks and benefits to our Controlling Shareholders. Accordingly, our Reorganisation is considered to be a business combination of entities under common control. Our Financial Information has been prepared using the merger basis of accounting as if the companies now comprising our Group have been consolidated at the beginning of the Track Record Period. The assets and liabilities of the consolidating companies are recognised and measured using the historical carrying amounts from our Controlling Shareholders' perspective.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows as set out in section A to the Accountants' Report in Appendix I to this prospectus include our consolidated results of operations of the companies now comprising our Group for the Track Record Period (or where the companies were incorporated at a date later than 1 January 2014, for the period from the date of incorporation to 31 December 2016) as if the current group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position as at 31 December 2014, 2015 and 2016 as set out in section A to the Accountants' Report in Appendix I to this prospectus have been prepared to present the financial position of our Group as at the respective dates as if the current group structure had occurred at the beginning of the Track Record Period.

Please refer to in note 1 of section B to the Accountants' Report in Appendix I to this prospectus for further details of our basis of preparation and "History, Reorganisation and corporate structure — Reorganisation" of this prospectus for further details of our Reorganisation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period to period comparability of our financial results are principally affected by the following factors:

Pricing of our products and product mix

Our product pricing strategy and product mix impacted our results of operations historically and are expected to directly affect our revenue, financial performance in the future. During the Track Record Period, we primarily derived our revenue from the sale of four categories of our food products, namely (i) coconut cream powder; (ii) low fat desiccated coconut; (iii) coconut milk; and (iv) others. We generally price our food products on a cost-plus basis and different products are priced at different unit prices based on various factors, including (i) the prevailing market prices of our raw materials; and (ii) production costs. Please refer to "Business — Marketing, sales and customers — Pricing and

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credit policies” of this prospectus for further details of our product pricing. In addition, different products will generate different gross profit margins primarily due to various factors, such as cost of packaging and raw materials or products sourced from our OEM suppliers, other production costs, product pricing and our marketing and branding strategy, etc. As a result, our overall gross profit margin will vary when our product mix changes.

It is important for us to provide diverse food product offerings and adjust our product mix to capitalise on changing market trends and consumer preferences. Further, we face competition from other domestic and international manufacturers which may have higher brand recognition, stronger financial and operational resources and larger sales and distribution capabilities. We may not be able to optimise our product portfolio and set the selling prices at desired levels for some or all of our food products in response to the changes in market trend and consumer preferences, and also the market competition. If there is any significant change of our product mix and selling prices, our overall gross profit margin and profit margin will be affected both by any change in revenue attributable to, and any change in the gross profit margin of, each product. As a result, our financial condition and results of operations may be materially and adversely affected.

Please refer to “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Revenue — Sensitivity analysis of average selling price” in this section for further details of our sensitivity analysis of the average selling prices of our food products.

Our sales and distribution network and key customer relationship

Our revenue growth and financial performance is and will continue to be affected by the size of our sales and distribution network and our ability to maintain strong business relationship with our key customers. We primarily sell our food products to (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers. Our five largest customers contributed a significant portion of our revenue, which accounted for approximately 47.6%, 50.3% and 56.0% of our total revenue during the Track Record Period, respectively. Please refer to “Business — Marketing, sales and customers — Sales and customers” of this prospectus for further details of our five largest customers.

We intend to strengthen our sales and distribution network through increasing the number of our customers and expanding our global market reach. If our key customers reduce their purchases or even cease the business relationship with us because of various circumstances, such as change of suppliers, safety and quality problem of our products and unacceptable sales terms, etc., we may not be able to source new customers or expand our customer base in a timely manner. Thus, our revenue, business, financial condition and results of operations will be materially and adversely affected.

Cost of packaging and raw materials

Our cost of sales primarily comprised our cost of packaging and raw materials which mainly consisted of (i) coconuts and white kernels; (ii) sodium caseinate; (iii) maltodextrin; and (iv) packaging materials during the Track Record Period. During the Track Record Period, our cost of packaging and raw materials amounted to approximately RM37.4 million, RM41.6 million and RM43.4 million, respectively (representing approximately 72.5%, 74.1% and 75.9% of our total cost

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of production, respectively). The prices of packaging and raw materials that we use to produce our food products are largely depending on market forces, such as fluctuations of commodity price, market supply and demand, and logistics and transport costs, which are beyond our control, as well as our bargaining power over suppliers. Please refer to “Business — Procurement and suppliers” of this prospectus for further details of our packaging and raw materials. It is important for us to obtain from our suppliers sufficient supply of high-quality packaging and raw materials at all times and at competitive prices for our production.

Since the selling prices of our food products are determined on a cost-plus basis, the revenue from the sale of our food products will also be affected by the fluctuations in the purchase prices of our packaging and raw materials. However, if there is a substantial increase in the purchase prices of our packaging and raw materials, we may not be able to pass on all of the increment in our cost of packaging and raw materials to the selling prices of our food products and our gross profit margin may reduce accordingly. As a result, our business and results of operations may be materially and adversely affected.

Please refer to “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Cost of sales — Sensitivity analysis of cost of packaging and raw materials” in this section for further details of our sensitivity analysis of our cost of packaging and raw materials.

Reliance on key suppliers

We depend on a limited number of suppliers for the supply of major raw materials (in particular for coconuts and white kernels) for our products, and coconut milk products. Thus, our ability to maintain long-term stable business relationships with our key suppliers to maintain sufficient supply of our raw materials and coconut milk products is crucial for our business development and results of operations. During the Track Record Period, our five largest suppliers supplied us approximately 50.0%, 61.1% and 58.7% of our total purchases, respectively. Please refer to “Business — Procurement and suppliers — Suppliers” of this prospectus for further details of our five largest suppliers.

If we cannot maintain good business relationships with our key suppliers in the future or the supply from these key suppliers is interrupted due to any circumstances, it may be difficult for us to secure alternative suppliers with similar or favourable terms in a timely manner which may cause the interruption of the production of or sale of our food products. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Regulatory environment

During the Track Record Period, we sold a majority of our food products to customers in overseas countries and regions, mainly including (i) Jamaica; (ii) Saudi Arabia; (iii) UAE; and (iv) Belize. Our products and operations are governed by laws, regulations and standards in various jurisdictions we sell to. Any changes in the regulatory environment in these countries and regions may

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significantly impact our financial performance. If we do not comply with or are not able to keep abreast of and respond to the development or changes of laws, regulations and standards in these countries and regions in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in foreign exchange rates

During the Track Record Period, our Group recorded a net gain on foreign exchange differences of approximately RM1.6 million, RM2.6 million and RM1.2 million, respectively. We source part of our packaging and raw materials, and our coconut milk products from overseas suppliers in which these purchases are principally denominated in US\$ and sell majority of our food products to overseas customers in which these sales are principally denominated in US\$. Therefore, we are exposed to significant currency risk.

Our profit margins and results of operations will be negatively affected when there is depreciation of foreign currencies against RM which we receive from our overseas sale of food products and appreciation of foreign currencies against RM which we pay for our overseas purchases of raw materials. As at 31 December 2014, 2015 and 2016, we did not have any derivative financial instrument to hedge the currency risk. Please refer to note 22(f)(ii) of section B in the Accountants' Report in Appendix I to this prospectus for further details of our currency risk and "Foreign currency exposure" in this section for further details of our foreign currency exposure.

In addition, fluctuations in exchange rates between RM and other foreign currencies affect the translation of our non-RM denominated assets and liabilities into RM when we prepare our financial statements and result in foreign exchange gains or losses which will affect our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are significant to the preparation of our Financial Information. These significant accounting policies are important for an understanding of our financial condition and results of operations which are disclosed in note 3 of section B to the Accountants' Report in Appendix I to this prospectus.

In the application of our accounting policies, our Directors are required to make judgements, estimates and assumptions that affect our revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates can result in outcomes that require a material adjustment to our revenues, expenses, assets or liabilities in the future. The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities within the next financial year, are set out in note 3(c) of section B to the Accountants' Report in Appendix I to this prospectus.

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The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements applied in preparing our Financial Information:

Revenue recognition

Our revenue is measured at fair value of the consideration received or receivable. Our sale of goods is recognised when (i) the significant risks and rewards of ownership of the goods have been transferred to our customer; (ii) it is probable that the economic benefits associated with the transaction will flow to us; (iii) the associated costs and possible return of goods can be estimated reliably; (iv) there is no continuing management involvement with the goods; and (v) the amount of revenue can be measured reliably. Our revenue excludes value added tax or other sales taxes and is after deduction of any returns and trade discounts. In general, we recognise our sales to our customers based on shipment terms.

Inventories

Our inventories are stated at the lower of cost and net realisable value. Our cost of inventories are determined on a weighted average method. In the case of unpacked finished goods and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price for our inventories less all estimated costs of completion and costs necessary to make the sale.

Our inventories are reviewed periodically to assess whether any write-down or reversal of write-down of our inventories is required. The estimate is based on estimation for the net realised value of our inventories.

Trade and other receivables

Our trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Our trade and other receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. The estimate is based on historical loss experience for debtors with similar credit risk. Losses expected as a result of future events are not recognised. If any such objective evidence exists, then the impairment loss of our trade and other receivables is estimated.

An impairment loss in respect of our trade and other receivables is recognised in profit or loss and is measured as the difference between their carrying amounts and the present value of estimated future cash flows discounted at their original effective interest rate.

If, in a subsequent period, the impairment losses of our trade and other receivables decrease and the decrease can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed, to the extent that the carrying amounts of our trade and other receivables do not exceed what the carrying amounts would have been had the impairment losses not been recognised at the date the impairment losses are reversed. The amount of the reversal is recognised in profit or loss.

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OUR RESULTS OF OPERATIONS

The following table includes items from our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015 and 2016, which has been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Revenue	65,181,204	78,343,631	89,795,056
Cost of sales	<u>(46,538,854)</u>	<u>(51,177,683)</u>	<u>(59,227,157)</u>
Gross profit	18,642,350	27,165,948	30,567,899
Other net income	1,861,550	2,901,290	1,657,732
Selling and distribution expenses	<u>(4,721,168)</u>	<u>(5,373,865)</u>	<u>(5,626,869)</u>
Administrative expenses	<u>(5,074,049)</u>	<u>(5,958,440)</u>	<u>(8,034,672)</u>
Profit from operating activities	10,708,683	18,734,933	18,564,090
Finance income	2,878	26,191	10,700
Finance costs	<u>(518,131)</u>	<u>(403,181)</u>	<u>(336,475)</u>
Net finance costs	<u>(515,253)</u>	<u>(376,990)</u>	<u>(325,775)</u>
Share of loss of an equity-accounted associate, net of tax	<u>(6,637)</u>	<u>—</u>	<u>—</u>
Profit before tax	10,186,793	18,357,943	18,238,315
Income tax expense	<u>(2,837,750)</u>	<u>(4,735,708)</u>	<u>(4,881,014)</u>
Profit for the year	<u>7,349,043</u>	<u>13,622,235</u>	<u>13,357,301</u>
Other comprehensive income, net of tax			
<i>Items that is or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations	<u>—</u>	<u>285</u>	<u>3,071</u>
Total comprehensive income for the year	<u><u>7,349,043</u></u>	<u><u>13,622,520</u></u>	<u><u>13,360,372</u></u>

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DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

We generate revenue primarily from the manufacture and sales of various types of food products. During the Track Record Period, we principally generated our revenue from the sale of our core products, namely (i) coconut cream powder; and (ii) low fat desiccated coconut, and our other food products, including (i) coconut milk; and (ii) others such as non-dairy creamer, toasted coconut paste (kerisik) and rice dumplings (ketupat). Please refer to “Business — Our products” of this prospectus for further details of our food products.

Our revenue increased from approximately RM65.2 million in 2014 to approximately RM78.3 million and RM89.8 million in 2015 and 2016, respectively, primarily driven by (i) an increase in our revenue derived from the sale of our best-selling product, coconut cream powder; (ii) an increase in our revenue generated from our OEM customers; and (iii) an increase in our overseas sales, during the Track Record Period.

The following tables set out the breakdowns of our revenue by product category, the sales volume and the average selling price of our major food products for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Coconut cream powder	51,818,594	79.5	63,894,576	81.6	79,054,432	88.0
Low fat desiccated coconut	4,628,759	7.1	7,632,361	9.7	3,546,111	3.9
Coconut milk	4,042,456	6.2	3,480,808	4.4	3,415,093	3.8
Others	4,691,395	7.2	3,335,886	4.3	3,779,420	4.3
Total	65,181,204	100.0	78,343,631	100.0	89,795,056	100.0

	For the year ended 31 December					
	2014		2015		2016	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>Metric tonnes</i>	<i>RM/metric tonne</i>	<i>Metric tonnes</i>	<i>RM/metric tonne</i>	<i>Metric tonnes</i>	<i>RM/metric tonne</i>
Coconut cream powder	3,177	16,311	3,437	18,590	3,841	20,582
Low fat desiccated coconut	1,019	4,542	1,668	4,576	900	3,940
Coconut milk	560	7,219	475	7,328	457	7,473

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Coconut cream powder

Coconut cream powder is our flagship product and its revenue contribution was in an upward trend during the Track Record Period. Thus, a majority of our revenue, which accounted for approximately 79.5%, 81.6% and 88.0% of our total revenue during the Track Record Period, respectively, was derived from the sale of our coconut cream powder.

Our revenue from the sale of coconut cream powder increased by approximately 23.3% from approximately RM51.8 million in 2014 to approximately RM63.9 million in 2015 and further increased by approximately 23.7% to approximately RM79.1 million in 2016 primarily attributable to (i) an increase in the sales to our largest customer, Customer A, located in Caribbean who primarily purchased our OEM coconut cream powder during the Track Record Period; (ii) an increase in the sales volume of our coconut cream powder from approximately 3,177 metric tonnes in 2014 to approximately 3,437 metric tonnes and 3,841 metric tonnes in 2015 and 2016, respectively, mainly due to the growth of the sales demand of our coconut cream powder from our overseas customers and thus we have shifted our production focus in the Perak Plant to our coconut cream powder in 2015 and 2016; and (iii) an increase in the average selling price of our coconut cream powder from approximately RM16,311 per metric tonne in 2014 to approximately RM18,590 per metric tonne and RM20,582 per metric tonne in 2015 and 2016, respectively, mainly due to the price increment of our coconut cream powder to certain customers and a comparatively higher average exchange rate of US\$ against RM for 2015 and 2016 as compared to that for 2014.

Low fat desiccated coconut

Low fat desiccated coconut is our second best-selling product and produced as part of the production process of our coconut cream powder. During the Track Record Period, the revenue contribution from the sale of our low fat desiccated coconut represented approximately 7.1%, 9.7% and 3.9% of our total revenue, respectively.

Our revenue from the sale of low fat desiccated coconut increased by approximately 64.9% from approximately RM4.6 million in 2014 to approximately RM7.6 million in 2015 primarily attributable to an increase in sales volume of our low fat desiccated coconut from approximately 1,019 metric tonnes in 2014 to approximately 1,668 metric tonnes in 2015 mainly due to the growth of the sales demand of low fat desiccated coconut from our local and overseas customers.

Our revenue from the sale of low fat desiccated coconut decreased by approximately 53.5% to approximately RM3.5 million in 2016 primarily attributable to (i) a decrease in the sales volume of our low fat desiccated coconut from approximately 1,668 metric tonnes to approximately 900 metric tonnes in 2016 mainly due to a drop of the sales demand of our low fat desiccated coconut from our overseas trading company customers, particularly in Pakistan, Iraq and Bangladesh in 2016 as compared to that in 2015; and (ii) a decrease in the average selling price of our low fat desiccated coconut from approximately RM4,576 per metric tonne in 2015 to approximately RM3,940 per metric tonne in 2016 mainly due to the market condition.

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Other food products

During the Track Record Period, the revenue contribution from the sale of our other food products (including coconut milk and others) represented approximately 13.4%, 8.7% and 8.1% of our total revenue, respectively.

Our revenue from the sale of other food products decreased from approximately RM8.7 million in 2014 to approximately RM6.8 million and RM7.2 million in 2015 and 2016, respectively, primarily attributable to (i) a decrease in our revenue from the sale of coconut milk; and (ii) a decrease in our revenue from the sale of others.

The decrease in our revenue from the sale of coconut milk from approximately RM4.0 million in 2014 to approximately RM3.5 million and RM3.4 million in 2015 and 2016, respectively, was primarily attributable to the fact that (i) we did not manufacture our own coconut milk products during the Track Record Period and merely relied on the supply of our coconut milk products from our OEM suppliers in Indonesia and Thailand; and (ii) our OEM suppliers were not able to supply us with sufficient coconut milk products despite a huge demand from our customers.

The decrease in our revenue from the sale of others from approximately RM4.7 million in 2014 to approximately RM3.3 million in 2015 was primarily attributable to the shift of our production focus in the Perak Plant to our coconut cream powder which led to a drop of the sales volume and eventually our revenue from the sale of our non-dairy creamer. The rebound of our revenue from the sale of others to approximately RM3.8 million in 2016 was primarily due to an increase in the sale of our kerisik and ketupat which outweighed an decrease in the sale of our non-dairy creamer.

The following table sets out a breakdown of our revenue by customer category for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
OEM customers	22,767,366	34.9	31,433,308	40.1	41,694,776	46.4
Distributors	19,719,155	30.3	21,281,102	27.2	23,796,916	26.5
Industrial customers	6,664,245	10.2	6,646,483	8.5	8,904,023	9.9
Trading companies	9,544,601	14.6	11,388,201	14.5	8,206,506	9.1
Wholesaler customers	6,256,822	9.6	6,960,435	8.9	6,453,932	7.2
Others	229,015	0.4	634,102	0.8	738,903	0.9
Total	65,181,204	100.0	78,343,631	100.0	89,795,056	100.0

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During the Track Record Period, we principally derived our revenue through the sale of our food products to our customers, which were classified as (i) OEM customers; (ii) distributors; (iii) industrial customers; (iv) trading companies; and (v) wholesaler customers. Please refer to “Business — Marketing, sales and customers — Sales and customers” of this prospectus for further details of our customers.

OEM customers

Our revenue through the sale of our food products to our primary type of customers, OEM customers, was in an upward trend, representing approximately 34.9%, 40.1% and 46.4% of our total revenue during the Track Record Period, respectively.

Our revenue from OEM customers increased by approximately 38.1% from approximately RM22.8 million in 2014 to approximately RM31.4 million in 2015 and further increased by approximately 32.6% to approximately RM41.7 million in 2016 primarily attributable to an increase in the sales to our largest customer, Customer A, located in Caribbean from approximately RM13.5 million in 2014 to approximately RM22.7 million and RM31.6 million in 2015 and 2016, respectively, mainly due to (i) a continuous growth of sales volume from Customer A in respect of our established business relationship; and (ii) an increase in our selling prices mainly due to the price increment and a comparatively higher average exchange rate of US\$ against RM for 2015 and 2016 as compared to that for 2014.

Distributors

Our revenue through the sale of our food products to our another major type of customers, distributors, representing approximately 30.3%, 27.2% and 26.5% of our total revenue during the Track Record Period, respectively.

Our revenue from distributors increased by approximately 7.9% from approximately RM19.7 million in 2014 to approximately RM21.3 million in 2015 and further increased by approximately 11.8% to approximately RM23.8 million in 2016 primarily attributable to a continuous increase in sales to our overseas distributors, especially in Saudi Arabia, South Korea, and Trinidad and Tobago, mainly because of (i) a stable growth of global coconut cream powder market during the Track Record Period; (ii) an increase in our overseas advertising and promotion spending during the Track Record Period and our Directors believe that it could raise our brand recognition and product profile in foreign countries and regions; and (iii) the development of business relationships with our overseas distributors.

Other customers

Our revenue through the sale of our food products to our other types of customers (including industrial customers, trading company customers, wholesaler customers and others) aggregately represented approximately 34.8%, 32.7% and 27.1% of our total revenue during the Track Record Period, respectively.

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Our revenue from other customers aggregately increased by approximately 12.9% from approximately RM22.7 million in 2014 to approximately RM25.6 million in 2015 primarily attributable to an increase in the sale of our food products to trading companies.

The increase in our revenue from trading companies by approximately 19.3% from approximately RM9.5 million in 2014 to approximately RM11.4 million in 2015 was primarily attributable to an increase in the sale of our low fat desiccated coconut to our local and overseas trading companies, especially those located in Pakistan and Iraq.

Our revenue from other customers decreased by approximately 5.2% to approximately RM24.3 million in 2016 primarily attributable to a decrease in the sale of our food products to trading companies, partially offset by an increase in the sale of our food products to industrial customers.

The decrease in our revenue from trading companies by approximately 27.9% to approximately RM8.2 million in 2016 was primarily attributable to a decrease in the sale of our low fat desiccated coconut to Pakistan and Iraq trading companies.

The increase in our revenue from industrial customers by approximately 34.0% from approximately RM6.6 million in 2015 to approximately RM8.9 million in 2016 was primarily attributable to (i) the commencement of the sale of our coconut cream powder to a new food manufacturer customer in the PRC in 2016; and (ii) an increase in the sale of our coconut cream powder to a New Zealand food manufacturer customer.

The following table sets out a breakdown of our revenue by geographical location of our customers for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Domestic:						
Malaysia	21,396,917	32.8	20,356,096	26.0	20,640,658	23.0
Overseas:						
Jamaica	10,421,399	16.0	17,710,963	22.6	24,282,310	27.0
Saudi Arabia	6,996,298	10.7	7,086,718	9.0	9,364,308	10.4
UAE	6,250,329	9.6	4,924,356	6.3	6,009,912	6.7
Belize	2,087,712	3.2	3,218,917	4.1	4,435,699	4.9
Other countries and regions (<i>Note</i>)	<u>18,028,549</u>	<u>27.7</u>	<u>25,046,581</u>	<u>32.0</u>	<u>25,062,169</u>	<u>28.0</u>
Subtotal	<u>43,784,287</u>	<u>67.2</u>	<u>57,987,535</u>	<u>74.0</u>	<u>69,154,398</u>	<u>77.0</u>
Total	<u>65,181,204</u>	<u>100.0</u>	<u>78,343,631</u>	<u>100.0</u>	<u>89,795,056</u>	<u>100.0</u>

Note: Other countries and regions mainly included Brunei, Canada, Hong Kong, Oman, Pakistan, Singapore, South Korea, Trinidad and Tobago, the U.S. and the PRC.

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Domestic sales

During the Track Record Period, our domestic Malaysian market contributed approximately 32.8%, 26.0% and 23.0% of our total revenue, respectively.

Our revenue derived from the domestic Malaysian market recorded a slight decline from approximately RM21.4 million in 2014 to approximately RM20.4 million and RM20.6 million in 2015 and 2016, respectively, primarily attributable to the fact that we have not sold our non-dairy creamer to Customer E since 2015 while Customer E contributed revenue of approximately RM1.9 million in 2014.

Overseas sales

Our overseas sale of food products remained an upward trend both in terms of revenue and percentage of total revenue during the Track Record Period. Jamaica was our largest overseas market which contributed approximately 16.0%, 22.6% and 27.0% of our total revenue during the Track Record Period, respectively. The remaining portion of our overseas sales was mainly generated from our customers located in other markets in the world, such as Saudi Arabia, UAE and Belize (in aggregate contributing approximately 51.2%, 51.4% and 50.0% of our total revenue during the Track Record Period, respectively).

Our revenue derived in overseas market increased from approximately RM43.8 million in 2014 to approximately RM58.0 million and RM69.2 million in 2015 and 2016, respectively, primarily attributable to (i) an increase in the sales to our largest customer, Customer A, located in Caribbean from approximately RM13.5 million in 2014 to approximately RM22.7 million and RM31.6 million in 2015 and 2016, respectively; and (ii) an increase in sales to customers located in other countries and regions which our Directors believe that it was mainly due to our increasing overseas advertising and promotion effort during the Track Record Period.

During the Track Record Period, out of our total revenue of approximately RM65.2 million, RM78.3 million and RM89.8 million, respectively, (i) approximately RM43.1 million, RM57.0 million and RM68.5 million (or approximately 66.1%, 72.8% and 76.3%) of our total revenue was denominated in US\$, respectively; (ii) approximately RM21.2 million, RM19.8 million and RM20.2 million (or approximately 32.5%, 25.3% and 22.5%) of our total revenue was denominated in RM, respectively; and (iii) approximately RM0.9 million, RM1.5 million and RM1.1 million (or approximately 1.4%, 1.9% and 1.2%) of our total revenue was denominated in other currencies.

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Sensitivity analysis of average selling price

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 5%, 10% and 15% in our average selling price of our food products, with other variables remaining constant, on our profit before tax for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
+5%	3,259,060	3,917,182	4,489,753
+10%	6,518,120	7,834,363	8,979,506
+15%	9,777,181	11,751,545	13,469,258
-5%	(3,259,060)	(3,917,182)	(4,489,753)
-10%	(6,518,120)	(7,834,363)	(8,979,506)
-15%	(9,777,181)	(11,751,545)	(13,469,258)

The maximum fluctuation in the average selling prices of our major food products (including coconut cream powder, low fat desiccated coconut and coconut milk) on a year-on-year basis during the Track Record Period was approximately 14.0% (in relation to the increase in the average selling price of our coconut cream powder from 2014 to 2015). Given that the maximum fluctuation is within the range of 15%, our Directors are of the view that it is reasonable to use 5%, 10% and 15% in the above sensitivity analysis.

Cost of sales

The following table sets out a breakdown of our cost of sales by expense nature for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Cost of packaging and raw materials:						
- Coconuts and white kernels	19,913,776	42.8	27,119,477	53.0	30,587,079	51.6
- Sodium caseinate	5,010,414	10.8	2,873,222	5.6	2,187,344	3.7
- Maltodextrin	3,309,108	7.1	3,601,413	7.0	1,758,489	3.0
- Packaging materials	5,465,545	11.7	5,653,780	11.0	6,270,949	10.6
- Other raw materials (<i>Note 1</i>)	3,717,854	8.0	2,351,934	4.7	2,561,386	4.3

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	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Subtotal	37,416,697	80.4	41,599,826	81.3	43,365,247	73.2
Cost of coconut milk	2,222,049	4.8	2,752,761	5.4	2,406,443	4.1
Labour costs	4,507,209	9.7	4,388,774	8.6	4,525,608	7.6
Depreciation	1,795,930	3.9	1,653,829	3.2	1,511,308	2.6
Utilities	2,359,036	5.1	2,708,430	5.3	2,046,442	3.5
Repair and maintenance	1,001,640	2.2	1,182,063	2.3	1,249,783	2.1
Others (<i>Note 2</i>)	<u>2,337,500</u>	4.9	<u>1,835,627</u>	3.6	<u>2,039,044</u>	3.4
Total cost of production	51,640,061	111.0	56,121,310	109.7	57,143,875	96.5
Changes in inventories	<u>(5,101,207)</u>	<u>(11.0)</u>	<u>(4,943,627)</u>	<u>(9.7)</u>	<u>2,083,282</u>	<u>3.5</u>
Total cost of sales	<u><u>46,538,854</u></u>	<u><u>100.0</u></u>	<u><u>51,177,683</u></u>	<u><u>100.0</u></u>	<u><u>59,227,157</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Other raw materials primarily comprised other food ingredients, such as emulsifier and sweetener.
- (2) Others primarily comprised our transportation costs and other consumables.

Our cost of packaging and raw materials, primarily comprised (i) coconuts and white kernels; (ii) sodium caseinate; (iii) maltodextrin; and (iv) packaging materials, which formed the largest component of our cost of production, representing approximately 72.5%, 74.1% and 75.9% of our total cost of production during the Track Record Period, respectively.

Our cost of coconut milk represented our finished goods of coconut milk products sourced from our OEM suppliers.

Our labour costs primarily represented our salaries and wages, contributions to employees' provident fund and other staff benefits of manufacturing and warehousing staff.

Our depreciation primarily represented the depreciation charged for our plant and machinery, and our factory buildings.

Our utilities primarily represented the water and electricity charges of our factory and warehouse buildings.

Our repair and maintenance primarily represented the expenses to repair and maintain our plant and machinery, and our factory buildings.

Our cost of sales increased by approximately 10.0% from approximately RM46.5 million in 2014 to approximately RM51.2 million in 2015 and further increased by approximately 15.7% to approximately RM59.2 million in 2016 which was primarily driven by an increase in our cost of

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packaging and raw materials incurred in our production mainly as a result of (i) an increase in the sales volume of our coconut cream powder by approximately 8.2% from 2014 to 2015 and approximately 11.8% from 2015 to 2016; and (ii) an increase in our purchase costs of our major raw materials, coconuts and white kernels in 2016.

During the Track Record Period, out of our total cost of packaging and raw materials, and cost of coconut milk of approximately RM39.6 million, RM44.4 million and RM45.8 million, respectively, (i) approximately RM31.7 million, RM36.6 million and RM42.2 million (or approximately 80.0%, 82.6% and 92.2% of our total cost of packaging and raw materials, and cost of coconut milk) of these costs were denominated in RM, respectively; and (ii) approximately RM7.9 million, RM7.7 million and RM3.6 million (or approximately 20.0%, 17.4% and 7.8% of our total cost of packaging and raw materials, and cost of coconut milk) of these costs were denominated in US\$, respectively.

Sensitivity analysis of cost of packaging and raw materials

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of 5%, 10% and 15% in our cost of packaging and raw materials, with other variables remaining constant, on our profit before tax for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
+5%	(1,870,835)	(2,079,991)	(2,168,262)
+10%	(3,741,670)	(4,159,983)	(4,336,525)
+15%	(5,612,505)	(6,239,974)	(6,504,787)
-5%	1,870,835	2,079,991	2,168,262
-10%	3,741,670	4,159,983	4,336,525
-15%	5,612,505	6,239,974	6,504,787

The maximum fluctuation in our cost of packaging and raw materials on a year-on-year basis during the Track Record Period was approximately 11.2%. Given that the maximum fluctuation is within the range of 15%, our Directors are of the view that it is reasonable to use 5%, 10% and 15% in the above sensitivity analysis.

If our cost of sales increased by approximately 21.9%, 35.9% and 30.8% during the Track Record Period, respectively, with other variables remaining constant, we would reach breakeven for our profit before tax for the respective year.

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Gross profit and gross profit margin

Our gross profit represented our revenue less our cost of sales. Our gross profit margin represented our gross profit divided by our revenue, multiplied by 100%. During the Track Record Period, we recorded the gross profit of approximately RM18.6 million, RM27.2 million and RM30.6 million, respectively, and the gross profit margin of approximately 28.6%, 34.7% and 34.0%, respectively.

The following table sets out a breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Coconut cream powder and low fat desiccated coconut (<i>Note</i>)	15,081,859	26.7	24,920,123	34.8	27,926,521	33.8
Coconut milk	1,809,137	44.8	847,578	24.4	863,295	25.3
Others	1,751,354	37.3	1,398,247	41.9	1,778,083	47.0
Total/Overall	18,642,350	28.6	27,165,948	34.7	30,567,899	34.0

Note: Since our low fat desiccated coconut is produced as part of the production process of our coconut cream powder (which is dried from remaining white kernel flesh after the extraction process), the cost of production for our coconut cream powder and low fat desiccated coconut are not reliably identified and separated. Please refer to “Business — Production — Production process for coconut cream powder and low fat desiccated coconut” of this prospectus for further details. Thus, we aggregately analyse the gross profit and gross profit margin of our core products (which are our coconut cream powder and low fat desiccated coconut).

Our gross profit increased by approximately 45.7% from approximately RM18.6 million in 2014 to approximately RM27.2 million in 2015 and further increased by approximately 12.5% to approximately RM30.6 million in 2016 primarily due to an increase in our revenue from the sale of our core products.

During the Track Record Period, our overall gross profit margin was primarily driven by the gross profit margin of our core products since our revenue from the sale of core products contributed approximately 86.6%, 91.3% and 91.9% of our total revenue, respectively.

The gross profit margin of our core products increased from approximately 26.7% in 2014 to approximately 34.8% in 2015 primarily attributable to an increase in the average selling price of our coconut cream powder by approximately 14.0% mainly due to approximately 19.4% appreciation of the average exchange rate of US\$ against RM for 2015 as compared to that for 2014 and the price increment of our coconut cream powder to certain OEM customers as a result of commercial negotiation.

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The gross profit margin of our coconut milk decreased from approximately 44.8% in 2014 to approximately 24.4% in 2015 primarily attributable to approximately 19.4% appreciation of the average exchange rate of US\$ against RM for 2015 as compared to that for 2014 which led to the increase in the unit cost of procurement (which was denominated in US\$) of our coconut milk from overseas OEM suppliers despite the stable average selling price of our coconut milk of approximately RM7,219 per metric tonne and RM7,328 per metric tonne in 2014 and 2015, respectively.

Our overall gross profit margin increased from approximately 28.6% in 2014 to approximately 34.7% in 2015 primarily attributable to an increase in the gross profit margin of our core products from approximately 26.7% in 2014 to approximately 34.8% in 2015 mainly due to an increase in the average selling price of our coconut cream powder, partially offset by a decrease in the gross profit margin of our coconut milk mainly due to an increase in the purchase prices (which were denominated in US\$) of our coconut milk from overseas OEM suppliers as a result of appreciation of US\$ against RM in 2015.

The gross profit margin of our core products slightly decreased to approximately 33.8% in 2016 primarily attributable to (i) an increase in the procurement costs of our major raw materials, coconuts and white kernels; and (ii) a decrease in the average selling price of our low fat desiccated coconut by approximately 13.9% mainly due to the market condition, partially offset by an increase in the average selling price of our coconut cream powder by approximately 10.7%.

The gross profit margin of our coconut milk slightly increased to approximately 25.3% in 2016 primarily in line with the gentle increase in the average selling price of our coconut milk by approximately 2.0%.

Our overall gross profit margin slightly decreased to approximately 34.0% in 2016 primarily attributable to a decrease in the gross profit margin of our core products to approximately 33.8% in 2016 mainly due to (i) an increase in the procurement costs of our major raw materials, coconuts and white kernels; and (ii) a decrease in the average selling price of our low fat desiccated coconut.

The following table sets out a breakdown of our gross profit and gross profit margin by customer category for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
OEM customers	4,025,347	17.7	10,287,118	32.7	14,290,752	34.3
Distributors	8,284,417	42.0	9,246,201	43.4	9,978,216	41.9
Industrial customers	2,045,315	30.7	1,778,835	26.8	3,163,533	35.5
Trading companies	3,094,823	32.4	4,198,074	36.9	1,755,862	21.4
Wholesaler customers	1,127,297	18.0	1,384,280	19.9	1,085,535	16.8
Others	65,151	28.4	271,440	42.8	294,001	39.8
Total/Overall	<u>18,642,350</u>	28.6	<u>27,165,948</u>	34.7	<u>30,567,899</u>	34.0

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During the Track Record Period, we mainly sold coconut cream powder and non-dairy creamer products to our OEM customers, which were produced and packaged according to the stipulated specifications and requirements. The gross profit margin generated from our OEM customers increased from approximately 17.7% in 2014 to approximately 32.7% and 34.3% in 2015 and 2016, respectively, primarily attributable to the price increment of our products sold to certain OEM customers and a comparatively higher average exchange rate of US\$ against RM for 2015 and 2016 as compared to that for 2014.

During the Track Record Period, we maintained stable gross profit margin generated from our distributors of approximately 42.0%, 43.4% and 41.9%, respectively. We recorded higher gross profit margin from our distributors than our other types of customers primarily attributable to the fact that (i) we sold our products under the global brands of “Santan” and “Cocos” (which were sold at higher prices than “Rasa Enak” products) to our distributors; and (ii) we sold our products at higher prices to our distributors mainly because we sold our branded products to them exclusively in their specified territories and provided more advertising and promotional support than other types of customers.

The gross profit margin generated from our industrial customers fluctuated during the Track Record Period (which was approximately 30.7%, 26.8% and 35.5%, respectively) primarily due to (i) different customer and product mix; and (ii) the bargaining outcome as there was no fixed or long term agreement signed with our industrial customers.

Since we sold a majority of our low fat desiccated coconut products to trading companies, we recorded a lower gross profit margin generated from trading companies of approximately 21.4% in 2016 as compared with that of approximately 32.4% and 36.9% in 2014 and 2015, respectively, which was primarily attributable to the drop of average selling price of our low fat desiccated coconut products in 2016 mainly in respect of the market condition.

During the Track Record Period, we maintained stable gross profit margin generated from our wholesaler customers of approximately 18.0%, 19.9% and 16.8%, respectively. We recorded lower gross profit margin from our wholesaler customers than our other types of customers since our wholesaler customers purchased our products packaged under our “Rasa Enak” brand, which is aimed at the mid to mass sectors of the market, such as local grocery stores in Malaysia, at lower prices.

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Other net income

The following table sets out a breakdown of our other net income for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Net gain on disposal of property, plant and equipment	10,730	0.6	41,000	1.4	25,608	1.5
Net gain on foreign exchange differences	1,574,648	84.6	2,576,738	88.8	1,164,399	70.2
Rental income	216,000	11.6	216,000	7.4	216,000	13.0
Gain on disposal of an associate	—	—	—	—	40,206	2.4
Others (<i>Note</i>)	60,172	3.2	67,552	2.4	211,519	12.9
Total	<u>1,861,550</u>	<u>100.0</u>	<u>2,901,290</u>	<u>100.0</u>	<u>1,657,732</u>	<u>100.0</u>

Note: Others primarily comprised our income from the sale of scraps, and insurance claims.

Our net gain on disposal of plant and equipment primarily represented our gain arising from the sale of our motor vehicles, plant and machinery, and furniture, fitting and equipment.

Our net gain on foreign exchange differences primarily represented our net transactional and translational exchange gain primarily arising from the receipt of our trade receivables denominated in US\$ and the translation of our US\$-denominated trade receivables into RM, respectively.

Our rental income primarily represented our income generated from renting of a property to a third party under an operating lease. Please refer to “Business — Leased properties — As lessor” of this prospectus for further details of our leased properties.

Our gain on disposal of an associate primarily represented our disposal gain on an inactive associate, M Ace Thailand, during our Reorganisation in December 2016. Please refer to “History, Reorganisation and corporate structure — Disposal of inactive entities — (iii) Disposal of M Ace Thailand” of this prospectus for further details of our disposal of M Ace Thailand.

Our other net income increased by approximately 55.9% from approximately RM1.9 million in 2014 to approximately RM2.9 million in 2015 primarily attributable to an increase in our net gain on foreign exchange differences principally as a result of a greater rate of appreciation of US\$ against RM during 2015 as compared to that during 2014.

Our other net income decreased by approximately 42.9% to approximately RM1.7 million in 2016 primarily attributable to a decrease in our net gain on foreign exchange differences principally as a result of a gentler appreciation of US\$ against RM during 2016 as compared to that during 2015.

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Selling and distribution expenses

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Advertising and promotion expenses	1,741,331	36.9	1,951,459	36.3	2,358,751	41.9
Transportation and freight charges	1,569,116	33.2	1,916,610	35.7	1,842,913	32.8
Staff costs	823,881	17.5	808,870	15.1	728,377	12.9
Travel and accommodation expenses	159,257	3.4	234,423	4.4	241,269	4.3
Others (<i>Note</i>)	427,583	9.0	462,503	8.5	455,559	8.1
Total	<u>4,721,168</u>	<u>100.0</u>	<u>5,373,865</u>	<u>100.0</u>	<u>5,626,869</u>	<u>100.0</u>

Note: Others primarily comprised our rental expenses in respect of our warehouses, motor vehicle expenses, commission to sales agents, and endorsement and legalisation fees.

Our advertising and promotion expenses primarily represented the expenses on samples to our customers, the expenses on marketing our food products through various channels, including online platforms, advertisements on billboards, paper media, etc., and the expenses on various food exhibitions and trade shows.

Our transportation and freight charges primarily represented the expenses incurred to transportation and logistics companies for delivery of our food products to our customers.

Our staff costs primarily represented our sales and marketing staff's salaries and wages, sales commission, contributions to employees' provident fund and other staff benefits.

Our travel and accommodation expenses primarily represented the travelling and hotel expenses incurred by our sales and marketing staff and our management for business trips.

Our selling and distribution expenses increased by approximately 13.8% from approximately RM4.7 million in 2014 to approximately RM5.4 million in 2015 primarily attributable to (i) an increase in our advertising and promotion expenses outside Malaysia to boost our overseas sales; and (ii) an increase in our transportation and freight charges mainly incurred for the export sale of our food products which was primarily in line with an increase in our overseas sales.

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Our selling and distribution expenses increased by approximately 4.7% to approximately RM5.6 million in 2016 primarily attributable to an increase in our advertising and promotion expenses outside Malaysia to boost our overseas sales.

Administrative expenses

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Staff costs	3,748,889	73.9	4,381,261	73.5	5,017,772	62.5
Listing expenses	—	—	—	—	1,856,600	23.1
Depreciation	296,924	5.9	279,320	4.7	290,672	3.6
Repair and maintenance	184,556	3.6	213,861	3.6	130,356	1.6
Utilities	146,649	2.9	137,730	2.3	168,872	2.1
Insurance expenses	125,705	2.5	94,242	1.6	66,964	0.8
Bank charges	107,444	2.1	97,061	1.6	44,596	0.6
Bad debts written off	109,074	2.1	5,323	0.1	51,879	0.6
Provision for tax penalty	—	—	318,539	5.3	—	—
Others (<i>Note</i>)	354,808	7.0	431,103	7.3	406,961	5.1
Total	5,074,049	100.0	5,958,440	100.0	8,034,672	100.0

Note: Others primarily comprised our office expenses, auditors' remuneration, and legal and professional fees.

Our staff costs primarily represented our administrative and management staff's and Directors' salaries and wages, bonuses, contributions to employees' provident fund and other staff benefits.

Our listing expenses primarily represented the professional services fees incurred to professional parties by our Company in relation to the Listing. Please refer to "Listing expenses" in this section for further details of our listing expenses.

Our depreciation primarily represented the depreciation charged for our furniture, fitting and equipment, and our office buildings.

Our repair and maintenance primarily represented the expenses to repair and maintain our furniture, fitting and equipment, and our office buildings.

Our utilities primarily represented the water, electricity and telephone charges of our office buildings.

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Our bank charges primarily represented the charges made by our banks for telegraphic transfers and other banking services.

Our insurance expenses primarily represented the insurance premium paid for the insurance policies to cover our properties and assets.

Our bad debts written off primarily represented the written off our irrecoverable trade receivables due from our customers.

Our provision of tax penalty represented the estimated tax penalty that the Inland Revenue Board of Malaysia (“**IRB**”) may potentially levy at 45% of the income tax on the understatement of the chargeable income of S&P Industries in 2015.

In the statutory audited financial statements of S&P Industries for the year ended 31 December 2015 which were prepared in accordance with Private Entity Reporting Standards (“**2015 Historical Statutory Financial Statements**”) (which was audited by a previous local auditor), it included an inventory written off of approximately RM2.8 million in the cost of sales. Such inventory written off was claimed for tax deduction in Malaysia Income Tax return of S&P Industries for the year of assessment 2015 (“**2015 Tax Return**”). Owing to an unexpected high demand for our inventories, there was a consequential need for S&P Industries to reinstate the values of these inventories to their original costs prior to their sale. The reinstatement in the values of these inventories necessitates a prior year adjustment to be made to reverse the entire amount of inventory written off of approximately RM2.8 million which were recognised in 2015 Historical Statutory Financial Statements.

Where a person has made an incorrect return by an omission or understatement of income and where no prosecution has been instituted against the person, Section 113(2) of the Malaysian Income Tax Act 1967 provides that the Director-General may require that person to pay a penalty equal to the amount of tax undercharged. Based on the IRB’s current practice, the Director-General has the discretionary power to impose penalties ranging from 20% to 45% on the amount of tax undercharged. To adhere to the prudence principle of accounting, S&P Industries has made a prior year adjustment to recognise a provision for tax penalty of approximately RM0.3 million. Our tax penalty provided represented a penalty of 45% of the additional tax that the IRB may potentially impose on S&P Industries should the claim for deduction on the inventory written off be challenged by the IRB in a tax audit.

After consultation by our Directors with an external Malaysian Tax Advisors, our Directors believe that our provision of tax penalty of approximately RM0.3 million is in no way an indication of non-compliance by S&P Industries with the Malaysian Income Tax Act 1967. Neither is this an

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indication that S&P Industries has wilfully evaded tax with intent, nor that the directors or senior management of S&P Industries were involved in any intentional misconduct, fraud or dishonesty, due to the following reasons:

- Our tax treatment has not yet been challenged by the IRB as no tax audit has been conducted by the IRB yet. The abovementioned provision for tax penalty is made out of an abundance of caution.
- The claim of deduction on inventory written off for the year of assessment 2015 was made in good faith and is valid and justified based on circumstances prevailing at that instance. S&P Industries has relied on its past experience and has consistently adopted a high standard and a very conservative and prudent approach in valuing perishable inventories.
- The sale of the written off inventories in 2016 was a rational, commercial decision made by S&P Industries, consequent to the sudden surge in demand for the inventories, rendering an immediate reversal of the previous write-off necessary.
- Should the tax matters for the year of assessment 2015 be reviewed by the IRB, the prior year adjustment of the reversal of inventory written off for the year ended 31 December 2015 increased the tax payable of S&P Industries for the same period. Such reversal correspondingly caused the increase in the value of opening inventories of S&P Industries for the year ended 31 December 2016 and resulted a lower tax liabilities of S&P Industries for the same period. On the combined basis, this would result an additional tax payable of 1% which amounted to approximately RM0.1 million, due to the reduction in the corporate tax rate from 25% for the year of assessment 2015 to 24% for the year of assessment 2016.

Our Directors further confirmed that all of these abovementioned effects were properly accounted for in our consolidated financial information in the relevant years set out in the Accountants' Report in Appendix I to this prospectus.

Our administrative expenses increased by approximately 17.4% from approximately RM5.1 million in 2014 to approximately RM6.0 million in 2015 primarily attributable to (i) an increase in our staff costs mainly due to the salary increment to our employees and Directors; and (ii) the provision for tax penalty of approximately RM0.3 million in 2015.

Our administrative expenses increased by approximately 34.8% to approximately RM8.0 million in 2016 primarily attributable to (i) the recognition of our listing expenses of approximately RM1.9 million in 2016; and (ii) an increase in our staff costs mainly due to the salary increment to our employees and Directors.

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Finance income

During the Track Record Period, our finance income represented the interest income derived from our bank deposits and amounted to approximately RM3,000, RM26,000 and RM11,000, respectively.

Finance costs

The following table sets out a breakdown of our finance costs for the periods indicated:

	For the year ended 31 December					
	2014		2015		2016	
	<i>RM</i>	%	<i>RM</i>	%	<i>RM</i>	%
Interest on bank overdrafts	15,765	3.0	19,326	4.8	28,630	8.5
Interest on bank loans	436,321	84.2	322,813	80.1	258,139	76.7
Other borrowing costs	56,437	10.9	51,839	12.9	41,810	12.4
Interest on finance leases	9,608	1.9	9,203	2.2	7,896	2.4
Total	518,131	100.0	403,181	100.0	336,475	100.0

Our finance costs represented the interest expenses incurred on our bank loans and overdrafts, and finance leases on our certain motor vehicles and plant and machinery, and other borrowing costs mainly in respect of commitment fees for our banking facilities.

Our finance costs decreased by approximately 22.2% from approximately RM0.5 million in 2014 to approximately RM0.4 million in 2015 and further decreased by approximately 16.5% to approximately RM0.3 million in 2016 primarily attributable to a decrease in interest expenses on our bank loans mainly due to (i) the gradual repayments of our long term bank loans during 2015 and 2016; and (ii) the reduction of the drawn down of our short term bank loans in 2016 as compared to that in 2014 and 2015.

Please refer to note 22(f)(i) of section B in the Accountants' Report in Appendix I to this prospectus for the sensitivity analysis of the change on the interest rate.

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Income tax expense

During the Track Record Period, our income tax expense comprised our current tax and deferred tax recognised for the year. The following table sets out a breakdown of our income tax expense and effective tax rate for the periods indicated:

	<u>For the year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Current tax - Malaysian Income Tax:			
Current year	2,439,793	4,577,143	4,360,401
Under/(Over) provision in respect of prior years	<u>3,504</u>	<u>24,977</u>	<u>(49,808)</u>
	2,443,297	4,602,120	4,310,593
Deferred tax:			
Origination and reversal of temporary differences	394,453	213,688	570,421
Effect on deferred tax balances resulting from a change in tax rate	<u>—</u>	<u>(80,100)</u>	<u>—</u>
	<u>394,453</u>	<u>133,588</u>	<u>570,421</u>
Total	<u>2,837,750</u>	<u>4,735,708</u>	<u>4,881,014</u>
Effective tax rate	27.9%	25.8%	26.8%

Our income tax expense increased by approximately 66.9% from approximately RM2.8 million in 2014 to approximately RM4.7 million in 2015 which was primarily in line with an increase in our profit before tax, leading to an increase in our taxable profit.

Our income tax expense remained relatively stable at approximately RM4.7 million and RM4.9 million in 2015 and 2016, respectively.

Our effective tax rate of approximately 25.8% in 2015 was lower than our effective tax rate of approximately 27.9% and 26.8% in 2014 and 2016, respectively, primarily attributable to a lower deferred tax expense recognised in 2015.

Current tax

We are subject to income tax calculated at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Under the current laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the BVI.

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Malaysian Income Tax has been provided at the statutory tax rate of 25%, 25% and 24% on the estimated taxable income arising in Malaysia in 2014, 2015 and 2016, respectively, except for the fact that certain of our Malaysian subsidiaries are entitled to a tax rate of 5% lower than the statutory tax rate for the first RM0.5 million of their chargeable income during the Track Record Period.

Hong Kong profits tax was calculated at the rate of 16.5% based on the estimated assessable profits arising in Hong Kong during the Track Record Period. During the Track Record Period, no Hong Kong profits tax was charged as there was no assessable profits arising in Hong Kong.

Deferred tax

Our deferred tax primarily represented the movement of our deferred tax assets and liabilities during the year which was primarily attributable to the deferred tax effect of (i) our property, plant and equipment; (ii) our unrealised foreign exchange differences; (iii) our tax loss carry-forwards; and (iv) our provisions.

Save for our provision for tax penalty as detailed in “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Administrative expenses” in this section, our Directors confirm that as at the Latest Practicable Date, (i) we have made all required tax filings under the relevant tax laws and regulations in the relevant jurisdictions and has paid all outstanding tax liabilities due; and (ii) we are not subject to any other dispute or potential dispute with the tax authorities in the relevant jurisdictions.

Profit for the year

Our profit for the year increased by approximately 85.4% from approximately RM7.3 million in 2014 to approximately RM13.6 million in 2015 primarily attributable to an increase in our gross profit mainly due to the foregoing reasons as discussed above.

Our profit for the year slightly decreased by approximately 1.9% to approximately RM13.4 million in 2016 primarily attributable to (i) a decrease in our other net income; and (ii) an increase in our administrative expenses, largely offset by an increase in our gross profit, mainly due to the foregoing reasons as discussed above.

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DISCUSSION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statements of financial position as at 31 December 2014, 2015 and 2016, which has been extracted from, and should be read in conjunction with the Accountants' Report in Appendix I to this prospectus.

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
ASSETS			
Non-current assets			
Property, plant and equipment	25,413,686	24,726,836	21,666,828
Interest in an associate	—	—	—
Deferred tax assets	209,391	122,329	49,464
	<u>25,623,077</u>	<u>24,849,165</u>	<u>21,716,292</u>
Current assets			
Inventories	17,064,016	22,007,643	19,924,361
Trade and other receivables	15,166,702	15,194,644	22,240,123
Cash and cash equivalents	9,414,655	16,661,792	10,115,057
	<u>41,645,373</u>	<u>53,864,079</u>	<u>52,279,541</u>
TOTAL ASSETS	<u><u>67,268,450</u></u>	<u><u>78,713,244</u></u>	<u><u>73,995,833</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	—*	—*	—*
Reserves	40,204,064	46,726,584	53,386,956
	<u>40,204,064</u>	<u>46,726,584</u>	<u>53,386,956</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	3,560,171	1,191,617	3,798,876
Deferred tax liabilities	2,105,818	2,152,344	2,649,900
	<u>5,665,989</u>	<u>3,343,961</u>	<u>6,448,776</u>
Current liabilities			
Loans and borrowings	4,813,543	8,750,374	3,259,833
Trade and other payables	15,850,454	16,748,406	9,073,811
Current tax liabilities	734,400	3,143,919	1,826,457
	<u>21,398,397</u>	<u>28,642,699</u>	<u>14,160,101</u>
Total liabilities	<u>27,064,386</u>	<u>31,986,660</u>	<u>20,608,877</u>
TOTAL EQUITY AND LIABILITIES	<u><u>67,268,450</u></u>	<u><u>78,713,244</u></u>	<u><u>73,995,833</u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><u>45,870,053</u></u>	<u><u>50,070,545</u></u>	<u><u>59,835,732</u></u>

* The balances represent amounts less than RM1.

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Property, plant and equipment

The following table sets out a breakdown of our property, plant and equipment as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Freehold land	2,597,046	2,597,046	397,046
Leasehold land with unexpired lease period of more than 50 years	279,551	271,248	262,945
Factory buildings and other buildings	13,552,367	13,270,401	13,007,558
Plant and machinery	8,476,432	8,030,905	7,348,358
Motor vehicles	8,776	81,537	63,370
Furniture, fitting, and equipment	446,314	458,999	451,714
Construction in progress	53,200	16,700	135,837
Total	25,413,686	24,726,836	21,666,828

Our property, plant and equipment mainly included (i) factory buildings and other buildings, primarily comprising our warehouses, factory premises and office premises; and (ii) plant and machinery primarily for the manufacturing and production of our food products.

During the Track Record Period, upon the completion of our construction in progress, we transferred approximately RM2.4 million, RM0.2 million and RM0.4 million from our construction in progress to our factory buildings and other buildings which were mainly related to the de-shelling and paring production section within our Perak Plant, and our factory workers' rest house.

Our property, plant and equipment decreased from approximately RM25.4 million as at 31 December 2014 to approximately RM24.7 million and RM21.7 million as at 31 December 2015 and 2016, respectively, primarily attributable to (i) the depreciation charged in 2015 and 2016; and (ii) the disposal of a vacant freehold land located in Batu Pahat, Johor with the carrying amount of RM2.5 million in 2016 to Ehsana Anggun Sdn. Bhd., a related company controlled by Mr. Tang and Mr. Lee. Our Directors' considered that, such vacant freehold land was not in line with the business direction, strategies, development and future plans of our Group, and we therefore disposed of such vacant freehold land with a view to streamlining our Group for the purposes of the Listing.

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Inventories

Our inventories comprised our packaging and raw materials, unpacked finished goods and finished goods. The following tables set out a breakdown of our inventories as at the dates indicated and our average inventory turnover days for the periods indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Packaging and raw materials	6,808,499	4,464,747	4,788,697
Unpacked finished goods	8,871,381	15,724,359	13,727,261
Finished goods	1,384,136	1,818,537	1,408,403
Total	17,064,016	22,007,643	19,924,361
	For the year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average inventory turnover days (<i>Note</i>)	113.8	139.3	129.6

Note: Our average inventory turnover days equals to the average of the opening and closing balances of our inventories divided by our cost of sales and multiplied by 365 days for the years ended 31 December 2014 and 2015, or 366 days for the year ended 31 December 2016.

Our packaging and raw materials primarily comprised (i) coconuts and white kernels; (ii) sodium caseinate; and (iii) maltodextrin, used for the production of our food products; and (iv) packaging materials.

Our unpacked finished goods mainly represented finished food products that have gone through the spray drying process but have yet been packaged in boxes.

Our finished goods primarily comprised our final food products that have been sealed and packed and are ready to be delivered to our customers.

Our inventories increased from approximately RM17.1 million as at 31 December 2014 to approximately RM22.0 million as at 31 December 2015 primarily due to an increase in our production volume of our coconut cream powder mainly due to (i) the increase in the forecasted sales demand of our coconut cream powder in the first quarter of 2016; (ii) the anticipation of an increasing trend of the overall market price of coconuts in 2016; and (iii) the slight drop of our unit purchase price of coconuts from our suppliers in the fourth quarter of 2015 as compared to the third quarter of 2015. Our inventories decreased to approximately RM19.9 million as at 31 December 2016 primarily due to an increase in the sale of our food products during the last quarter of 2016 which led to a reduction of our unpacked finished goods and finished goods.

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Our unpacked finished goods increased significantly from approximately RM8.9 million as at 31 December 2014 to approximately RM15.7 million and RM13.7 million as at 31 December 2015 and 2016, respectively, primarily due to (i) an increase in unpacked coconut cream powder in response to the increase in sales demand of our coconut cream powder products during the Track Record Period; and (ii) the consideration of having a flexibility to suit different packaging requests from our customers.

The fluctuation of our average inventory turnover days during the Track Record Period was mainly due to the foregoing reasons discussed above.

Although we had relatively long average inventory turnover days during the Track Record Period (ranging from approximately 113.8 days to 139.3 days) when compared to our average product shelf life of 12 to 24 months, (i) a significant portion (which was over 90%) of our unpacked finished goods and finished goods was aged within three months; and (ii) the majority of our long aged inventories (which were aged over three months) as at 31 December 2014, 2015 and 2016 were packaging materials which were capable for long term storage and raw materials (including sodium caseinate and maltodextrin) which were stored in good condition and durable for more than a period of 12 months.

In addition, we have implemented the following inventory management policies to minimise the slow inventory turnover risk:

- (i) Our factory manager reviews our inventory levels on a weekly basis with the objective of keeping proper inventory record and minimising waste of inventories arising from obsolescence and slow inventory movement;
- (ii) we conduct full stock count at least once every quarter with the objective of keeping proper inventory record and identifying and writing off obsolete, expired and/or damaged inventories when necessary; and
- (iii) we adopt a first in first out policy to utilise our unpacked finished goods and ship our finished goods with the objective of keeping a lower level of long aged finished goods and reducing the risk of deterioration and defects of our products.

The following table sets out an ageing analysis of our inventories as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within three months	15,518,757	21,212,474	17,295,760
Three to six months	1,265,500	277,755	1,660,072
Over six months	279,759	517,414	968,529
Total	17,064,016	22,007,643	19,924,361

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During the Track Record Period, we did not record any specific inventory provision due to the falling of net realisable value of our inventories below their corresponding costs, as a result of, among other things, being obsolete. Please refer to “Business — Inventory control and management” of this prospectus for further details of our inventory control and management policies.

As at the Latest Practicable Date, approximately 84.2% of our inventories as at 31 December 2016 was subsequently consumed or sold after the Track Record Period.

Trade and other receivables

The following tables set out a breakdown of our trade and other receivables as at the dates indicated and our average trade receivable turnover days for the periods indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Trade receivables	10,136,633	11,849,024	17,713,589
Amounts due from related parties	4,198,855	1,559,881	—
Deposits, prepayments and other receivables	831,214	1,785,739	4,526,534
Total	15,166,702	15,194,644	22,240,123

	For the year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average trade receivable turnover days (<i>Note</i>)	53.8	51.2	60.2

Note: Our average trade receivable turnover days equals to the average of the opening and closing balances of our trade receivables divided by our revenue and multiplied by 365 days for the years ended 31 December 2014 and 2015, or 366 days for the year ended 31 December 2016.

Trade receivables

Our trade receivables principally represented the outstanding balances to be received from our customers in relation to the sale of our food products.

Our trade receivables increased from approximately RM10.1 million as at 31 December 2014 to approximately RM11.8 million as at 31 December 2015 primarily in line with an increase in our revenue. Our trade receivables increased to approximately RM17.7 million as at 31 December 2016 primarily attributable to an increase in the sale of our food products during the last quarter of 2016 which led to an increase in our trade receivables aged within three months from approximately RM11.6 million as at 31 December 2015 to approximately RM17.0 million as at 31 December 2016.

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During the Track Record Period, we usually allowed credit periods of up to 60 days for our customers abroad, and up to 90 days for our domestic customers. We maintained stable average trade receivable turnover days of approximately 53.8 days and 51.2 days in 2014 and 2015, respectively, and increased to approximately 60.2 days in 2016 primarily attributable to an increase in the sale of our food products during the last quarter of 2016 which led to a larger extent of the increase in our trade receivables than the increase in our revenue.

The following table sets out an ageing analysis of our trade receivables based on invoice date as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within one month	4,163,053	5,678,461	7,759,610
One to two months	2,068,582	4,151,268	5,668,559
Two to three months	3,160,980	1,738,625	3,547,262
Over three months	<u>744,018</u>	<u>280,670</u>	<u>738,158</u>
Total	<u>10,136,633</u>	<u>11,849,024</u>	<u>17,713,589</u>

The following table sets out an ageing analysis of our trade receivables based on due date as at the dates indicated:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Not past due	6,152,867	9,210,902	11,630,086
Past due one to 30 days	3,689,063	2,118,836	5,586,854
Past due 31 to 60 days	257,421	239,596	478,103
Past due more than 60 days	<u>37,282</u>	<u>279,690</u>	<u>18,546</u>
	<u>10,136,633</u>	<u>11,849,024</u>	<u>17,713,589</u>

As at 31 December 2014, 2015 and 2016, our trade receivables of approximately RM4.0 million, RM2.6 million and RM6.1 million, respectively, (representing approximately 39.3%, 22.3% and 34.3%, respectively) were past due but not impaired. We considered that such balances were recoverable based on our historical experience and most of these past due trade receivables were settled subsequently. During the Track Record Period, we directly wrote off insignificant amount of bad debts of approximately RM0.1 million, RM5,000 and RM0.1 million, respectively. We did not hold any collateral over these past due balances.

Please refer to note 22(d) of section B in the Accountants' Report in Appendix I to this prospectus for further details of the credit risk of our trade receivables.

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As at the Latest Practicable Date, approximately 98.7% of our trade receivables as at 31 December 2016 was subsequently settled after the Track Record Period.

Amounts due from related parties

The following table sets out a breakdown of our amounts due from related parties as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Ms. Yeow Geok Tiang	2,763,287	—	—
CIA Ingredients	31,811	42,271	—
S&P Food Industries (M) Sdn. Bhd.	881,928	881,928	—
Ability House Sdn. Bhd.	312,710	316,705	—
M Ace Thailand	209,119	318,977	—
	4,198,855	1,559,881	—

Our amounts due from related parties mainly represented the net fund transfers from us to these related parties, including (i) Ms. Yeow Geok Tiang who is the spouse of Mr. Tang; (ii) CIA Ingredients and S&P Food Industries (M) Sdn. Bhd. and Ability House Sdn. Bhd. which were the related companies controlled by Mr. Tang and/or Mr. Lee; and (iii) M Ace Thailand which was our associate.

All amounts were non-trade in nature, unsecured, interest-free and repayable on demand as at 31 December 2014 and 2015. Our amounts due from related parties were fully settled in 2016.

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables mainly represented (i) our refundable GST; (ii) our payment for the acquisition of land; (iii) our prepayments for listing expenses; (iv) our prepayments to suppliers mainly for the procurement of our packaging and raw materials; (v) our rental and utility (including water, electricity and telephone, etc.) deposits for our leased premises; and (vi) our prepayments for staff, assets and other insurance premium.

Our other receivables, deposits and prepayments increased from approximately RM0.8 million as at 31 December 2014 to approximately RM1.8 million as at 31 December 2015 primarily attributable to an increase in other receivables mainly due to the recognition of refundable GST as at 31 December 2015 since GST was first implemented in April 2015 and exported goods are zero-rated from GST. Our other receivables, deposits and prepayments increased to approximately RM4.5 million as at 31 December 2016 primarily attributable to (i) the recognition of our prepayments of listing expenses of approximately RM1.1 million as at 31 December 2016; and (ii) our payment for the acquisition of land for the expansion of the site of our Perak Plant of approximately RM1.5 million as at 31 December 2016 which was subsequently refunded to us in 2017 due to the cancellation of the acquisition as such land was subsequently discovered to be subject to an easement (right-of-way).

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Trade and other payables

The following tables set out a breakdown of our trade and other payables as at the dates indicated and our average trade payable turnover days for the periods indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Trade payables	3,242,085	4,145,394	4,162,458
Advances from customers	788,337	1,005,776	437,094
Amounts due to Directors	9,213,725	8,720,321	—
Amount due to a related party	173,427	—	—
Other payables and accruals	<u>2,432,880</u>	<u>2,876,915</u>	<u>4,474,259</u>
Total	<u>15,850,454</u>	<u>16,748,406</u>	<u>9,073,811</u>

	For the year ended 31 December		
	2014	2015	2016
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average trade payable turnover days (<i>Note</i>)	25.3	26.3	25.7

Note: Our average trade payable turnover days equals to the average of the opening and closing balances of our trade payables divided by our cost of sales and multiplied by 365 days for the years ended 31 December 2014 and 2015, or 366 days for the year ended 31 December 2016.

Trade payables

Our trade payables principally represented the payables to our suppliers for the purchases of our packaging and raw materials, and coconut milk products.

Our trade payables increased from approximately RM3.2 million as at 31 December 2014 to approximately RM4.1 million as at 31 December 2015 primarily in line with an increase in our purchases mainly in relation to an increase in the sale of our food products. Our trade payables remained stable at approximately RM4.2 million as at 31 December 2016.

During the Track Record Period, our suppliers generally granted us credit periods up to 60 days. Our average trade payable turnover days remained stable at approximately 25.3 days, 26.3 days and 25.7 days in 2014, 2015 and 2016, respectively.

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The following table sets out an ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within one month	1,732,531	2,698,193	2,994,841
One to three months	1,331,529	1,306,786	1,060,168
Three to six months	92,705	51,857	7,508
Over six months	<u>85,320</u>	<u>88,558</u>	<u>99,941</u>
Total	<u>3,242,085</u>	<u>4,145,394</u>	<u>4,162,458</u>

Our Directors confirm that there had been no material defaults in payment of our trade payables during the Track Record Period.

As at the Latest Practicable Date, all of our trade payables as at 31 December 2016 was subsequently paid after the Track Record Period.

Amounts due to Directors and a related party

The following table sets out a breakdown of our amounts due to Directors and a related party as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Amounts due to Directors:			
Mr. Tang	6,431,271	6,287,271	—
Mr. Lee	755,178	2,433,050	—
Mr. Yap Boon Teong	<u>2,027,276</u>	—	—
	<u>9,213,725</u>	<u>8,720,321</u>	<u>—</u>
Amount due to a related party:			
Ms. Goh Soo Cheng	<u>173,427</u>	—	—

The amounts due to our executive Directors of Mr. Tang, Mr. Lee and Mr. Yap Boon Teong, and Ms. Goh Soo Cheng (who is the spouse of Mr. Lee) mainly represented net balances from the payments of operating expenses by Mr. Tang, Mr. Lee and Mr. Yap Boon Teong on behalf of our Group.

All amounts were non-trade in nature, unsecured, interest-free and repayable on demand as at 31 December 2014 and 2015. Our amounts due to a related party and Directors were fully repaid in 2015 and 2016, respectively.

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Advances from customers, and other payables and accruals

Our advances from customers mainly represented deposits placed by our customers for the purchases of our food products.

Our other payables and accruals mainly represented (i) accruals of our staff costs; (ii) provision for tax penalty; and (iii) accruals of our listing expenses.

Our advances from customers, and other payables and accruals increased from approximately RM3.2 million as at 31 December 2014 to approximately RM3.9 million as at 31 December 2015 primarily attributable to the provision for tax penalty in 2015. Our advances from customers, and other payables and accruals increased to approximately RM4.9 million as at 31 December 2016 primarily attributable to the accruals of our listing expenses of approximately RM1.7 million as at 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

We financed our operations primarily through the following means, including (i) capital contribution from our Shareholders; (ii) net cash inflow from our operating activities; and (iii) proceeds from loans and borrowings.

Our working capital requirements mainly comprised payments for (i) our cost of packaging and raw materials, and coconut milk products; (ii) staff costs; (iii) other operating and administrative expenses; (iv) finance costs; and (v) capital expenditures, mainly in relation to the acquisition of freehold land, factory buildings and other buildings, and plant and machinery.

During the Track Record Period, we did not experience any liquidity shortage and were able to repay our bank loans when they became due. We managed our liquidity risks by maintaining adequate reserves, banking facilities, continuously monitoring our forecasted and actual cash flows and matching the maturity profiles of our assets and liabilities.

In the future, we may need additional cash resources in the future as a result of (i) changing business conditions or other developments; and (ii) opportunities for investment, acquisition and collaborations of other similar actions. We expect that our working capital and other liquidity requirements will primarily be satisfied through a combination of (i) net cash inflow from our operating activities; (ii) banking facilities made available to us; and (iii) the proceeds from the Global Offering.

However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain extra credit facilities, or sell or issue equity securities, which might result in dilution to our Shareholders.

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Cash flows

Our cash and cash equivalents (including our cash and cash balances, and bank overdrafts) amounted to approximately RM9.4 million, RM14.8 million and RM8.1 million as at 31 December 2014, 2015 and 2016, respectively. The following table sets out a summary of our cash flows for the periods indicated:

	For the year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Net cash from operating activities	5,793,028	13,545,382	672,053
Net cash (used in)/from investing activities	(1,443,937)	(1,114,108)	1,334,542
Net cash used in financing activities	<u>(2,885,562)</u>	<u>(7,850,814)</u>	<u>(10,068,442)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,463,529</u>	<u>4,580,460</u>	<u>(8,061,847)</u>

Net cash from operating activities

During the Track Record Period, we derived our cash from operating activities principally from the receipts from the sale of our food products from our customers, while our cash used in operating activities was mainly related to the payments for the purchases of our packaging and raw materials, and coconut milk, expenses relating to operating activities and income tax.

Net cash from operating activities reflects our profit before tax adjusted for: (i) non-cash items, which primarily comprised depreciation of our property, plant and equipment and bad debts written off; (ii) the effects of changes in our working capital, which mainly comprised our inventories, trade and other receivables, and trade and other payables; and (iii) items not related to operating activities, principally including our finance income and finance costs.

In 2014, our net cash from operating activities was approximately RM5.8 million, comprising cash generated from operations of approximately RM6.9 million, subtracted by income tax paid of approximately RM1.1 million. Our cash generated from operations comprised operating profit before changes in working capital of approximately RM11.8 million and net negative adjustments for changes in working capital of approximately RM4.8 million. Net negative adjustments for changes in working capital primarily reflected by (i) an increase in inventories of approximately RM5.1 million; (ii) an increase in trade and other receivables of approximately RM1.0 million; and (iii) an increase in trade and other payables of approximately RM1.3 million.

In 2015, our net cash from operating activities was approximately RM13.5 million, comprising cash generated from operations of approximately RM15.7 million, subtracted by income tax paid of approximately RM2.2 million. Our cash generated from operations comprised operating profit before changes in working capital of approximately RM19.8 million and net negative adjustments for

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changes in working capital of approximately RM4.1 million. Net negative adjustments for changes in working capital primarily reflected by (i) an increase in inventories of approximately RM4.9 million; and (ii) an increase in trade and other payables of approximately RM0.9 million.

In 2016, our net cash from operating activities was approximately RM0.7 million, comprising cash generated from operations of approximately RM6.3 million, subtracted by income tax paid of approximately RM5.6 million. Our cash generated from operations comprised operating profit before changes in working capital of approximately RM18.5 million and net negative adjustments for changes in working capital of approximately RM12.2 million. Net negative adjustments for changes in working capital primarily reflected by (i) a decrease in inventories of approximately RM2.1 million; (ii) an increase in trade and other receivables of approximately RM6.6 million; and (iii) a decrease in trade and other payables of approximately RM7.7 million.

We had lower net cash from operating activities in 2016 as compared to that of 2014 and 2015, which was primarily attributable to (i) an increase in our trade receivables of approximately RM5.9 million mainly due to an increase in the sale of our food products during the fourth quarter of 2016; and (ii) the full settlement of our amounts due to Directors of approximately RM8.7 million in 2016.

Please refer to “Discussion of selected items of consolidated statements of financial position” in this section for further details and analysis of our working capital.

Net cash (used in)/from investing activities

During the Track Record Period, our cash used in investing activities mainly consisted of purchases of our property, plant and equipment, while our cash from investing activities mainly represented proceeds from disposal of our property, plant and equipment.

In 2014, our net cash used in investing activities was approximately RM1.4 million, which was mainly contributed by purchases of property, plant and equipment of approximately RM1.5 million mainly related to our plant and machinery.

In 2015, our net cash used in investing activities was approximately RM1.1 million, which was mainly contributed by purchases of property, plant and equipment of approximately RM1.5 million mainly related to our factory buildings and other buildings, and plant and machinery, partially offset by proceeds from disposal of property, plant and equipment of approximately RM0.3 million.

In 2016, our net cash from investing activities was approximately RM1.3 million, which was mainly contributed by proceeds from disposal of property, plant and equipment of approximately RM2.9 million mainly related to our freehold land, partially offset by purchases of property, plant and equipment of approximately RM1.6 million mainly related to our freehold land, factory buildings and other buildings, and plant and machinery.

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Net cash used in financing activities

During the Track Record Period, our cash from financing activities mainly consisted of draw down of new bank loans, while our cash used in financing activities mainly consisted of repayments of bank loans, interest and other borrowing cost payments and dividend payments.

In 2014, our net cash used in financing activities was approximately RM2.9 million, which was mainly contributed by (i) repayments of bank loans of approximately RM12.5 million; (ii) dividend payments of RM2.0 million; and (iii) payments of interest and other borrowing costs of approximately RM0.5 million, partially offset by draw down of bank loans of approximately RM12.2 million.

In 2015, our net cash used in financing activities was approximately RM7.9 million, which was mainly contributed by (i) repayments of bank loans of approximately RM12.7 million; (ii) dividend payments of RM7.1 million; and (iii) payments of interest and other borrowing costs of approximately RM0.4 million, partially offset by draw down of bank loans of approximately RM12.4 million.

In 2016, our net cash used in financing activities was approximately RM10.1 million, which was mainly contributed by (i) repayments of bank loans of approximately RM11.9 million; (ii) dividend payments of RM6.7 million; and (iii) payments of interest and other borrowing costs of approximately RM0.3 million, partially offset by draw down of bank loans of approximately RM9.0 million.

Sufficiency of working capital

Taking into account the financial resources available to us, including our available banking facilities, cash and cash equivalents on hand, cash flows generated from our operations and the estimated proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

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Net current assets

The following table sets out a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
				<i>(Unaudited)</i>
Current assets				
Inventories	17,064,016	22,007,643	19,924,361	16,737,379
Trade and other receivables	15,166,702	15,194,644	22,240,123	19,312,662
Cash and cash equivalents	<u>9,414,655</u>	<u>16,661,792</u>	<u>10,115,057</u>	<u>10,581,395</u>
	<u>41,645,373</u>	<u>53,864,079</u>	<u>52,279,541</u>	<u>46,631,436</u>
Current liabilities				
Loans and borrowings	4,813,543	8,750,374	3,259,833	1,402,899
Trade and other payables	15,850,454	16,748,406	9,073,811	6,447,985
Current tax liabilities	<u>734,400</u>	<u>3,143,919</u>	<u>1,826,457</u>	<u>1,414,657</u>
	<u>21,398,397</u>	<u>28,642,699</u>	<u>14,160,101</u>	<u>9,265,541</u>
Net current assets	<u>20,246,976</u>	<u>25,221,380</u>	<u>38,119,440</u>	<u>37,365,895</u>

Our net current assets increased from approximately RM20.2 million as at 31 December 2014 to approximately RM25.2 million as at 31 December 2015, which was primarily attributable to our net profit of approximately RM13.6 million generated in 2015, partially offset by the declared dividends of approximately RM7.1 million in 2015.

Our net current assets increased to approximately RM38.1 million as at 31 December 2016, which was primarily attributable to (i) our net profit of approximately RM13.4 million generated in 2016; (ii) proceeds from disposal of property, plant and equipment of approximately RM2.9 million in 2016; and (iii) proceeds from a new long term loan of RM3.0 million in the last quarter of 2016, partially offset by the declared dividend of approximately RM6.7 million in 2016.

Please refer to “Discussion of selected items of consolidated statements of financial position” in this section for further details of and analysis of the movements of the significant items of our current assets and current liabilities during the Track Record Period.

FINANCIAL INFORMATION

Our net current assets decreased to approximately RM37.4 million as at 30 April 2017. Such decrease in our net current assets could be reflected by (i) a decrease in our inventories; (ii) a decrease in our trade and other receivables; and (iii) an increase in our trade and other payables, partially offset by (i) an increase in our cash and cash equivalents; (ii) a decrease in our loans and borrowings; and (iii) a decrease in our current tax liabilities.

INDEBTEDNESS

Loans and borrowings

The following table sets out a breakdown of our loans and borrowings and range of their interest rates as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
				<i>(Unaudited)</i>
Non-current				
Finance lease liabilities - secured	73,001	25,083	—	—
Bank loans - secured	<u>3,487,170</u>	<u>1,166,534</u>	<u>3,798,876</u>	<u>3,798,876</u>
	<u>3,560,171</u>	<u>1,191,617</u>	<u>3,798,876</u>	<u>3,798,876</u>
Current				
Bank overdrafts - secured	—	1,850,910	1,999,595	—
Finance lease liabilities - secured	57,828	79,707	25,083	—
Bank loans - secured	<u>4,755,715</u>	<u>6,819,757</u>	<u>1,235,155</u>	<u>1,402,899</u>
Subtotal	<u>4,813,543</u>	<u>8,750,374</u>	<u>3,259,833</u>	<u>1,402,899</u>
Total	<u>8,373,714</u>	<u>9,941,991</u>	<u>7,058,709</u>	<u>5,201,775</u>
Interest rates per annum:				
- Bank overdrafts	N/A	7.20% to 7.81%	7.81%	N/A
- Finance lease liabilities	3.45% to 4.25%	3.45% to 4.25%	3.45%	N/A
- Bank loans	3.55% to 6.20%	3.84% to 5.60%	4.02% to 4.65%	4.05% to 4.52%

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The following tables set out the maturity profile of our bank loans and overdrafts, and finance lease liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i> <i>(Unaudited)</i>
Bank loans and overdrafts:				
Less than one year	4,755,715	8,670,667	3,234,750	1,402,899
After one year but within two years	789,315	84,582	387,097	997,080
After two years but within five years	1,844,240	322,090	1,430,936	1,495,620
After five years	<u>853,615</u>	<u>759,862</u>	<u>1,980,843</u>	<u>1,306,176</u>
Total	<u>8,242,885</u>	<u>9,837,201</u>	<u>7,033,626</u>	<u>5,201,775</u>
Finance lease liabilities:				
Less than one year	57,828	79,707	25,083	—
After one year but within two years	47,918	25,083	—	—
After two years but within five years	<u>25,083</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>130,829</u>	<u>104,790</u>	<u>25,083</u>	<u>—</u>

Our finance lease liabilities represented our obligations in relation to hire purchase agreements of our certain motor vehicles, and plant and machinery.

Our bank loans were secured by (i) our leasehold land amounting to approximately RM0.3 million, RM0.3 million, RM0.3 million and RM0.3 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively; (ii) our freehold land amounting to approximately RM2.6 million, RM2.6 million, RM0.1 million and RM0.1 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively; and (iii) our factory buildings and other buildings amounting to approximately RM13.6 million, RM13.3 million, RM11.8 million and RM11.6 million as at 31 December 2014, 2015 and 2016 and 30 April 2017, respectively. Our bank loans and overdrafts were also secured by personal guarantees given by Mr. Tang and Mr. Lee.

Our Directors confirm that the guarantees provided by our Directors will be released upon the Listing.

The following sets out a summary of the material covenants of our outstanding term loans and facilities as at 30 April 2017:

- we are typically required to use the term loans and facilities only for the purposes for which they were granted;

FINANCIAL INFORMATION

- we are obliged to provide the lenders, on a regular basis, our financial statements or allow them to access information regarding our application for other loans, financial activities and business operations from time to time;
- some of our loan agreements contain cross default clauses. If any material cross default occurs, these lenders are entitled to stop issuing loans, or accelerate payment of all or any part of the indebtedness owing under all the loan agreements, or terminate the loan agreements; and
- certain of our term loans and facilities are subject to a number of customary restrictive covenants including covenants that our relevant operating subsidiaries may not enter into any merger, joint venture or restructuring, or change their shareholding without prior written consent of the banks; or requirements in respect of capital adequacy, financial ratios, level of assets and indebtedness of our operating subsidiaries and the guarantors.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of our loans and borrowings. We have been able to repay our loans and borrowings when they became due and payable. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material default with regard to covenants and/or breaches of covenants under our loans and borrowings. In addition, our Directors confirm that there are no material covenants in our existing loans and borrowings that impose a substantial limitation on our ability to obtain further financing.

Banking facilities

As at 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement, the total credit facilities of bank loans and overdrafts granted to our Group amounted to approximately RM18.7 million, of which approximately RM12.7 million was not utilised, which were unrestricted and could be drawn down at any time.

Debt securities

As at 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement, we had no debt securities issued outstanding or authorised, or otherwise created but unissued.

Contingent liabilities

As at 31 December 2014, 2015 and 2016 and 30 April 2017, we did not have any significant contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition.

Our Directors confirm that, as at the Latest Practicable Date, there was no material change in our Group's contingent liabilities since 30 April 2017.

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Save as disclosed in “Indebtedness” in this section, we did not have other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as at 30 April 2017 (being the latest practicable date for the purpose of this indebtedness statement).

Material indebtedness change

Our Directors confirm that, as at the Latest Practicable Date, there was no material change in our Group’s indebtedness since 30 April 2017. Our Directors have further confirmed that, as at the Latest Practicable Date, we did not have any plans to raise any material debt financing shortly after the Listing.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

In 2014, 2015 and 2016, we paid an aggregate amount of approximately RM1.5 million, RM1.5 million and RM1.6 million, respectively, for capital expenditures on purchases of our property, plant and equipment.

We expect that our capital expenditure in 2017 and 2018 will be approximately RM15.6 million, and RM42.9 million, respectively, which are mainly related to the expansion and upgrading of our Perak Plant and the recommissioning of our Johor Plant. The related additional depreciation in 2017 and 2018 will be nil and approximately RM2.4 million, respectively.

COMMITMENTS

Capital commitments

Please refer to note 23(a) of section B in the Accountants’ Report in Appendix I to this prospectus for further details of our capital commitments.

Operating lease commitments

Please refer to note 23(b) of section B in the Accountants’ Report in Appendix I to this prospectus for further details of our operating lease commitments.

FINANCIAL INFORMATION

PROPERTY INTERESTS

Please refer to “Business — Properties — Owned properties” of this prospectus for the further details of our property interests.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors are of the opinion that these related party transactions were conducted on normal commercial terms.

Please refer to the note 24 of section B in the Accountants’ Report in Appendix I to this prospectus for further details of our related party transactions.

LISTING EXPENSES

Our total listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RM17.7 million (based on the mid-point of the indicative Offer Price range of HK\$0.48 per Offer Share). Among the estimated aggregate amount of our listing expenses, approximately RM6.6 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately RM11.1 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, of which approximately RM1.9 million has been recognised by our Group in 2016.

Our Directors are of the view that our financial results for the year ending 31 December 2017 are expected to be adversely affected by, among others, our listing expenses, the nature of which is non-recurring. Our Directors would also like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

Potential investors should note that our financial performance for the year ending 31 December 2017 is expected to be adversely affected by our estimated non-recurring listing expenses mentioned above, and may or may not be comparable to our financial performance in the past.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The table below sets out our certain key financial ratios as at the dates/for the periods indicated:

	Notes	For the year ended/ As at 31 December		
		2014	2015	2016
Net profit margin before interest and tax (%)	1	16.4%	23.9%	20.7%
Net profit margin (%)	2	11.3%	17.4%	14.9%
Current ratio	3	1.9	1.9	3.7
Quick ratio	4	1.1	1.1	2.3
Gearing ratio	5	0.2	0.2	0.1
Debt-to-equity ratio	6	N/A	N/A	N/A
Return on assets (%)	7	10.9%	17.3%	18.1%
Return on equity (%)	8	18.3%	29.2%	25.0%
Interest coverage ratio	9	20.7	46.5	55.2

Notes:

1. Net profit margin before interest and tax is calculated based on our profit for the year netting off our finance costs and income tax expense for the year divided by our revenue for the year, multiplied by 100%.
2. Net profit margin equals to our profit for the year divided by our revenue for the year, multiplied by 100%.
3. Current ratio equals to our total current assets divided by our total current liabilities as at the year end date.
4. Quick ratio equals to our total current assets less our inventories divided by our total current liabilities as at the year end date.
5. Gearing ratio equals to our total loans and borrowings divided by our total equity as at the year end date.
6. Debt-to-equity ratio equals to our net debts (being our total loans and borrowings net of our cash and cash equivalents) divided by our total equity as at the year end date.
7. Return on assets equals to our profit for the year divided by the closing balance of our total assets, multiplied by 100%.
8. Return on equity equals to our profit for the year divided by the closing balance of our total equity, multiplied by 100%.
9. Interest coverage ratio equals to our profit for the year netting off our finance costs and income tax expense divided by our finance costs.

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Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax, and net profit margin increased from approximately 16.4% and 11.3%, respectively, in 2014 to approximately 23.9% and 17.4%, respectively, in 2015 primarily attributable to an increase in our gross profit primarily due to the forgoing reasons as discussed in “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Gross profit and gross profit margin” in this section.

Our net profit margin before interest and tax, and net profit margin decreased to approximately 20.7% and 14.9%, respectively, in 2016 primarily attributable to (i) a decrease in our other net income mainly due to a decrease in our net gain on foreign exchange differences; and (ii) an increase in our administrative expenses mainly due to the recognition of our listing expenses.

Current ratio and quick ratio

Our current ratio and quick ratio remained stable at approximately 1.9 and 1.1, respectively, as at 31 December 2014 and 2015.

Our current ratio and quick ratio increased to approximately 3.7 and 2.3, respectively, as at 31 December 2016 primarily attributable to (i) an increase in trade receivables mainly due to an increase in the sale of our food products in the last quarter of 2016; (ii) fully repayments of our amounts due to Directors of approximately RM8.7 million as at 31 December 2015 in 2016; and (iii) a decrease in our loans and borrowings classified in current liabilities.

Gearing ratio

Our gearing ratio remained stable at approximately 0.2 as at 31 December 2014 and 2015.

Our gearing ratio decreased to approximately 0.1 as at 31 December 2016 primarily attributable to (i) a decrease in our bank loans; and (ii) an increase in our total equity due to net profit generated in 2016.

Debt-to-equity ratio

No debt-to-equity ratio is presented as at 31 December 2014, 2015 and 2016 because our cash and cash equivalents exceeded our loans and borrowings.

Return on assets

Our return on assets increased from approximately 10.9% in 2014 to approximately 17.3% in 2015 primarily attributable to (i) an increase in our net profit margin as discussed above; and (ii) the rate of increase in our net profit exceeding the rate of increase in our total assets mainly because we had a relatively high level of assets.

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Our return on assets increased to approximately 18.1% in 2016 primarily attributable to a decrease in our total assets mainly because of a decrease in our property, plant and equipment as discussed in “Discussion of selected items of consolidated statements of financial position — Property, plant and equipment” in this section.

Return on equity

Our return on equity increased from approximately 18.3% in 2014 to approximately 29.2% in 2015 primarily attributable to (i) an increase in our net profit margin as discussed above; and (ii) the declaration of dividends of RM7.1 million in 2015 which lowered the rate of increase in our total equity.

Our return on equity decreased to approximately 25.0% in 2016 primarily attributable to a decrease in our net profit margin as discussed above.

Interest coverage ratio

Our interest coverage ratio increased from approximately 20.7 in 2014 to approximately 46.5 in 2015 primarily attributable to (i) an increase in our net profit margin before interest and tax as discussed above; and (ii) a decrease in our finance costs primarily due to the forgoing reasons as discussed in “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Finance costs” in this section.

Our interest coverage ratio increased to approximately 55.2 in 2016 primarily attributable to a decrease in our finance costs primarily due to the forgoing reasons as discussed in “Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Finance costs” in this section.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the unaudited pro forma financial information in Appendix II to this prospectus for the details of our unaudited pro forma adjusted consolidated net tangible assets.

KPMG PLT AS A FIRM OF ACCOUNTANTS ACCEPTABLE TO THE STOCK EXCHANGE UNDER RULE 19.20(2) OF THE LISTING RULES

Rule 19.20 of the Listing Rules provides that the annual accounts of an overseas issuer must be audited by a person, firm or company who must be a practising accountant of good standing. Such person, firm or company must also be independent of the overseas issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants and, if the overseas issuer’s primary listing is or is to be on the Stock Exchange, must be either:

- (a) qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) for appointment as an auditor of a company; or

FINANCIAL INFORMATION

- (b) a firm of accountants acceptable to the Stock Exchange which has an international name and reputation and is a member of a recognised body of accountants.

KPMG PLT, a limited liability partnership established under Malaysian law, Chartered Accountants, Malaysia, was appointed as the auditor of our Malaysian subsidiaries under our Group for the financial year ended 31 December 2016. The statutory financial statements of our Malaysian subsidiaries under our Group for the financial year ended 31 December 2016 were prepared in accordance with IFRS issued by the International Accounting Standards Board and were audited by KPMG PLT.

We consider that KPMG PLT is a firm of accountants acceptable to the Stock Exchange in accordance with the requirements of Rule 19.20(2) of the Listing Rules on the basis that:

- (i) both KPMG PLT and KPMG, Certified Public Accountants, Hong Kong, are member firms of KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity;
- (ii) KPMG PLT's chartered accountants are governed by the Malaysian Institute of Accountants ("MIA"). MIA was established under the Accountants Act, 1967 in Malaysia as the statutory accountancy body that regulates, develops, supports and enhances the integrity and status of the profession while upholding the public interest;
- (iii) KPMG PLT is registered with MIA and the Audit Oversight Board ("AOB") in Malaysia and is subject to their inspections. AOB was established by the Securities Commission Malaysia under Section 31C of the Securities Commission Act 1993 in Malaysia to promote and develop an effective and robust audit oversight framework in Malaysia, to promote confidence in the quality and reliability of audited financial statements in Malaysia and to regulate auditors of public interest; and
- (iv) KPMG PLT has confirmed that it is independent from our Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Malaysia and the International Ethics Standards Board for Accountants.

We will prepare our annual accounts in accordance with IFRS. Such annual accounts will be audited by KPMG PLT under International Standards on Auditing issued by the International Auditing and Assurance Standards Board as required by Rule 19.21 of the Listing Rules.

MARKET RISKS

During the Track Record Period, we are principally subject to the interest rate risk, credit risk, liquidity risk, currency risk and commodity price risk. Please refer to notes 22(c) to 22(f) of section B in the Accountants' Report in Appendix I to this prospectus for further details of our risks.

FINANCIAL INFORMATION

FOREIGN EXCHANGE EXPOSURE

As we sell a majority of our food products to overseas customers in which these sales are principally denominated in US\$ and source part of our packaging and raw materials, and our coconut milk from OEM suppliers in which these purchases are principally denominated in US\$, we are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations. During the Track Record Period, benefited from the appreciation of US\$ against RM, our Group recorded a net gain on foreign exchange differences of approximately RM1.6 million, RM2.6 million and RM1.2 million, respectively.

We consider that US\$ had undergone a general appreciation during the Track Record Period and accordingly, there was an overall favourable effect on our revenue derived from overseas customers who settled in US\$ and unfavourable effect on our cost of purchases from certain overseas suppliers. We believe that we have sufficient gross profit margin to maintain our profitability in response to the foreign currency exchange fluctuations and the foreign currency exchange fluctuations will not materially and adversely affect our overall business operations and financial performance. Accordingly, we currently do not have a foreign currency hedging policy. We manage our foreign currency risk by closely monitoring the movement of foreign currency exchange rates and performing regular reviews of our net foreign exchange exposure. In the event of any change of circumstances and we consider that our exposure to foreign currency risk has heightened, we will implement necessary measures and policy to manage such risk, such as entering into foreign currency hedging transactions in the future.

Sensitivity analysis of foreign currency exchange rate

A 10% strengthening/weakening of RM against US\$ and THB at the end of each reporting period would have increased/(decreased) post-tax profit by the amounts shown below. The following analysis is based on foreign currency exchange rate variances that our Group considered to be reasonably possible at the end of each reporting period and assumes that all other variables, in particular interest rates, remained constant.

	For the year ended 31 December		
	2014	2015	2016
	RM	RM	RM
10% strengthening of RM against:			
US\$	(692,496)	(1,604,654)	(1,153,334)
THB	(25,214)	(27,094)	—
10% weakening of RM against:			
US\$	692,496	1,604,654	1,153,334
THB	25,214	27,094	—

Please refer to note 22(f)(ii) of section B in the Accountants' Report in Appendix I to this prospectus for further details of currency risk sensitivity analysis.

FINANCIAL INFORMATION

Analysis of effect of appreciation of exchange rate of US\$ against RM

The following table illustrates (i) the impact on our major profit or loss items; and (ii) the impact on our major balance sheet items, which are attributable to the appreciation of the exchange rate of US\$ against RM for the periods/as at the dates indicated:

	For the year ended/As at 31 December		
	2014	2015	2016
<i>Profit or loss</i>			
The effect of increase as a percentage of respective items attributable to appreciation of average exchange rate of US\$ against RM (%):			
- Revenue	2.4%	11.8%	4.3%
- Cost of sales	0.6%	2.5%	0.3%
- Gross profit	7.0%	29.5%	12.0%
Increase in gross profit margin attributable to the appreciation of average exchange rate of US\$ against RM (%)			
	1.3%	6.9%	2.7%
<i>Statements of financial position</i>			
The effect of increase as a percentage of respective items attributable to appreciation of closing exchange rate of US\$ against RM (%):			
- Trade and other receivables	2.8%	10.4%	2.8%
- Cash and cash equivalents	2.1%	15.1%	0.5%
- Trade and other payables	0.3%	0.7%	0.2%

DIVIDENDS

Edaran declared and paid the dividends of RM2.0 million, RM7.1 million and RM6.7 million to the then respective shareholders in 2014, 2015 and 2016, respectively. No dividend has been proposed and declared by our Group after the Track Record Period. Our Company currently does not have any predetermined dividend payout ratio. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future.

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The payment and the amount of any dividends of our Company, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors' discretion. Dividends may be paid only out of our distributable profits as permitted under the relevant laws.

DISTRIBUTABLE RESERVES

As at 31 December 2016, our Company had no distributable reserve available for distribution.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as disclosed otherwise in this prospectus, our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 December 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects. Our Directors also confirm that there have been no events since 31 December 2016 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND BUSINESS STRATEGIES

Please refer to “Business — Our business strategies” of this prospectus for further details of our business objectives and strategies.

REASONS FOR LISTING

Our Directors believe that the Listing would allow us access to and to raise funds through the capital markets both at the time of Listing and in the future. The Listing would strengthen our capital base and the proceeds obtained from the Listing would provide us with the financial capability to implement our expansion plans and business strategies. Our Directors consider the Stock Exchange to be mature and highly regarded, and recognise Hong Kong as an international finance centre. Our Directors believe that the Listing in Hong Kong would raise our Group’s profile and visibility on an international level and in the Asia Pacific region, and would assist us in expanding our global market reach through increased recognition of our brand name, and make our products known to new potential international customers. In addition, our Directors believe that the stringent disclosure requirements of the Stock Exchange would lead to higher transparency and credibility of our Group, which would be beneficial to us both in terms of our reputation and dependability with our customers, as well as improve our position when obtaining bank financing.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.48 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, we estimate that the net proceeds receivable by us from the Global Offering (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$99.4 million. We intend to apply such net proceeds in the following manner:

- approximately HK\$75.5 million, representing approximately 76% of our net proceeds from the Global Offering for expanding and upgrading our production facilities at our Perak Plant and facilitating the production of our coconut milk products by acquiring and installing machinery and equipment for coconut milk production, which we estimate will increase our production capacity for coconut milk products to approximately 22,560 metric tonnes per year, and which we expect to be completed in the second quarter of 2018, including:
 - approximately HK\$14.3 million or 14.4% of our net proceeds will be used as building costs for constructing an aseptic pre-processing plant, an aseptic filling station, extra coconut storage and white kernel cleaning station, of approximately 7,750 sq.m.; and
 - approximately HK\$61.2 million or 61.6% of our net proceeds will be used for purchasing machinery including aseptic packaging equipment, and coconut collection and processing equipment; and

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$9.9 million, representing approximately 10% of the net proceeds will be used for recommissioning of the Johor Plant, which would increase our annual maximum production capacity of our coconut cream powder products and our low fat desiccated coconut products by approximately 2,000 metric tonnes and 1,800 metric tonnes* respectively, which we expect to be completed in the third quarter of 2018, including:
 - approximately HK\$3.2 million or 3.2% of our net proceeds will be used for purchasing and installing a biomass boiler;
 - approximately HK\$3.2 million or 3.2% of our net proceeds will be used for building a waste water treatment plant; and
 - approximately HK\$3.5 million or 3.6% of our net proceeds will be used for purchasing and installing milk extraction equipment; and
- approximately HK\$2.5 million or 2.5% of our net proceeds will be used for advertising and promotion expenses, to facilitate the sales and marketing efforts of our Group in sourcing new customers in different countries, which we expect to be incurred over the next 12 months.
- approximately HK\$2.5 million or 2.5% of our net proceeds will be used for investing in new equipment (such as oil extraction equipment) to enhance our R&D capabilities, which we expect to be incurred in the fourth quarter of 2017.
- approximately HK\$9.0 million or 9.0% of our net proceeds will be used for our general corporate purposes and working capital.

* *Although the annual designed maximum capacity of the low fat desiccated coconut dryer is 1,800 metric tonnes, the actual annual maximum production capacity of low fat desiccated coconut (as a by-product of coconut cream powder) is approximately 700 metric tonnes as it is limited to the amount of coconut cream powder that is produced.*

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

Assuming that the Offer Size Adjustment Option is not exercised at all, if the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK\$10.3 million, respectively.

Assuming that: (i) the Offer Size Adjustment Option is exercised in full; and (ii) the Offer Price is HK\$0.48 per Offer Share, being the mid-point of the indicative Offer Price range, the estimated additional net proceeds receivable by us (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$18.5 million.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that: (i) the Offer Size Adjustment Option is exercised in full; and (ii) the Offer Price is HK\$0.52 per Offer Share, being the highest point of the indicative Offer Price range, the estimated additional net proceeds receivable by us (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$20.1 million.

Assuming that: (i) the Offer Size Adjustment Option is exercised in full; and (ii) the Offer Price is HK\$0.44 per Offer Share, being the lowest point of the indicative Offer Price range, the estimated additional net proceeds receivable by us (after deducting underwriting fees and commission and estimated expenses in connection with the Global Offering) will be approximately HK\$17.0 million.

The net proceeds will be used in the same proportions as disclosed above irrespective of: (i) whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range; and (ii) whether the Offer Size Adjustment Option is exercised.

If there is any material change to the use of proceeds as disclosed above after the Listing, we will make the appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised financial institutions in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

Aristo Securities Limited
Ballas Capital Limited
Dongxing Securities (Hong Kong) Company Limited
Ruibang Securities Limited
Easy One Securities Limited
Zhong Jia Securities Limited

INTERNATIONAL UNDERWRITERS

Aristo Securities Limited
Ballas Capital Limited
Dongxing Securities (Hong Kong) Company Limited
Ruibang Securities Limited
Easy One Securities Limited
Zhong Jia Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares to be offered as mentioned herein (including the additional Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement having been duly executed and delivered and having become unconditional in accordance with its terms, the Hong Kong Underwriters have agreed, severally, to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its own terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by Ballas Capital (for itself and on behalf of the Hong Kong Underwriters) with immediate effect by notice, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law, statute, ordinance, rule, guidelines, regulation, opinion, notice, circular, order, judgement, decree or ruling (“**Laws**”) or any material change or development involving a prospective material change in existing Laws or any material change or development involving a prospective material change in the interpretation or application thereof by any court or other competent authority of or affecting the Cayman Islands, the BVI, Hong Kong, Malaysia, Singapore or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”);
 - (ii) any material change or development involving a prospective material change in, or any event or series of events resulting or likely to result in any or representing any material change or development involving a prospective material change in, local, national or international financial, political, military, industrial, legal, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction;
 - (iii) the imposition or declaration of any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the New York Stock Exchange, the Nasdaq National Market, the Stock Exchange, the SGX-ST, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting any Relevant Jurisdiction;
 - (iv) any material change or development or event occurs involving a prospective material change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in any Relevant Jurisdiction;
 - (v) any material change or development or event occurs involving a prospective material change in the financial or operational condition, or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence,

UNDERWRITING

including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order for suspension of business by any government department or authority;

- (vi) any change or prospective change, or a materialisation of, any of the risks set out in “Risk factors” of this prospectus;
- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting any Relevant Jurisdiction;
- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act of terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly any Relevant Jurisdiction, or the declaration by any Relevant Jurisdiction of a national emergency or war;
- (ix) any event of force majeure or beyond the control of the Hong Kong Underwriters, including without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, tsunami, volcanic eruption, ice-storm, explosion, outbreak of disease or epidemic, acts of government, labour dispute, strike or lock-out involving directly or indirectly any Relevant Jurisdiction;
- (x) any imposition of any economic sanctions, in whatever form, directly or indirectly, by any Relevant Jurisdiction, or on any Relevant Jurisdiction, or against any member of our Group;
- (xi) an executive Director being charged or indicted or retained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship or taking part in the management of a company, or the commencement by any governmental authority of any investigation or other action against any executive Director in his or her capacity as such or an announcement by any governmental authority that it intends to take any such actions;
- (xii) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group will be materially and may, in the sole and absolute opinion of Ballas Capital (for itself and on behalf of the Hong Kong Underwriters), be materially and adversely affected;
- (xiii) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules, the Articles of Association, the Companies (WUMP) Ordinance, the SFO or any other applicable Laws by any member of our Group, our Controlling Shareholders, our executive Directors or Trinity;

UNDERWRITING

- (xiv) the commencement by any judicial, political, governmental or regulatory body or organisation of any investigation, claim, proceeding or other action, or announcing an intention to investigate or take such action, against any executive Director, any Controlling Shareholder, Trinity or any member of our Group;
- (xv) any litigation, or claim, or investigation, or action, being announced, threatened, or instigated against any member of our Group, any Controlling Shareholder, any executive Director or Trinity; or
- (xvi) any contravention by any member of our Group of the Companies Ordinance, the Companies (WUMP) Ordinance, the Listing Rules or applicable Laws,

which, in each case or in the aggregate, in the sole and absolute opinion of Ballas Capital (for itself and on behalf of the Hong Kong Underwriters):

- (A) is or may be or is likely to be materially adverse to, or materially or prejudicially affect, the business, financial or operational condition or prospects of our Company or our Group, or, to any present or prospective shareholder of our Company in his/her/its capacity as such;
 - (B) has or might have or is likely to have a material adverse effect on the success of the Hong Kong Public Offering, the International Placing or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (C) makes or will or is likely to make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Hong Kong Public Offering, the International Placing or the Global Offering, or a material part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the International Placing or the Global Offering to be performed or implemented in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of Ballas Capital:
- (i) any material breach of any of the warranties, representations, obligations or undertakings given by or imposed upon our Company, our Controlling Shareholders, our executive Directors or Trinity in the Hong Kong Underwriting Agreement and the International Underwriting Agreement or any matter or event showing any of such warranties, representations, obligations or undertakings to be untrue, inaccurate or misleading or having been breached in any material respect when given or repeated;

UNDERWRITING

- (ii) any material breach on the part of our Company, any of our Controlling Shareholders, any of our executive Directors or Trinity of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (iii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom;
- (iv) that any statement contained in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto), when it was issued, or has become untrue, incorrect in any material respect or misleading, or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice, other offering documents or any announcements (including any supplement or amendment thereto) is not, in all material respects, fair and honest and based on reasonable assumptions;
- (v) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of any member of our Group or any of our Controlling Shareholders or our executive Directors pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (vi) any valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole;
- (vii) that an order is made or a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group; and for the purpose of this paragraph (vii) only, “any member of our Group” shall mean any member of our Group where the value of its total assets, profits or revenue represents 5% or more under any of the percentage ratios defined under Rule 14.09 of the Listing Rules;
- (viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares (including any additional Shares that may be issued pursuant to the exercise of Offer Size Adjustment Option) to be issued or sold under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) revoked or withheld;

UNDERWRITING

- (ix) that our Company withdraws any of the offering documents issued in connection with the Global Offering (and/or any other documents used in connection with the contemplated subscription of the Offer Shares), collectively, the (“**Offer Documents**”) or the Global Offering;
- (x) that any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;
- (xi) other than with the approval of the Joint Global Coordinators, the issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription of our Shares) pursuant to the Companies (WUMP) Ordinance, the Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC; or
- (xii) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting, issuing or selling our Shares (including any additional Shares that may be issued pursuant to the exercise of Offer Size Adjustment Option) pursuant to the terms of the Global Offering,

then Ballas Capital (for itself and on behalf of the Hong Kong Underwriters) may, and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to: (i) the Global Offering (including the Offer Size Adjustment Option); (ii) the Share Option Scheme; (iii) any capitalisation issue, capital reduction or consolidation or sub-division of Shares; and (iv) the circumstances permitted pursuant to Rule 10.08 of the Listing Rules, we will not, within six months from the Listing Date, issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such issue (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders and each of Mr. Lee and Trinity (in respect of the First Six-Month Period (as defined below) only) has jointly and severally undertaken to the Stock Exchange that save as disclosed in this prospectus and except pursuant to: (i) the Global Offering (including the Offer Size Adjustment Option); and (ii) the Share Option Scheme, he/she/it will not and shall procure that the relevant registered holder(s) of our

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Shares, any associates or companies controlled by him/her/it, any nominees or trustees holding our Shares in trust for him/her/it (as the case may be), will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (a) (in respect of our Controlling Shareholders together with Mr. Lee and Trinity) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-Up Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company (except pursuant to any security (including a charge or a pledge) in favour of an authorised institution for a bona fide commercial loan) in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or
- (b) (in respect of our Controlling Shareholder only) in the period of a further six months commencing on the date on which the First Six-Month Period expires (“**Second Lock-Up Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) above, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders together with Mr. Lee and Trinity has undertaken to the Stock Exchange and to our Company that during the First Lock-up Period and Second Lock-up Period (as the case may be), he/she/it shall:

- (a) when he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

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Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to, among others, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-managers and the Hong Kong Underwriters that, except pursuant to the Capitalisation Issue, the Global Offering (including the Offer Size Adjustment Option) or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (“**First Six-month Period**”) without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital, debt capital or other securities, or any shares or other securities in our Company, or any interest therein;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share capital or other securities, or any of the share capital or other securities of our Company, or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (c) enter into any of the transactions described in (a) or (b) above with the same economic effect; or
- (d) agree or contract to, or publicly announce any intention to enter into any of the above transactions,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders and each of Mr. Lee and Trinity (in respect of the First Six-Month Period only) has undertaken to the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and our Company that, except pursuant to the Global Offering (including the Offer

UNDERWRITING

Size Adjustment Option) or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the First Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not:
 - (i) offer, accept subscription for, pledge, mortgage, charge (other than any pledge, mortgage or charge of the issued share capital of our Company in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, lend, assign, contract to sell, any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale assign or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of our Shares, share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any such Shares, share or debt capital or other securities or any interest therein whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership (collectively the “**Lock-up Securities**”), or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such Lock-Up Securities or any interest therein, or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distributions;
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above,

whether any such transaction described above is to be settled by delivery of the Lock-Up Securities, in cash or otherwise;

UNDERWRITING

- (b) at any time in the six month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”), he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its close associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any Controlling Shareholder will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/she/it or the relevant registered holder(s) or his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/she/it will take all reasonable steps to ensure that he/she/it or the relevant registered holder(s) or his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it will not create a disorderly or false market in the securities of our Company;
- (d) from the date of the Hong Kong Underwriting Agreement up to and including the expiry of (x) the Second Six-month Period (for the Controlling Shareholders); or (y) the First Six-month Period (for Mr. Lee and Trinity) he/she/it will:
 - (i) when he/she/it pledges or charges any Shares, share capital or other securities of our Company including but not limited to rights as to voting, dividend or distribution in the securities of our Company, in respect of which it or he/she/it is the beneficial owner, immediately inform the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and our Company, if required under the Listing Rules, the Stock Exchange in writing of such pledge or charge and the number of Shares or other securities of our Company, and the nature of interest, so pledged or charged; and
 - (ii) if and when he/she/it receives any indication, either verbal or written, from any pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company or interests in or rights attaching to the securities of our Company, will be sold, transferred or disposed of, immediately inform us, the Sole Sponsor, the Joint Global Coordinators and the Joint Bookrunners and, if required under the Listing Rules, the Stock Exchange of any such indication.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

UNDERWRITING

The International Placing

In connection with the International Placing, it is expected that our Company, our executive Directors and our Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters.

Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters are expected to severally agree to purchase or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We expect to grant to the International Placing Underwriters the Offer Size Adjustment Option, exercisable by Ballas Capital (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement to Monday, 10 July 2017 being the last business day prior to the Listing Date, at its sole and absolute discretion, to require us to allot and issue up to an aggregate of 40,500,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing to solely meet excess demand, if any, in the International Placing.

Our Company, our Controlling Shareholders and our executive Directors will agree to indemnify, among others, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the International Underwriting Agreement and any breach of the International Underwriting Agreement by us, our Controlling Shareholders or our executive Directors.

Underwriting commissions and expenses

The Hong Kong Underwriters will receive an underwriting commission of 4.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid in the manner as stipulated in the International Placing Agreement.

UNDERWRITING

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately RM17.7 million in total (based on the Offer Price of HK\$0.48, being the mid-point of the indicative Offer Price range between HK\$0.44 and HK\$0.52, and assuming the Offer Size Adjustment Option is not exercised) and will be payable by us.

Sole Sponsor's and Underwriters' interests in our Company

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Underwriters will receive an underwriting commission of 4.5% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commission and expenses are set out under "Underwriting commissions and expenses" in this section.

Save as disclosed above, none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is legally or beneficially interested in any shares of our subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Dongxing Securities is the Sole Sponsor for the listing of the Shares on the Stock Exchange. Aristo Securities, Ruibang Securities, Dongxing Securities and Ballas Capital are the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers of the Global Offering. Easy One Securities and Zhong Jia Securities are the Co-managers of the Global Offering.

The Global Offering initially comprises:

- (a) the Hong Kong Public Offering of 27,000,000 Offer Shares (subject to reallocation on the bases set out in “Hong Kong Public Offering — Reallocation” in this section below) in Hong Kong as described in “Hong Kong Public Offering” in this section below; and
- (b) the International Placing of 243,000,000 Offer Shares (subject to reallocation on the bases set out in “Hong Kong Public Offering — Reallocation” in this section below and the Offer Size Adjustment Option as set out in “Offer Size Adjustment Option” in this section below) outside the United States in reliance on Regulation S.

Investors may either: (a) apply for Offer Shares under the Hong Kong Public Offering; or (b) apply for or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both.

Reasonable steps will be taken to identify and reject: (a) applications in the Hong Kong Public Offering from investors who have applied for Offer Shares under the International Placing; and (b) applications or indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States, in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing may be subject to adjustment and, in the case of the International Placing only, the Offer Size Adjustment Option as set out in “Offer Size Adjustment Option” in this section below.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global offering will be conditional on, among other things:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange;
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the Underwriting Agreements in accordance with their respective terms; and
- (d) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between Ballas Capital (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Wednesday, 5 July 2017 and in any event not later than Thursday, 6 July 2017.

If, for any reason, the Offer Price is not agreed between Ballas Capital (for itself and on behalf of the Underwriters) and our Company by Thursday, 6 July 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Hong Kong Public Offering on the next business day following such lapse: (a) in the South China Morning Post (in English); (b) in the Hong Kong Economic Times (in

STRUCTURE OF THE GLOBAL OFFERING

Chinese); and (c) on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.spfood.com. In the event of such lapse, all application monies will be returned, without interest, on the terms set out in "How to apply for Hong Kong Offer Shares" of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time).

Share certificates for the Offer Shares are expected to be issued on Monday, 10 July 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 11 July 2017 provided that: (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of shares certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and Ballas Capital (for itself and on behalf of the Underwriters), agreeing on the Offer Price. The Hong Kong Public Offering and the International Placing are subject to the conditions set out in "Conditions of the Global Offering" in this section. The Hong Kong Underwriting Agreement and the International Underwriting Agreement shall be conditional upon each other.

Number of Offer Shares initially offered

Our Company is initially offering 27,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing, the number of Hong Kong Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue. Completion of the Hong Kong Public Offering is subject to the conditions set out in "Conditions of the Global Offering" in this section above. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and individual investors.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Assuming that the Offer Size Adjustment Option is not exercised, the total number of Shares available under the Hong Kong Public Offering will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, and is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B.

The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage of 1.0% , SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 13,500,000 Hong Kong Offer Shares, being 50% of the Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering, are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Assuming that the Offer Size Adjustment Option is not exercised, if the number of Offer Shares validly applied for under the Hong Kong Public Offering is:

- (a) 15 times or more but less than 50 times;
- (b) 50 times or more but less than 100 times; and
- (c) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering,

then the Offer Shares will be reallocated from the International Placing to the Hong Kong Public Offering such that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 81,000,000 Offer Shares (in the case of (a)), 108,000,000 Offer Shares (in the case of (b)) and 135,000,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Offer Size Adjustment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be reallocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner

STRUCTURE OF THE GLOBAL OFFERING

as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, at their sole and absolute discretion, reallocate International Placing Shares as they deem appropriate from the International Placing to the Hong Kong Public Offering to satisfy in whole or in part the excess valid applications in the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed for, Ballas Capital may, at its sole and absolute discretion, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as Ballas Capital deems appropriate.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.52 per Offer Share in addition to any brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK\$2,626.20 for one board lot of 5,000 Shares. If the Offer Price, as finally determined in the manner described in "Price determination of the Global Offering" in this section below, is less than the maximum price of HK\$0.52 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to "How to apply for Hong Kong Offer Shares" of this prospectus for further details.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

The International Placing is expected to be fully underwritten by the International Underwriters on a several basis. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

Number of Offer Shares offered

Our Company is initially offering 243,000,000 Offer Shares for subscription by professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the International Placing, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Offer Size Adjustment Option). Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of International Placing Shares will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

The International Placing is subject to the same conditions set out in "Conditions of the Global Offering" in this section above.

Allocation

The International Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The International Placing Shares will be allocated in accordance with the book-building process described in "Price determination of the Global Offering" in this section below, and is based on several factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to achieve a distribution of the Shares that would allow for the establishment of a solid professional and institutional shareholder base which will be beneficial to our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering and pursuant to the International Placing Underwriting Agreement, we expect to grant an Offer Size Adjustment Option to the International Underwriters, exercisable at the sole and absolute discretion of Ballas Capital (for itself and on behalf of the International Underwriters).

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the Offer Size Adjustment Option, the International Underwriters have the right, exercisable by Ballas Capital (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement to Monday, 10 July 2017, being the last business day prior to the Listing Date, at its sole and absolute discretion, to require our Company to allot and issue up to 40,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing to meet excess demand in the International Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Global Offering. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the International Underwriters to meet any excess demand in the International Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the International Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised at any future date. The allotment results announcement will be published on the Stock Exchange website at (www.hkexnews.hk) and our Company's website at (www.spfood.com).

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 5 July 2017, and in any event not later than Thursday, 6 July 2017, by agreement between Ballas Capital (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$0.52 per Offer Share and is expected to be not less than HK\$0.44 per Offer Share unless otherwise announced, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators will solicit from prospective investors indications of interest in acquiring the International Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Shares available under the Hong Kong Public Offering, are expected to be announced on Monday, 10 July 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

PRICE PAYABLE ON APPLICATION

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$0.52 for each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$0.52, appropriate fund repayments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applicants.

If, for any reason our Company and Ballas Capital (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by Thursday, 6 July 2017, the Global Offering will not proceed and will lapse.

REDUCTION OF THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering following the decision to make such reduction, publish notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range: (a) in the South China Morning Post (in English); (b) in the Hong Kong Economic Times (in Chinese); and (c) on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.spfood.com. Upon the issuance of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by Ballas Capital (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notices will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notices so published, the Offer Price, if agreed upon by Ballas Capital (for itself and on behalf of the Underwriters) with our Company, will under no circumstances be fixed outside the Offer Price range as stated in this prospectus. Applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once they are submitted, unless the number of Offer Shares and/or the Offer Price is/are reduced.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares offered under the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares available under the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (subject to the Offer Size Adjustment Option). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of and permission to deal in:

- (a) the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option); and
- (b) the Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Tuesday, 11 July 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. (Hong Kong time) on Tuesday, 11 July 2017.

The Shares will be traded in board lots of 5,000 Shares each and the stock code of the Shares will be 1695.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 from:

- (a) any of the following addresses of the Hong Kong Underwriters:

Aristo Securities Limited	Room 101, 1st Floor, On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong
Ruibang Securities Limited	9/F, Sang Woo Building 227-228 Gloucester Road Wanchai Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Dongxing Securities (Hong Kong) Company Limited	Room 6805-6806A, 68/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Ballas Capital Limited	Unit 1802, 18/F, 1 Duddell Street Central Hong Kong
Easy One Securities Limited	Room 2106B, 2108-2109 21/F, Wing On Centre 111 Connaught Road Central Hong Kong
Zhong Jia Securities Limited	Room 9, 8/F, One Island South 2 Heung Yip Street Hong Kong

(b) any of the branches of the following receiving bank:

The Bank of East Asia, Limited	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	King's Road Branch	Shop 2, G/F, S U P Tower, 75-83 King's Road, Quarry Bay
Kowloon	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
New Territories	Tai Wai Branch	Cheung Fung Mansion, 16-18 Tai Wai Road, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — S&P International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 29 June 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, 30 June 2017 — 9:00 a.m. to 5:00 p.m.
- Monday, 3 July 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 4 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 July 2017, the last application day or such later time as described in "10. Effect of bad weather on the opening of the applications lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully, otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (f) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that: (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any

HOW TO APPLY FOR HONG KONG OFFER SHARES

e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company, the Joint Global Coordinators and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “2. Who can apply” in this section above, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday,

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29 June 2017 until 11:30 a.m. on Tuesday, 4 July 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 July 2017 or such later time under “10. Effect of bad weather on the opening of the applications lists” in this section below.

No multiple applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** more than once and obtaining payment application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Environmental protection

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “S&P International Holding Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang-Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square 8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

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- (iv) (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- (vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominee's name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one

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of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, 29 June 2017 — 9:00 a.m. to 8:30 p.m. *(Note)*
- Friday, 30 June 2017 — 8:00 a.m. to 8:30 p.m. *(Note)*
- Monday, 3 July 2017 — 8:00 a.m. to 8:30 p.m. *(Note)*
- Tuesday, 4 July 2017 — 8:00 a.m. *(Note)* to 12:00 noon

Note:

These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 29 June 2017 until 12:00 noon on Tuesday, 4 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 4 July 2017, the last application day or such later time as described in “10. Effect of bad weather on the opening of the application lists” in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such

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instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 4 July 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees”, you must include:

- an account number; or

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- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

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For further details of the Offer Price, please refer to “Structure of the Global Offering — Price determination of the Global Offering” of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 10 July 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.spfood.com.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.spfood.com no later than 9:00 a.m. on Monday, 10 July 2017;
- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 10 July 2017 to 12:00 midnight on Sunday, 16 July 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 10 July 2017 to Thursday, 13 July 2017;
- in the special allocation results booklets which will be available for inspection during opening hours on Monday, 10 July 2017 to Wednesday, 12 July 2017 at the branches of the receiving bank.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Please refer to “Structure of the Global Offering” of this prospectus for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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(c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company believes or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.52 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in "Structure of the Global Offering — Conditions of the Global

HOW TO APPLY FOR HONG KONG OFFER SHARES

Offering” of this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 10 July 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 10 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 11 July 2017 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal collection

(a) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar at Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 10 July 2017, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 10 July 2017 by ordinary post and at your own risk.

(b) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 10 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Monday, 10 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

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- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph "Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) *If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 10 July 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 10 July 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) *If you apply via electronic application instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 10 July 2017 or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “11. Publication of Results” in this section above on Monday, 10 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 10 July 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 10 July 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-61, received from the Company's joint reporting accountants, KPMG PLT, Chartered Accountants, Malaysia, and KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF S&P INTERNATIONAL HOLDING LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of S&P International Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-61, which comprises the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016, the statement of financial position of the Company as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2014, 2015 and 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to Section B to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with the Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016, the Company's financial position as at 31 December 2016 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to Section B to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 18(c) to Section B to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG PLT

Chartered Accountants

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya, Selangor

Malaysia

29 June 2017

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

29 June 2017

A. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG PLT, Chartered Accountants, Malaysia ("KPMG Malaysia"), under separate terms of engagement with the Company in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Ringgit Malaysia)

	Section B Note	Year ended 31 December		
		2014	2015	2016
		RM	RM	RM
Revenue	4	65,181,204	78,343,631	89,795,056
Cost of sales		(46,538,854)	(51,177,683)	(59,227,157)
Gross profit		18,642,350	27,165,948	30,567,899
Other net income	5	1,861,550	2,901,290	1,657,732
Selling and distribution expenses		(4,721,168)	(5,373,865)	(5,626,869)
Administrative expenses		(5,074,049)	(5,958,440)	(8,034,672)
Profit from operating activities		10,708,683	18,734,933	18,564,090
Finance income	6	2,878	26,191	10,700
Finance costs	7	(518,131)	(403,181)	(336,475)
Net finance costs		(515,253)	(376,990)	(325,775)
Share of loss of an equity-accounted associate, net of tax		(6,637)	—	—
Profit before tax		10,186,793	18,357,943	18,238,315
Income tax expense	8	(2,837,750)	(4,735,708)	(4,881,014)
Profit for the year	9	7,349,043	13,622,235	13,357,301
Other comprehensive income, net of tax <i>Item that is or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations		—	285	3,071
Total comprehensive income for the year		<u>7,349,043</u>	<u>13,622,520</u>	<u>13,360,372</u>
Basic and diluted earnings per share (expressed in Sen):	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Ringgit Malaysia)

	Section B Note	As at 31 December		
		2014	2015	2016
		RM	RM	RM
ASSETS				
Non-current assets				
Property, plant and equipment	13	25,413,686	24,726,836	21,666,828
Interest in an associate	14	—	—	—
Deferred tax assets	20	209,391	122,329	49,464
		<u>25,623,077</u>	<u>24,849,165</u>	<u>21,716,292</u>
Current assets				
Inventories	15	17,064,016	22,007,643	19,924,361
Trade and other receivables	16	15,166,702	15,194,644	22,240,123
Cash and cash equivalents	17	9,414,655	16,661,792	10,115,057
		<u>41,645,373</u>	<u>53,864,079</u>	<u>52,279,541</u>
TOTAL ASSETS		<u>67,268,450</u>	<u>78,713,244</u>	<u>73,995,833</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	18(a)	—*	—*	—*
Reserves	18(b)	40,204,064	46,726,584	53,386,956
		<u>40,204,064</u>	<u>46,726,584</u>	<u>53,386,956</u>
Liabilities				
Non-current liabilities				
Loans and borrowings	19	3,560,171	1,191,617	3,798,876
Deferred tax liabilities	20	2,105,818	2,152,344	2,649,900
		<u>5,665,989</u>	<u>3,343,961</u>	<u>6,448,776</u>
Current liabilities				
Loans and borrowings	19	4,813,543	8,750,374	3,259,833
Trade and other payables	21	15,850,454	16,748,406	9,073,811
Current tax liabilities		734,400	3,143,919	1,826,457
		<u>21,398,397</u>	<u>28,642,699</u>	<u>14,160,101</u>
Total liabilities		<u>27,064,386</u>	<u>31,986,660</u>	<u>20,608,877</u>
TOTAL EQUITY AND LIABILITIES		<u>67,268,450</u>	<u>78,713,244</u>	<u>73,995,833</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>45,870,053</u>	<u>50,070,545</u>	<u>59,835,732</u>

* The balances represent amounts less than RM1.

3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Ringgit Malaysia)

	Section B Note	As at 31 December 2016 <i>RM</i>
ASSETS		
Non-current assets		
Investments in subsidiaries	25	49,144,630 -----
Current assets		
Other receivables	16	1,069,429 -----
TOTAL ASSETS		50,214,059 =====
EQUITY AND LIABILITIES		
Equity		
Share capital	18(a)	—*
Reserves	18(b)	47,288,026 -----
		47,288,026 -----
Current liabilities		
Other payables	21	2,926,033 -----
TOTAL EQUITY AND LIABILITIES		50,214,059 =====

* The balance represents an amount less than RM1.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Ringgit Malaysia)

Section B Note	Attributable to equity shareholders of the Company				
	Share capital (Note 18(a)) RM	Other reserve (Note 18(b)) RM	Translation reserve (Note 18(b)) RM	Retained earnings RM	Total equity RM
At 1 January 2014	— [*]	100,202	—	34,704,821	34,805,023
Profit for the year	—	—	—	7,349,043	7,349,043
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	7,349,043	7,349,043
Dividends paid by a subsidiary	—	—	—	(2,000,000)	(2,000,000)
18(c)	—	—	—	—	—
Issuance of ordinary shares of a subsidiary	—	49,998	—	—	49,998
At 31 December 2014	— [*]	150,200	—	40,053,864	40,204,064
At 1 January 2015	— [*]	150,200	—	40,053,864	40,204,064
Profit for the year	—	—	—	13,622,235	13,622,235
Other comprehensive income for the year	—	—	285	—	285
Total comprehensive income for the year	—	—	285	13,622,235	13,622,520
Dividends paid by a subsidiary	—	—	—	(7,100,000)	(7,100,000)
18(c)	—	—	—	—	—
At 31 December 2015	— [*]	150,200	285	46,576,099	46,726,584
At 1 January 2016	— [*]	150,200	285	46,576,099	46,726,584
Profit for the year	—	—	—	13,357,301	13,357,301
Other comprehensive income for the year	—	—	3,071	—	3,071
Total comprehensive income for the year	—	—	3,071	13,357,301	13,360,372
Dividends paid by a subsidiary	—	—	—	(6,700,000)	(6,700,000)
18(c)	—	—	—	—	—
At 31 December 2016	— [*]	150,200	3,356	53,233,400	53,386,956

* The balances represent amounts less than RM1.

5 CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Ringgit Malaysia)

	Section B Note	Year ended 31 December		
		2014	2015	2016
		RM	RM	RM
Cash flows from operating activities				
Profit before tax		10,186,793	18,357,943	18,238,315
Adjustments for:				
Depreciation of property, plant and equipment	9	2,092,854	1,933,149	1,801,980
Finance income	6	(2,878)	(26,191)	(10,700)
Finance costs	7	518,131	403,181	336,475
Bad debts written off	9	109,074	5,323	51,879
Share of loss of an equity-accounted associate, net of tax		6,637	—	—
Gain on disposal of an associate	9	—	—	(40,206)
Net gain on disposal of property, plant and equipment	9	(10,730)	(41,000)	(25,608)
Net gain on foreign exchange differences		(1,145,488)	(815,482)	(1,874,998)
Changes in working capital				
(Increase)/decrease in inventories		(5,101,207)	(4,943,627)	2,083,282
Increase in trade and other receivables		(993,623)	(33,265)	(6,555,854)
Increase/(decrease) in trade and other payables		1,269,306	897,952	(7,704,457)
Cash generated from operations		6,928,869	15,737,983	6,300,108
Income tax paid		(1,135,841)	(2,192,601)	(5,628,055)
Net cash from operating activities		5,793,028	13,545,382	672,053
Cash flows from investing activities				
Acquisition of property, plant and equipment		(1,494,704)	(1,475,419)	(1,601,646)
Proceeds from disposal of property, plant and equipment		47,889	335,120	2,885,282
Proceed from disposal of an associate		—	—	40,206
Interest received		2,878	26,191	10,700
Net cash (used in)/from investing activities		(1,443,937)	(1,114,108)	1,334,542

Section B	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Cash flows from financing activities			
Interest and other borrowing costs paid	(508,523)	(393,978)	(328,579)
Proceeds from new bank loans	12,182,000	12,424,000	8,952,000
Repayments of bank loans	(12,535,915)	(12,680,594)	(11,904,260)
Capital element of finance leases paid	(63,514)	(91,039)	(79,707)
Interest element of finance leases paid	(9,608)	(9,203)	(7,896)
Dividends paid by a subsidiary	(2,000,000)	(7,100,000)	(6,700,000)
Proceed from issuance of ordinary shares of a subsidiary	49,998	—	—
Net cash used in financing activities	<u>(2,885,562)</u>	<u>(7,850,814)</u>	<u>(10,068,442)</u>
Net increase/(decrease) in cash and cash equivalents	1,463,529	4,580,460	(8,061,847)
Cash and cash equivalents at 1 January	7,225,088	9,414,655	14,810,882
Effect of foreign exchange rate changes	726,038	815,767	1,366,427
Cash and cash equivalents at 31 December	<u>9,414,655</u>	<u>14,810,882</u>	<u>8,115,462</u>
	17		

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 10 November 2016.

The Company is an investment holding company and has not carried on any business since its incorporation save for the group reorganisation below. The Company and its subsidiaries (together, the “Group”) are principally engaged in manufacturing and trading of coconut cream powder, low fat desiccated coconut and other related products.

Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 29 December 2016. As all the companies now comprising the Group that took part in the Reorganisation were beneficially owned and controlled by Mr. Tang Koon Fook (“Mr. Tang”) and Mr. Lee Sieng Poon (“Mr. Lee”) (together the “Controlling Shareholders”) before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders. Accordingly, the Reorganisation is considered to be a business combination of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies now comprising the Group have been consolidated at the beginning of the Relevant Periods. The assets and liabilities of the consolidating companies are recognised and measured using the historical carrying amounts from the Controlling Shareholders’ perspective.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group as set out in Section A include the consolidated results of operations of the companies now comprising the Group for the Relevant Periods (or where the companies were incorporated at a date later than 1 January 2014, for the period from the date of incorporation to 31 December 2016) as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 as set out in Section A have been prepared to present the financial position of the Group as at the respective dates as if the current group structure had occurred at the beginning of the Relevant Periods.

As at the date of this report, no audited financial statements have been prepared for the Company, SP Coco Limited, S&P (Hong Kong) Holding Limited and Stancodex Pte. Ltd., as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation. The financial statements of the Malaysia incorporated subsidiaries of the Group were prepared in accordance with the Private Entities Reporting Standards issued by the Malaysian Accounting Standards Board.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Directly held					
SP Coco Limited (Note (a))	The British Virgin Islands 11 November 2016	United States Dollar ("USD") 1	100%	—	Investment holding
Indirectly held					
S&P (Hong Kong) Holding Limited (Note (b))	Hong Kong 25 November 2016	Hong Kong Dollar ("HK\$") 1	—	100%	Investment holding
Edaran Bermutu Sdn. Bhd. ("Edaran") (Note (c))	Malaysia 29 November 2001	Ringgit Malaysia ("RM") 100	—	100%	Investment holding
Radiant Span Sdn. Bhd. ("Radiant") (Note (c))	Malaysia 11 July 1998	RM100	—	100%	Investment holding
S&P Industries Sdn. Bhd. ("S&P Industries") (Note (c))	Malaysia 20 December 2004	RM5,000,000	—	100%	Manufacturing and trading of coconut cream powder, low fat desiccated coconut and related products
Rasa Mulia Sdn. Bhd. ("Rasa Mulia") (Note (c))	Malaysia 20 October 1999	RM50,000	—	100%	Trading of coconut cream powder, low fat desiccated coconut, ketupat, kerisik and related products
Shifu Ingredients Sdn. Bhd. ("Shifu") (Note (c))	Malaysia 4 July 1996	RM100,000	—	100%	Manufacturing of ketupat and kerisik
Stancodex Sdn. Bhd. ("Stancodex") (Note (c))	Malaysia 4 March 1998	RM2,400,004	—	100%	Trading of coconut cream powder, low fat desiccated coconut and related products

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Meridian Ace Sdn. Bhd. (Note (c))	Malaysia 13 November 1996	RM100,000	—	100%	Inactive
Stancodex Pte. Ltd. (Note (b))	Singapore 16 November 2015	Singapore Dollars (“SGD”) 50,000	—	100%	Inactive
S&P Industries (Shenzhen) Ltd. 椰康食品(深圳)有限公司 (Note (d) and (e))	The People’s Republic of China 9 February 2015	—	—	100%	Inactive

Notes:

- (a) No audited financial statements have been prepared for SP Coco Limited since its incorporation as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) No audited financial statements have been prepared for S&P (Hong Kong) Holding Limited and Stancodex Pte. Ltd. as they were newly incorporated in 2015 or 2016.
- (c) The statutory financial statements of these entities for the years ended 31 December 2014 and 2015 were audited by KCSM Chartered Accountants, Malaysia. KPMG Malaysia was appointed as the auditors of these entities for the year ended 31 December 2016, for which the statutory financial statements for these entities were issued prior to the date of this report.
- (d) The statutory financial statements of S&P Industries (Shenzhen) Ltd. for the period from 9 February 2015 (date of establishment) to 31 December 2015 were audited by Shenzhen Hualong Certified Public Accountants (深圳華隆會計師事務所).

The registered capital of this entity is USD100,000 and is required to be paid-up within 5 years of establishment. The registered capital was not paid up as at 31 December 2016.

The entity was disposed of to Mr. Tang on 23 March 2017.

- (e) The English translation of the company name is for reference only. The official name of this entity is in Chinese.

All companies now comprising the Group have adopted 31 December as their financial year end date.

This Historical Financial Information is presented in RM, unless otherwise stated.

2 STATEMENT OF COMPLIANCE

The Historical Financial Information sets out in this report has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted by the Group are set out in Note 3 of this Section B.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that will be effective for the accounting period beginning on or after 1 January 2017. The new and revised accounting standards and interpretations issued that will be effective for the accounting period beginning on or after 1 January 2017 are set out below.

	Effective for accounting periods beginning on or after
Amendments to IFRS 12, <i>Disclosure of Interests in Other Entities</i> (<i>Annual Improvements to IFRS Standards 2014-2016 Cycle</i>)	1 January 2017
Amendments to IAS 7, <i>Statement of Cash Flows: Disclosure Initiative</i>	1 January 2017
Amendments to IAS 12, <i>Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
IFRS 9, <i>Financial Instruments</i>	1 January 2018
IFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRIC 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to IFRS 1, <i>First-time Adoption of International Financial Reporting Standards (Annual Improvements to IFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to IFRS 2, <i>Share-based Payment: Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018

	Effective for accounting periods beginning on or after
Amendments to IFRS 4, <i>Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to IAS 28, <i>Investments in Associates and Joint Ventures (Annual Improvements to IFRS Standards 2014-2016 Cycle)</i>	1 January 2018
Amendments to IAS 40, <i>Investment Property: Transfers of Investment Property</i>	1 January 2018
IFRS 16, <i>Leases</i>	1 January 2019
IFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10, <i>Consolidated Financial Statements</i> and IAS 28, <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date yet to be confirmed

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether the Group should adopt any of these new requirements before their effective dates and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidances including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company do not expect the adoption of IFRS 15 would result in significant impact on the amounts reported on the consolidated financial statements of the Group in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of IFRS 15.

IFRS 16, Leases

IFRS 16, which upon the effective date will supersede IAS 17, *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments

and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 23(b), total operating lease commitments of the Group in respect of properties at 31 December 2016 amounted to RM213,800. The directors of the Company do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated financial statements as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the consolidated financial statements of the Group in the future.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(a) Basis of measurement

The Historical Financial Information have been prepared on the historical cost basis.

(b) Functional and presentation currency

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands and Hong Kong have their functional currencies in HK\$ and subsidiaries established in the Malaysia and Singapore have their functional currencies in RM and SGD respectively. As the Group mainly operates in Malaysia, RM is used as the presentation currency of the Historical Financial Information.

(c) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the Historical Financial Information are as follows:

(i) Impairment of property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable and the assets may be considered “impaired”, an impairment loss may be recognised. The carrying amounts of property, plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount is reduced to recoverable amount. The recoverable amount of property, plant and equipment is the greater of its fair value less cost of disposal and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group’s assets may not be available. In determining the value in use, expected cash flows generated by the asset are discounted to its present value, which requires significant judgement relating to the level of sales volumes, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, selling prices and the amount of operating costs.

(ii) Impairment losses for bad and doubtful debts

Receivables are reviewed periodically to assess whether impairment losses exist and if they exist, the amounts of the impairment losses is estimated. The estimate is based on historical loss experience for debtors with similar credit risk. The methodology and assumptions used in estimating future cash flows are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

(d) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The results of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for common control combinations (see below) in which all of the combining entities are ultimately controlled by the same controlling shareholders both before and after the business combination and that control is not transitory.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses (see Note 3(1)(ii)), unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised from the Controlling Shareholders' perspective. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the other reserve.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Historical Financial Information.

(e) **Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the Historical Financial Information using the equity method less any impairment losses (see Note 3(1)(ii)). The cost of the investment includes transaction costs. The Historical Financial Information includes the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses (see Note 3(1)(ii)). The cost of the investment includes transaction costs.

(f) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities comprising the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated into RM at the exchange rates which approximate the foreign exchange rates ruling at the dates of transactions. Statement of financial position items are translated into RM at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

In the Historical Financial Information, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve within equity.

(g) Financial instruments

(i) Financial assets

The Group initially recognises loans and receivables on the date when they are originated. The Group derecognises a financial asset or a part of it when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) Financial liabilities

The financial liabilities are individually recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability or a part of it when its contractual obligations are discharged or cancelled, or expired.

The non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

(h) Property, plant and equipment***(i) Recognition and measurement***

Freehold land and property under construction are measured at cost less any accumulated impairment losses (see Note 3(1)(ii)). Other items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses (see Note 3(1)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the lease term unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, in which case they are depreciated over their useful lives.

Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The principal annual rates of depreciation are as follows:

Leasehold land	2%
Factory buildings and other buildings	3%-4%
Plant and machinery	7%-20%
Motor vehicles	20%
Furniture, fittings and equipment	10%-15%

Depreciation methods and useful lives are reviewed at end of the reporting period, and adjusted as appropriate.

(i) **Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 3(h)(iii). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 3 (l)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of unpacked finished goods and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(l) Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and interest in an associate) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the amount of an impairment loss decrease and the decrease can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the cash-generating unit (or groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the reporting period in which the reversals are recognised.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and other benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Contributions to defined contribution retirement plans

The Group's contributions to statutory pension funds, which are defined contribution retirement plans, are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are either loaded onto the carrier at port or delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes goods and services tax or other sales taxes and is after deduction of any returns and trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income is recognised as other income.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in these consolidated statements of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor

taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segments' results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) **Fair value measurements**

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4 REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and trading of coconut cream powder, low fat desiccated coconut and other related products.

Revenue represented the sales value of coconut cream powder, low fat desiccated coconut, coconut milk and other related products to customers net of trade discounts and returns.

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Revenue from the sales of			
- Coconut cream powder	51,818,594	63,894,576	79,054,432
- Low fat desiccated coconut	4,628,759	7,632,361	3,546,111
- Coconut milk	4,042,456	3,480,808	3,415,093
- Others	4,691,395	3,335,886	3,779,420
	<u>65,181,204</u>	<u>78,343,631</u>	<u>89,795,056</u>

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the manufacturing and trading of coconut cream powder, low fat desiccated coconut and other related products. Therefore, management considers there is only one operating segment under the requirements of IFRS 8, *Operating Segments*. In this regard, no segment information is presented.

Geographical information

The following table sets out information on the geographical locations of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Malaysia	21,396,917	20,356,096	20,640,658
Jamaica	10,421,399	17,710,963	24,282,310
Saudi Arabia	6,996,298	7,086,718	9,364,308
United Arab Emirates	6,250,329	4,924,356	6,009,912
Belize	2,087,712	3,218,917	4,435,699
Other countries and regions	18,028,549	25,046,581	25,062,169
	<u>65,181,204</u>	<u>78,343,631</u>	<u>89,795,056</u>

The Group carries out its operations in Malaysia and all of the Group's non-current assets are located in Malaysia.

Major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue during the Relevant Periods:

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Company A (including all common control companies)	13,549,886	22,658,181	31,623,252
Company B*	<u>7,983,261</u>	<u>7,306,740</u>	<u>7,627,863</u>
	<u>21,533,147</u>	<u>29,964,921</u>	<u>39,251,115</u>

* The revenue from Company B for the years ended 31 December 2015 and 2016 was less than 10% of the Group's total revenue for the respective years.

5 OTHER NET INCOME

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Net gain on disposal of property, plant and equipment	10,730	41,000	25,608
Net gain on foreign exchange differences	1,574,648	2,576,738	1,164,399
Rental income	216,000	216,000	216,000
Gain on disposal of an associate	—	—	40,206
Others	<u>60,172</u>	<u>67,552</u>	<u>211,519</u>
	<u>1,861,550</u>	<u>2,901,290</u>	<u>1,657,732</u>

6 FINANCE INCOME

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Bank interest income	<u>2,878</u>	<u>26,191</u>	<u>10,700</u>

7 FINANCE COSTS

	Year ended 31 December		
	2014	2015	2016
	RM	RM	RM
Interest on bank overdrafts	15,765	19,326	28,630
Interest on bank loans	436,321	322,813	258,139
Interest on finance leases	9,608	9,203	7,896
Other borrowing costs	56,437	51,839	41,810
	<u>518,131</u>	<u>403,181</u>	<u>336,475</u>

8 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2014	2015	2016
	RM	RM	RM
Current tax – Malaysian Income Tax			
Current year	2,439,793	4,577,143	4,360,401
Under/(over) – provision in respect of prior years	3,504	24,977	(49,808)
	<u>2,443,297</u>	<u>4,602,120</u>	<u>4,310,593</u>
Deferred tax			
Origination and reversal of temporary differences	394,453	213,688	570,421
Effect on deferred tax balances resulting from a change in tax rate (see Note 8(b))	—	(80,100)	—
	<u>394,453</u>	<u>133,588</u>	<u>570,421</u>
	<u>2,837,750</u>	<u>4,735,708</u>	<u>4,881,014</u>

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Malaysian Income Tax has been provided at the statutory tax rates of 25%, 25% and 24% on the estimated chargeable income arising in Malaysia for the years ended 31 December 2014, 2015 and 2016, respectively, except for certain subsidiaries that are entitled to tax rates at 5% lower than the statutory tax rates for their first RM500,000 chargeable income during the Relevant Periods (see Note 8(b)).

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2014	2015	2016
	RM	RM	RM
Profit before tax	<u>10,186,793</u>	<u>18,357,943</u>	<u>18,238,315</u>
Income tax calculated using Malaysian statutory tax rates of 25%, 25% and 24% for the years ended 31 December 2014, 2015 and 2016, respectively	2,546,698	4,589,486	4,377,196
Effect of preferential tax rates charged on a portion of chargeable income for certain subsidiaries incorporated in Malaysia [#]	(52,407)	(71,757)	(65,997)
Effect of non-deductible expenses	182,238	300,937	619,222
Effect on deferred tax balances resulting from a change in tax rate*	—	(80,100)	—
Under/(over) – provision in respect of prior years	3,504	24,977	(49,808)
Effect of recognition of previously unrecognised temporary differences	184,239	(3,323)	341
Others	<u>(26,522)</u>	<u>(24,512)</u>	<u>60</u>
Income tax expense	<u>2,837,750</u>	<u>4,735,708</u>	<u>4,881,014</u>

[#] According to the tax regulations in Malaysia, certain subsidiaries with paid-up capital of RM2.5 million or below at the beginning of the basis year for taxation purpose are subject to lower corporate tax rates of 20%, 20% and 19% during the years ended 31 December 2014, 2015 and 2016, respectively, on chargeable income up to RM500,000. Chargeable income in excess of RM500,000 is charged at statutory tax rates.

The preferential tax rates are not applicable to the subsidiaries which have more than 50% of their paid-up capital owned by an entity with a paid-up capital exceeding RM2,500,000.

* The Malaysian statutory tax rate reduced from 25% to 24% with effect from the year beginning on 1 January 2016. Consequently, the deferred tax assets and liabilities as at 31 December 2015 are remeasured using the tax rate of 24%.

9 PROFIT FOR THE YEAR

	Section B Note	Year ended 31 December		
		2014	2015	2016
		RM	RM	RM
Profit for the year is arrived at after charging:				
Auditors' remuneration		120,600	124,800	76,000
Bad debts written off		109,074	5,323	51,879
Personnel expenses (including directors' emoluments):				
- Wages, salaries and other benefits		8,522,059	8,990,967	9,603,715
- Contributions to Employees' Provident Fund		557,920	587,938	668,042
Depreciation of property, plant and equipment	13	2,092,854	1,933,149	1,801,980
Cost of inventories #	15	46,538,854	51,177,683	59,227,157
Provision for tax penalty		—	318,539	—
Operating lease charges in respect of properties — minimum lease payments		305,184	339,698	302,431
Listing expenses		—	—	1,856,600
and after crediting:				
Gain on disposal of an associate	5	—	—	40,206
Net gain on disposal of property, plant and equipment	5	10,730	41,000	25,608
Net gain on foreign exchange differences	5	1,574,648	2,576,738	1,164,399
Rental income	5	216,000	216,000	216,000

Cost of inventories includes RM6,618,765, RM6,278,444 and RM6,192,963 relating to personnel expenses, depreciation and operating lease charges for the years ended 31 December 2014, 2015 and 2016, respectively, which the amounts are included in the respective total amounts disclosed separately above for each of these types of expenses.

10 DIRECTORS' EMOLUMENTS

Mr. Tang and Mr. Lee were appointed as directors of the Company on 10 November 2016 (date of incorporation) and were re-designated as executive directors on 22 March 2017. Mr. Yap Boon Teong and Ms. Wong Yuen Lee were appointed as executive directors of the Company on 22 March 2017. Mr. Fung Che Wai Anthony, Mr. Chong Yew Hoong and Mr. Ng Hock Boon were appointed as independent non-executive directors of the Company on 8 June 2017.

Certain directors of the Company received emoluments from the subsidiaries now comprising the Group. Directors' emoluments disclosed pursuant to section 381(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2014					
Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Employees' Provident Fund	Total	
<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	
Chairman and executive director					
Tang Koon Fook	—	457,987	—	53,280	511,267
Executive directors					
Lee Sieng Poon	—	332,603	—	39,528	372,131
Yap Boon Teong	—	234,633	16,642	29,646	280,921
Wong Yuen Lee	—	117,894	14,392	14,256	146,542
	—	<u>1,143,117</u>	<u>31,034</u>	<u>136,710</u>	<u>1,310,861</u>

Year ended 31 December 2015

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Employees' Provident Fund	Total
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Chairman and executive director					
Tang Koon Fook	—	527,308	104,000	73,248	704,556
Executive directors					
Lee Sieng Poon	—	388,793	80,900	55,067	524,760
Yap Boon Teong	—	246,657	25,000	31,656	303,313
Wong Yuen Lee	—	124,741	12,000	16,128	152,869
	—	<u>1,287,499</u>	<u>221,900</u>	<u>176,099</u>	<u>1,685,498</u>

Year ended 31 December 2016

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to Employees' Provident Fund	Total
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Chairman and executive director					
Tang Koon Fook	—	542,099	149,957	81,763	773,819
Executive directors					
Lee Sieng Poon	—	405,417	103,332	60,090	568,839
Yap Boon Teong	—	257,012	57,598	36,637	351,247
Wong Yuen Lee	—	130,163	28,125	18,663	176,951
	—	<u>1,334,691</u>	<u>339,012</u>	<u>197,153</u>	<u>1,870,856</u>

During the years ended 31 December 2014, 2015 and 2016, no emoluments have been paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three individuals are directors for the Relevant Periods whose emoluments are as disclosed in Note 10. The aggregate of the emoluments in respect of the remaining two individuals is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Salaries and other benefits	337,750	338,282	338,081
Discretionary bonuses	—	—	—
Contributions to Employees' Provident Fund	40,320	40,320	40,320
	<u>378,070</u>	<u>378,602</u>	<u>378,401</u>

The emoluments of the above individuals with the highest emoluments are within the following band:

	Year ended 31 December		
	2014	2015	2016
	Number of individuals	Number of individuals	Number of individuals
Nil to HK\$500,000	<u>2</u>	<u>2</u>	<u>2</u>

During the years ended 31 December 2014, 2015 and 2016, no emoluments have been paid to these highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in Note 1.

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land		Leasehold land with unexpired lease period of more than 50 years		Factory buildings and other buildings		Plant and machinery		Motor vehicles		Furniture, fitting and equipment		Construction in progress		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost																
At 1 January 2014	2,597,046	415,170	15,826,766	18,967,744	788,562	2,166,429	2,440,581	43,202,298								
Additions	—	—	—	1,275,147	—	166,357	53,200	1,494,704								
Disposals	—	—	—	(82,048)	—	(14,257)	—	(96,305)								
Transfers	—	—	2,440,581	—	—	—	—	—								
At 31 December 2014	<u>2,597,046</u>	<u>415,170</u>	<u>18,267,347</u>	<u>20,160,843</u>	<u>788,562</u>	<u>2,318,529</u>	<u>53,200</u>	<u>44,600,697</u>								
At 1 January 2015	2,597,046	415,170	18,267,347	20,160,843	788,562	2,318,529	53,200	44,600,697								
Additions	—	—	177,346	942,459	90,743	175,137	154,734	1,540,419								
Disposals	—	—	—	(334,199)	(201,585)	(46,820)	—	(582,604)								
Transfers	—	—	191,234	—	—	—	—	—								
At 31 December 2015	<u>2,597,046</u>	<u>415,170</u>	<u>18,635,927</u>	<u>20,769,103</u>	<u>677,720</u>	<u>2,446,846</u>	<u>16,700</u>	<u>45,558,512</u>								
At 1 January 2016	2,597,046	415,170	18,635,927	20,769,103	677,720	2,446,846	16,700	45,558,512								
Additions	300,000	—	32,403	648,223	—	113,722	507,298	1,601,646								
Disposals	(2,500,000)	—	(34,201)	(521,167)	—	(354,471)	—	(3,409,839)								
Transfers	—	—	371,461	16,700	—	—	(388,161)	—								
At 31 December 2016	<u>397,046</u>	<u>415,170</u>	<u>19,005,590</u>	<u>20,912,859</u>	<u>677,720</u>	<u>2,206,097</u>	<u>135,837</u>	<u>43,750,319</u>								

	Freehold land	Leasehold land with unexpired lease period of more than 50 years	Factory buildings and other buildings	Plant and machinery	Motor vehicles	Furniture, fitting and equipment	Construction in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation								
At 1 January 2014	—	127,316	4,129,951	10,395,812	739,433	1,760,791	—	17,153,303
Charge for the year	—	8,303	585,029	1,339,643	40,353	119,526	—	2,092,854
Disposals	—	—	—	(51,044)	—	(8,102)	—	(59,146)
At 31 December 2014	—	135,619	4,714,980	11,684,411	779,786	1,872,215	—	19,187,011
At 1 January 2015	—	135,619	4,714,980	11,684,411	779,786	1,872,215	—	19,187,011
Charge for the year	—	8,303	650,546	1,130,919	17,959	125,422	—	1,933,149
Disposals	—	—	—	(77,132)	(201,562)	(9,790)	—	(288,484)
At 31 December 2015	—	143,922	5,365,526	12,738,198	596,183	1,987,847	—	20,831,676
At 1 January 2016	—	143,922	5,365,526	12,738,198	596,183	1,987,847	—	20,831,676
Charge for the year	—	8,303	660,833	1,002,931	18,167	111,746	—	1,801,980
Disposals	—	—	(28,327)	(176,628)	—	(345,210)	—	(550,165)
At 31 December 2016	—	152,225	5,998,032	13,564,501	614,350	1,754,383	—	22,083,491
Carrying amounts								
At 31 December 2014	2,597,046	279,551	13,552,367	8,476,432	8,776	446,314	53,200	25,413,686
At 31 December 2015	2,597,046	271,248	13,270,401	8,030,905	81,537	458,999	16,700	24,726,836
At 31 December 2016	397,046	262,945	13,007,558	7,348,358	63,370	451,714	135,837	21,666,828

(a) Security

As of the end of the reporting period, the assets pledged to licensed banks for banking facilities granted to the Group (see Note 19) are as follows:

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Leasehold land	279,551	271,248	262,945
Freehold land	2,597,046	2,597,046	97,046
Factory buildings and other buildings	<u>13,552,367</u>	<u>13,270,401</u>	<u>11,791,483</u>
	<u>16,428,964</u>	<u>16,138,695</u>	<u>12,151,474</u>

(b) Assets held under finance leases

As of the end of the reporting period, the assets held under finance leases are as follows:

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Motor vehicles	8,776	62,534	—
Plant and machinery	<u>190,378</u>	<u>120,150</u>	<u>78,942</u>
	<u>199,154</u>	<u>182,684</u>	<u>78,942</u>

During the year ended 31 December 2015, addition to motor vehicles financed by new finance lease was RM65,000. There are no additions of property, plant and equipment made under finance leases during the years ended 31 December 2014 and 2016.

(c) **Assets leased out under operating lease**

The total future minimum lease payments receivable under non-cancellable operating lease are as follows:

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within 1 year	216,000	216,000	204,000
After 1 year but within 5 years	<u>216,000</u>	<u>578,000</u>	<u>374,000</u>
	<u>432,000</u>	<u>794,000</u>	<u>578,000</u>

The Group leases out a portion of a property under an operating lease. The lease typically runs for a period of three years, with an option to renew the lease. Lease payments are agreed at a fixed monthly amount. The lease does not include any contingent rentals.

(d) **The analysis of carrying amounts of properties is as follows:**

	<u>At 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
In Malaysia			
- freehold	9,413,167	9,423,706	7,253,368
- medium-term leases	<u>7,015,797</u>	<u>6,714,989</u>	<u>6,414,181</u>
	<u>16,428,964</u>	<u>16,138,695</u>	<u>13,667,549</u>
Representing:			
Factory buildings and other buildings	13,552,367	13,270,401	13,007,558
Interest in leasehold land with unexpired lease period of more than 50 years	279,551	271,248	262,945
Interest in freehold land	<u>2,597,046</u>	<u>2,597,046</u>	<u>397,046</u>
	<u>16,428,964</u>	<u>16,138,695</u>	<u>13,667,549</u>

14 INTEREST IN AN ASSOCIATE

			At 31 December		
			2014	2015	2016
			RM	RM	RM
Share of net assets			—	—	—
			<u>—</u>	<u>—</u>	<u>—</u>
			Effective ownership and voting interest		
			At 31 December		
Name of entity	Country of incorporation	Principal activity	2014	2015	2016
			%	%	%
M.Ace (Thailand) Co. Ltd.	Thailand	Inactive	25	25	—

M.Ace (Thailand) Co. Ltd., the only associate of the Group, was an inactive company with a paid-up capital of Thai Bhat (“THB”) 2,000,000 (approximately RM40,206). On 21 December 2016, the associate was disposed of to one of the Controlling Shareholders of the Group at a consideration of RM40,206.

15 INVENTORIES

		At 31 December		
		2014	2015	2016
		RM	RM	RM
Packaging and raw materials		6,808,499	4,464,747	4,788,697
Unpacked finished goods		8,871,381	15,724,359	13,727,261
Finished goods		1,384,136	1,818,537	1,408,403
		<u>17,064,016</u>	<u>22,007,643</u>	<u>19,924,361</u>
The amount of inventories recognised as an expense is as follows:				
Carrying amount of inventories sold		<u>46,538,854</u>	<u>51,177,683</u>	<u>59,227,157</u>

16 TRADE AND OTHER RECEIVABLES

	Section B Note	The Group			The Company	
		At 31 December			At	
		2014	2015	2016	31 December	
		RM	RM	RM	2016	RM
Trade receivables	16(a)	10,136,633	11,849,024	17,713,589	—	
Amounts due from related parties	16(b)	4,198,855	1,559,881	—	—	
Deposits, prepayments and other receivables		831,214	1,785,739	4,526,534	1,069,429	
		<u>15,166,702</u>	<u>15,194,644</u>	<u>22,240,123</u>	<u>1,069,429</u>	

All trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date is as follows:

	At 31 December		
	2014	2015	2016
	RM	RM	RM
Within 1 month	4,163,053	5,678,461	7,759,610
1 to 2 months	2,068,582	4,151,268	5,668,559
2 to 3 months	3,160,980	1,738,625	3,547,262
Over 3 months	744,018	280,670	738,158
	<u>10,136,633</u>	<u>11,849,024</u>	<u>17,713,589</u>

The following table sets out an ageing analysis of our trade receivables based on due date as at the dates indicated:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Not past due	6,152,867	9,210,902	11,630,086
Past due 1 to 30 days	3,689,063	2,118,836	5,586,854
Past due 31 to 60 days	257,421	239,596	478,103
Past due more than 60 days	37,282	279,690	18,546
	<u>10,136,633</u>	<u>11,849,024</u>	<u>17,713,589</u>

At 31 December 2014, 2015 and 2016, none of the Group's trade receivables was individually or collectively considered to be impaired. Trade receivables are due within 7 to 120 days from the date of invoice. Further details on the Group's credit policy are set out in Note 22(d).

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) The amounts due from related parties are non-trade in nature, unsecured, interest-free and recoverable on demand.

17 CASH AND CASH EQUIVALENTS

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Cash on hand	12,517	65,821	20,979
Bank balances in licensed banks	<u>9,402,138</u>	<u>16,595,971</u>	<u>10,094,078</u>
Cash and cash equivalents in the consolidated statements of financial position	9,414,655	16,661,792	10,115,057
Bank overdrafts (see Note 19)	—	<u>(1,850,910)</u>	<u>(1,999,595)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>9,414,655</u>	<u>14,810,882</u>	<u>8,115,462</u>

18 SHARE CAPITAL AND RESERVES

(a) Share capital

The Company was incorporated on 10 November 2016 as an exempted company with limited liability in the Cayman Islands with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the date of incorporation, 10 ordinary shares were allotted and issued as fully paid at par. Details of the changes in the Company's equity for the period from 10 November 2016 (date of incorporation) to 31 December 2016 are set out below:

	Share capital	Other reserve (Note 18(b)(i))	Retained earnings	Total
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
At 10 November 2016 (date of incorporation)	—*	—	—	—*
Issuance of shares for share swap pursuant to the Reorganisation	—*	49,144,626	—	49,144,626
Loss and total comprehensive income for the period	—	—	(1,856,600)	(1,856,600)
At 31 December 2016	<u>—*</u>	<u>49,144,626</u>	<u>(1,856,600)</u>	<u>47,288,026</u>

* The balances represent amounts less than RM1.

Pursuant to the Reorganisation as set out in Note 1, S&P (Hong Kong) Holding Limited acquired the entire equity interests in Edaran, Radiant, Rasa Mulia and Shifu from the Controlling Shareholders on 29 December 2016. On the same date, the Company issued and allotted 35 shares and 15 shares to TYJ Holding Limited and Trinity Holding Limited respectively to satisfy the purchase considerations (the "share swap").

The issued share capital in the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 represented the Company's issued share capital as if the current group structure and share swap had occurred at the beginning of the Relevant Periods.

(b) Reserves

(i) Other reserve

Other reserve of the Group represents the difference between the par value of the Company's shares issued and the aggregate amount of paid-up capital of Edaran, Radiant, Rasa Mulia and Shifu pursuant to the share swap as disclosed in Note 18(a), as if the current group structure and share swap had been occurred at the beginning of the Relevant Periods.

Other reserve of the Company represents the difference between the par value of the Company's shares issued and the equity in Edaran, Radiant, Rasa Mulia and Shifu acquired pursuant to the Reorganisation as disclosed in Note 1.

(ii) Translation reserve

The reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(f).

(c) Dividends

The Company did not pay any dividends during the period from 10 November 2016 (date of incorporation) to 31 December 2016.

Dividends for the Relevant Periods represent interim dividends declared by the Company's subsidiary, Edaran. The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the basis of preparation of the Historical Financial Information as disclosed in Note 1.

19 LOANS AND BORROWINGS

	Section B Note	At 31 December		
		2014	2015	2016
		RM	RM	RM
Non-current				
Finance lease liabilities - secured	19(a)	73,001	25,083	—
Bank loans - secured	19(b)	<u>3,487,170</u>	<u>1,166,534</u>	<u>3,798,876</u>
		<u>3,560,171</u>	<u>1,191,617</u>	<u>3,798,876</u>
Current				
Bank overdrafts - secured	19(b)	—	1,850,910	1,999,595
Finance lease liabilities - secured	19(a)	57,828	79,707	25,083
Bank loans - secured	19(b)	<u>4,755,715</u>	<u>6,819,757</u>	<u>1,235,155</u>
		<u>4,813,543</u>	<u>8,750,374</u>	<u>3,259,833</u>
		<u>8,373,714</u>	<u>9,941,991</u>	<u>7,058,709</u>

(a) Finance lease liabilities

Finance lease liabilities are payable as follows:

	At 31 December								
	2014			2015			2016		
	Present value of minimum lease payments	Interest	Future minimum lease payments	Present value of minimum lease payments	Interest	Future minimum lease payments	Present value of minimum lease payments	Interest	Future minimum lease payments
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Within one year	57,828	6,770	64,598	79,707	4,835	84,542	25,083	484	25,567
After one year but within two years	47,918	3,454	51,372	25,083	484	25,567	—	—	—
After two years but within five years	25,083	484	25,567	—	—	—	—	—	—
	<u>130,829</u>	<u>10,708</u>	<u>141,537</u>	<u>104,790</u>	<u>5,319</u>	<u>110,109</u>	<u>25,083</u>	<u>484</u>	<u>25,567</u>

(b) Bank loans and bank overdrafts

As of the end of the reporting period, the bank loans and overdrafts were repayable as follows:

	At 31 December		
	2014	2015	2016
	RM	RM	RM
Within one year	4,755,715	8,670,667	3,234,750
After one year but within two years	789,315	84,582	387,097
After two years but within five years	1,844,240	322,090	1,430,936
After five years	853,615	759,862	1,980,843
	<u>3,487,170</u>	<u>1,166,534</u>	<u>3,798,876</u>
	<u>8,242,885</u>	<u>9,837,201</u>	<u>7,033,626</u>

At 31 December 2015, certain bank loans of RM1,624,727 which were due after one year were classified as current liabilities as management settled these bank loans in 2016.

(i) Security

The bank loans and bank overdrafts are secured over the leasehold land, freehold land and factory buildings and other buildings (see Note 13(a)) and the limited personal guarantees given by Mr. Tang and Mr. Lee, the directors of the Company (see Note 24(c)).

(ii) Loan covenants

At 31 December 2014 and 2015, Stancodex, a subsidiary of the Group, has a secured term loan of RM1,754,508 and RM1,094,942, respectively. This loan is subject to the fulfilment of covenants relating to the subsidiary's gearing ratio and requires the subsidiary to maintain a minimum tangible net worth.

At 31 December 2014 and 2015, S&P Industries, a subsidiary of the Group, has a secured term loan of RM491,433 and RM150,528, respectively. This loan is subject to the fulfilment of covenants relating to the subsidiary's gearing ratio, requires the subsidiary to cap its inter-company trade and advances at certain limits and maintain its management and shareholders during the loan tenure.

The above loan covenants were released by the licensed banks during the year ended 31 December 2016.

Further details of the Group's management of liquidity are set out in Note 22(e). During the years ended 31 December 2014 and 2015, none of the covenants relating to the drawn down facilities had been breached.

20 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) are attributable to the following:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Property, plant and equipment	(1,966,815)	(1,954,809)	(2,010,922)
Unrealised foreign exchange differences	(286,372)	(370,335)	(777,218)
Tax loss carry-forwards	192,203	122,329	49,464
Provisions	<u>164,557</u>	<u>172,800</u>	<u>138,240</u>
	<u>(1,896,427)</u>	<u>(2,030,015)</u>	<u>(2,600,436)</u>
Representing:			
— Deferred tax assets	209,391	122,329	49,464
— Deferred tax liabilities	<u>(2,105,818)</u>	<u>(2,152,344)</u>	<u>(2,649,900)</u>
	<u>(1,896,427)</u>	<u>(2,030,015)</u>	<u>(2,600,436)</u>

Movements in temporary differences during the Relevant Periods:

	Property, plant and equipment	Unrealised foreign exchange differences	Tax loss carry- forwards	Provisions	Total
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
At 1 January 2014 (Charged)/credited to	(1,707,963)	—	193,000	12,989	(1,501,974)
profit or loss (see Note 8)	(258,852)	(286,372)	(797)	151,568	(394,453)
At 31 December 2014	<u>(1,966,815)</u>	<u>(286,372)</u>	<u>192,203</u>	<u>164,557</u>	<u>(1,896,427)</u>
At 1 January 2015	(1,966,815)	(286,372)	192,203	164,557	(1,896,427)
Credited/(charged) to profit or loss (see Note 8)	12,006	(83,963)	(69,874)	8,243	(133,588)
At 31 December 2015	<u>(1,954,809)</u>	<u>(370,335)</u>	<u>122,329</u>	<u>172,800</u>	<u>(2,030,015)</u>
At 1 January 2016	(1,954,809)	(370,335)	122,329	172,800	(2,030,015)
Charged to profit or loss (see Note 8)	(56,113)	(406,883)	(72,865)	(34,560)	(570,421)
At 31 December 2016	<u>(2,010,922)</u>	<u>(777,218)</u>	<u>49,464</u>	<u>138,240</u>	<u>(2,600,436)</u>

21 TRADE AND OTHER PAYABLES

Section B	Note	The Group			The Company
		At 31 December			At
		2014	2015	2016	31 December
		<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Trade payables	21(a)	3,242,085	4,145,394	4,162,458	—
Advances from customers		788,337	1,005,776	437,094	—
Amounts due to directors	21(b)	9,213,725	8,720,321	—	—
Amount due to a related party	21(b)	173,427	—	—	—
Amount due to a subsidiary	21(c)	—	—	—	1,177,660
Other payables and accruals		2,432,880	2,876,915	4,474,259	1,748,373
		<u>15,850,454</u>	<u>16,748,406</u>	<u>9,073,811</u>	<u>2,926,033</u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

- (a) As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within 1 month	1,732,531	2,698,193	2,994,841
1 to 3 months	1,331,529	1,306,786	1,060,168
3 to 6 months	92,705	51,857	7,508
Over 6 months	<u>85,320</u>	<u>88,558</u>	<u>99,941</u>
	<u>3,242,085</u>	<u>4,145,394</u>	<u>4,162,458</u>

- (b) The amounts due to directors and a related party are non-trade in nature, unsecured, interest-free and repayable on demand.
- (c) The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

22 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Section B Note	At 31 December		
		2014	2015	2016
		<i>RM</i>	<i>RM</i>	<i>RM</i>
Financial assets — loans and receivables				
Trade and other receivables*		14,823,144	13,690,315	19,703,305
Cash and cash equivalents	17	<u>9,414,655</u>	<u>16,661,792</u>	<u>10,115,057</u>
		<u>24,237,799</u>	<u>30,352,107</u>	<u>29,818,362</u>

* excluding prepayments and goods and services tax receivables

	Section B Note	At 31 December		
		2014	2015	2016
		RM	RM	RM
Financial liabilities measured at amortised costs				
Loans and borrowings	19	(8,373,714)	(9,941,991)	(7,058,709)
Trade and other payables**		(15,850,454)	(16,748,406)	(8,865,833)
		<u>(24,224,168)</u>	<u>(26,690,397)</u>	<u>(15,924,542)</u>

** excluding goods and services tax payables

(b) **Net gains/(losses) arising from financial instruments**

	Year ended 31 December			
	2014	2015	2016	
	RM	RM	RM	
Loans and receivables				
— Foreign exchange differences	1,806,932	2,561,887	1,249,879	
— Finance income	<u>2,878</u>	<u>26,191</u>	<u>10,700</u>	
	<u>1,809,810</u>	<u>2,588,078</u>	<u>1,260,579</u>	
Financial liabilities measured at amortised cost				
— Foreign exchange differences	(232,284)	14,851	(85,480)	
— Finance costs	<u>(518,131)</u>	<u>(403,181)</u>	<u>(336,475)</u>	
	<u>(750,415)</u>	<u>(388,330)</u>	<u>(421,955)</u>	
	<u>1,059,395</u>	<u>2,199,748</u>	<u>838,624</u>	

(c) **Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit facilities.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. Trade receivables are due within 7 to 120 days from the date of invoice. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually. The Group does not obtain collateral from customers.

Exposure to credit risk, credit quality and collateral

As at the end of each reporting period, the maximum exposure to credit risk arising from receivables is represented by the respective carrying amounts in the consolidated statements of financial position.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2014, 2015 and 2016, 48%, 35% and 56% of the total trade receivables was due from the Group's largest customer and 66%, 62% and 63% of the total trade receivables was due from the five largest customers of the Group respectively.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16.

(e) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its trade and other payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents and adequate banking facilities by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate per annum	Contractual undiscounted cash flows				
			Total	Less than 1 year		More than 5 years	
				RM	RM	1 - 2 years	2 - 5 years
		%	RM	RM	RM	RM	RM
At 31 December 2014							
Loans and borrowings							
- Bank loans	8,242,885	3.55%-6.20%	9,472,578	5,093,964	1,009,567	2,272,107	1,096,940
- Finance lease liabilities	130,829	3.45%-4.25%	141,537	64,598	51,372	25,567	—
Trade and other payables	15,850,454	—	15,850,454	15,850,454	—	—	—
	<u>24,224,168</u>		<u>25,464,569</u>	<u>21,009,016</u>	<u>1,060,939</u>	<u>2,297,674</u>	<u>1,096,940</u>
At 31 December 2015							
Loans and borrowings							
- Bank overdrafts	1,850,910	7.20%-7.81%	1,850,910	1,850,910	—	—	—
- Bank loans	7,986,291	3.84%-5.60%	9,044,188	5,465,811	864,042	1,824,775	889,560
- Finance lease liabilities	104,790	3.45%-4.25%	110,109	84,542	25,567	—	—
Trade and other payables	16,748,406	—	16,748,406	16,748,406	—	—	—
	<u>26,690,397</u>		<u>27,753,613</u>	<u>24,149,669</u>	<u>889,609</u>	<u>1,824,775</u>	<u>889,560</u>
At 31 December 2016							
Loans and borrowings							
- Bank overdrafts	1,999,595	7.81%	1,999,595	1,999,595	—	—	—
- Bank loans	5,034,031	4.02%-4.65%	6,591,072	1,584,528	691,528	2,074,583	2,240,433
- Finance lease liabilities	25,083	3.45%	25,567	25,567	—	—	—
Trade and other payables	9,073,811	—	9,073,811	9,073,811	—	—	—
	<u>16,132,520</u>		<u>17,690,045</u>	<u>12,683,501</u>	<u>691,528</u>	<u>2,074,583</u>	<u>2,240,433</u>

(f) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and commodity prices that will affect the Group's financial position or cash flows.

(i) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group utilises long and short term borrowings for working capital purposes. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rates borrowings.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of each reporting period is as follows:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Fixed rate instruments			
Finance lease liabilities	130,829	104,790	25,083
Bank loans	<u>3,393,000</u>	<u>4,449,000</u>	<u>893,000</u>
	<u>3,523,829</u>	<u>4,553,790</u>	<u>918,083</u>
Floating rate instruments			
Bank loans	4,849,885	3,537,291	4,141,031
Bank overdrafts	<u>—</u>	<u>1,850,910</u>	<u>1,999,595</u>
	<u>4,849,885</u>	<u>5,388,201</u>	<u>6,140,626</u>

*Interest rate risk sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments*

The Group does not account its fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the respective reporting dates would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change of 100 basis points ("bp") in interest rates at the end of each reporting period would have increased/(decreased) post-tax profit by the amounts shown below. This analysis assumes that all other variables remain constant.

	<u>Increased/(decreased) post-tax profit</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>
	<i>RM</i>	<i>RM</i>
At 31 December 2014		
Floating rate instruments		
Financial liabilities	<u>(36,374)</u>	<u>36,374</u>
At 31 December 2015		
Floating rate instruments		
Financial liabilities	<u>(40,412)</u>	<u>40,412</u>
At 31 December 2016		
Floating rate instruments		
Financial liabilities	<u>(46,669)</u>	<u>46,669</u>

(ii) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of entities comprising the Group. The currencies giving rise to this risk are primarily USD and THB.

Exposure to currency risk

The Group's exposure to currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting periods is as follows. For presentation purpose, the amounts of the exposure are expressed in RM, translating using the spot rate at end of the reporting periods.

	At 31 December					
	2014		2015		2016	
	USD	THB	USD	THB	USD	THB
Trade and other receivables	6,825,387	336,192	8,489,801	361,248	14,376,254	—
Cash and cash equivalents	3,117,470	—	13,543,645	—	1,172,795	—
Trade and other payables	(709,578)	—	(638,055)	—	(373,599)	—
	<u>9,233,279</u>	<u>336,192</u>	<u>21,395,391</u>	<u>361,248</u>	<u>15,175,450</u>	<u>—</u>

Currency risk sensitivity analysis

A 10% strengthening of RM against USD and THB at the end of each reporting period would have increased/(decreased) post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of each reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Increased/(decreased) post-tax profit for the year ended		
	At 31 December		
	2014	2015	2016
	RM	RM	RM
USD	(692,496)	(1,604,654)	(1,153,334)
THB	(25,214)	(27,094)	—
	<u>(717,710)</u>	<u>(1,631,748)</u>	<u>(1,153,334)</u>

A 10% weakening of RM against USD and THB at the end of each reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(iii) Commodity price risk

Raw materials such as coconuts are major components of cost of inventories. Exposure to fluctuations in the commodity prices of such raw materials is closely monitored by management and managed through adjusting the selling prices.

(g) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the consolidated statements of financial position. None of the financial instruments are carried at fair value during the Relevant Periods.

	Fair value of financial instruments not carried at fair value				Carrying
	Level 1	Level 2	Level 3	Total	amount
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
At 31 December 2014					
Financial liabilities					
Finance lease liabilities	—	—	128,545	128,545	130,829
Bank loans	—	—	8,498,990	8,498,990	8,242,885
	<u>—</u>	<u>—</u>	<u>8,627,535</u>	<u>8,627,535</u>	<u>8,373,714</u>
At 31 December 2015					
Financial liabilities					
Finance lease liabilities	—	—	102,391	102,391	104,790
Bank loans	—	—	8,067,194	8,067,194	7,986,291
	<u>—</u>	<u>—</u>	<u>8,169,585</u>	<u>8,169,585</u>	<u>8,091,081</u>
At 31 December 2016					
Financial liabilities					
Finance lease liabilities	—	—	27,404	27,404	25,083
Bank loans	—	—	5,037,304	5,037,304	5,034,031
	<u>—</u>	<u>—</u>	<u>5,064,708</u>	<u>5,064,708</u>	<u>5,059,114</u>

(h) Capital Management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that comply with debt covenants.

There were no changes in the Group's approach to capital management during the Relevant Periods.

23 COMMITMENTS**(a) Capital commitments**

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information are as follows:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Property, plant and equipment			
Contracted but not provided for	—	—	932,951

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	At 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Within one year	137,400	166,350	86,400
After one year but within five years	137,400	213,800	127,400
	<u>274,800</u>	<u>380,150</u>	<u>213,800</u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

24 RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of the Historical Financial Information, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

(a) Significant related party transactions

During the Relevant Periods, transactions with the following parties are considered to be related party transactions:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Mr. Tang Koon Fook	Director and one of the Controlling Shareholders
Mr. Lee Sieng Poon	Director and one of the Controlling Shareholders
Mr. Yap Boon Teong	Director
Ms. Yeow Geok Tiang	Director of certain subsidiaries and spouse of Mr. Tang
Ms. Goh Soo Cheng @ Goh Su Mei	Director of certain subsidiaries and spouse of Mr. Lee
M.Ace (Thailand) Co. Ltd.	Associate
S&P Food Industries (M) Sdn. Bhd.	Controlled by Mr. Tang and Mr. Lee
CIA Ingredients (Thailand) Co. Ltd.	Controlled by Mr. Tang and Mr. Lee
Ability House Sdn. Bhd. ("Ability House")	Controlled by Ms. Goh Soo Cheng @ Goh Su Mei
Ehsana Anggun Sdn. Bhd. ("Ehsana Anggun")	Controlled by Mr. Tang and Mr. Lee

The terms and conditions of the related party transactions are based on negotiated terms. The significant related party transactions of the Group are shown below. The balances due from/to related parties are disclosed in Notes 16 and 21.

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Operating lease charge paid to Ability House	—	—	12,000

During the year ended 31 December 2016, S&P Industries purchased a freehold land from Ability House at a consideration of RM300,000.

During the year ended 31 December 2016, Stancodex disposed of a freehold land to Ehsana Anggun at a consideration of RM2,500,000.

During the year ended 31 December 2016, S&P Industries disposed of M.Ace (Thailand) Co. Ltd., an associate, to Mr. Tang as disclosed in Note 14.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, is as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RM</i>	<i>RM</i>	<i>RM</i>
Salaries and other benefits	1,480,867	1,643,504	1,892,045
Discretionary bonuses	31,034	221,900	358,512
Contributions to Employees' Provident Fund	177,030	218,315	263,153
	<u>1,688,931</u>	<u>2,083,719</u>	<u>2,513,710</u>

The above remuneration for key management personnel is included in personnel expenses as disclosed in Note 9.

(c) **Personal guarantees by directors**

At 31 December 2014, 2015 and 2016, Mr. Tang and Mr. Lee, the directors of the Company, have given personal guarantees totalling RM36,633,428, RM36,168,428 and RM36,168,428 respectively, to certain licensed banks and a financial institution in respect of banking facilities granted to the Group as disclosed in Note 19(b).

25 INVESTMENTS IN SUBSIDIARIES

The Company

	<u>At 31</u> <u>December 2016</u>
	<i>RM</i>
Unlisted shares at cost or capital contributions	<u>49,144,630</u>

At 31 December 2016, investments in subsidiaries represented the aggregate of share capital of SP Coco Limited fully paid-up by the Company and the capital contributions to S&P (Hong Kong) Holding Limited arising from issuance of shares for share swap pursuant to the Reorganisation as set out in Note 18(a).

26 EVENTS AFTER THE FINANCIAL YEAR END DATE

On 23 March 2017, the Group disposed of S&P Industries (Shenzhen) Ltd. to Mr. Tang at a cash consideration of Renminbi 10,000. After this disposal, the Group completed the Reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

On 8 June 2017, the authorised share capital of the Company was increased from HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each, to HK\$50,000,000, divided into 5,000,000,000 shares of HK\$0.01 each.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report from KPMG PLT, Chartered Accountants, Malaysia and KPMG, Certified Public Accountants, Hong Kong, the joint reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules and based on the consolidated net tangible assets attributable to equity shareholders of the Company as set out in the Accountants' Report in Appendix I is to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity shareholders of the Company as at 31 December 2016 as if the Global Offering had taken place on 31 December 2016. The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets of the Group had the Global Offering been completed as at 31 December 2016 or at any future date.

	Consolidated net tangible assets of the Group as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share	
	<i>RM</i> <i>(Note 1)</i>	<i>RM</i> <i>(Note 2)</i>	<i>RM</i>	<i>RM</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$0.44 per share	53,386,956	53,945,058	107,332,014	0.10	0.17
Based on an Offer Price of HK\$0.52 per share	<u>53,386,956</u>	<u>66,007,243</u>	<u>119,394,199</u>	<u>0.11</u>	<u>0.19</u>

Notes:

- The consolidated net tangible assets of the Group as at 31 December 2016 have been extracted from the Accountants' Report set forth in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

2. The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK\$0.44 per Share (being the minimum Offer Price) or HK\$0.52 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses (excluding listing expenses of approximately RM1.9 million that we incurred during the Relevant Periods) payable by the Group and 270,000,000 Shares expected to be issued under the Global Offering, assuming the Offer Size Adjustment Option is not exercised and excluding any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,080,000,000 Shares are in issue (being the number of Shares expected to be in issue immediately after completion of the Global Offering), assuming that the Capitalisation Issue and the Global Offering had been completed as of 31 December 2016, but taking no account of any Shares which may be upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued upon the exercise of share options granted under the Share Option Scheme.
4. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the translation of Ringgit Malaysia into Hong Kong dollars has been made at the rate of HK\$1.71 to RM1. No representation is made that the Ringgit Malaysia amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the joint reporting accountants, KPMG PLT, Chartered Accountants, Malaysia and KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the directors of S&P International Holding Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of S&P International Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2016 and related notes as set out in Part A of Appendix II to the prospectus dated 29 June 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2016 as if the Global Offering had taken place at 31 December 2016. As part of this process, information about the Group's financial position as at 31 December 2016 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The firms apply Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plan and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG PLT
Chartered Accountants
Malaysia
29 June 2017

KPMG
Certified Public Accountants
Hong Kong
29 June 2017

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 November, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (referred to in this appendix as the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 8 June 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

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In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled

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to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

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At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with the auditing standards comparable to that required by the Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The auditor shall make a written report thereon in accordance with the auditing standards comparable to that required by the Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

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The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

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(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

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Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

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(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 November, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman

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Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

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(p) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and

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thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearnan, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 10 November 2016 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 April 2017. We have established a principal place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong. Mr. Kwok Siu Man whose address is at 31/F, 148 Electric Road, North Point, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 10 November 2016, one Share was allotted and issued to the initial subscriber and such Share was transferred to TYJ on the same day. An additional six Shares were issued and allotted to TYJ and three Shares were issued and allotted to Trinity on the same day.

Pursuant to the written resolutions of our shareholders passed on 8 June 2017, our authorised share capital was increased from HK\$380,000 to HK\$50,000,000 by the creation of additional 4,962,000,000 Shares.

Immediately following the completion of the Global Offering and the Capitalisation Issue but not taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$10,800,000 divided into 1,080,000,000 Shares of HK\$0.01 each, all fully paid or credited as fully paid and 3,920,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the “3. Resolutions in writing of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017

- (i) Pursuant to written resolutions of the Shareholders of our Company passed on 8 June 2017 and 23 June 2017:
 - (a) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;

- (b) we approved and adopted the Memorandum of Association with immediate effect;
- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,962,000,000 Shares;
- (d) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between Ballas Capital (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Offer Size Adjustment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Other information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$8,099,999.40 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 809,999,940 Shares, such Shares to be allotted and issued to our Shareholder(s) as at the date of the passing of the resolution on a pro rata basis.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following

the completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the number of issued Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to “History, Reorganisation and corporate structure” of this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants’ Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report and “History, Reorganisation and corporate structure”, our Company has no other subsidiaries.

There are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 23 June 2017, a general unconditional mandate (the "Buyback Mandate") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,080,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 108,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 108,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased from approximately 52.5% to approximately 58.33% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate, which will not trigger the mandatory general offer obligations under the Takeovers Code. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus that are or may be material:












- (a) a sale and purchase agreement dated 29 December 2016 entered into between Mr. Tang and Mr. Lee as vendors, S&P Hong Kong as purchaser and the Company pursuant to which S&P Hong Kong acquired 70% of the issued shares of Shifu from Mr. Tang at a consideration of RM70,000 and 30% of the issued shares of Shifu from Mr. Lee at a consideration of RM30,000 and the above consideration was satisfied by the Company issuing and allotting seven Shares to TYJ (as directed by Mr. Tang) and three Shares to Trinity (as directed by Mr. Lee);




- (b) a sale and purchase agreement dated 29 December 2016 entered into between Mr. Tang and Mr. Lee as vendors, S&P Hong Kong as purchaser and the Company pursuant to which S&P Hong Kong acquired 70% of the issued shares of Edaran from Mr. Tang at a consideration of RM26,461,208.90 and 30% of the issued shares of Edaran from Mr. Lee at a consideration of RM11,340,518.10 and the above consideration was satisfied by the Company issuing and allotting seven Shares to TYJ (as directed by Mr. Tang) and three Shares to Trinity (as directed by Mr. Lee);
- (c) a sale and purchase agreement dated 29 December 2016 entered into between Mrs. Tang and Mrs. Lee as vendors, Mr. Tang and Mr. Lee as beneficiaries, S&P Hong Kong as the purchaser and the Company pursuant to which S&P Hong Kong acquired 70% of the issued shares of Radiant from Mrs. Tang (who held such shares on trust for Mr. Tang as the beneficiary) at a consideration of RM7,835,032.10 and 30% of the issued shares of Radiant from Mrs. Lee (who held such shares on trust for Mr. Lee as the beneficiary) at a consideration of RM3,357,870.90 and the above consideration was satisfied by the Company issuing and allotting seven Shares to TYJ (as directed by Mr. Tang as beneficial owner) and three Shares to Trinity (as directed by Mr. Lee as beneficial owner);
- (d) a sale and purchase agreement dated 29 December 2016 entered into between Ekhmal Fizie Bin Bambang Hariyanto and Saiful Ezman Bin Ismail as vendors, Mr. Tang and Mr. Lee as beneficiaries, S&P Hong Kong as purchaser and the Company pursuant to which S&P Hong Kong acquired 70% of the issued shares of Rasa Mulia from Ekhmal Fizie Bin Bambang Hariyanto (who held such shares on trust for Mr. Tang as the beneficiary) at a consideration of RM35,000, 5% of the issued shares of Rasa Mulia from Ekhmal Fizie Bin Bambang Hariyanto (who held such shares on trust for Mr. Lee as the beneficiary) at a consideration of RM2,500 and 25% of the issued shares of Rasa Mulia from Saiful Ezman Bin Ismail (who held such shares on trust for Mr. Lee as the beneficiary) at a consideration of RM12,500 and the above consideration was satisfied by the Company issuing and allotting 14 Shares to TYJ (as directed by Mr. Tang as beneficial owner) and six Shares to Trinity (as directed by Mr. Lee as beneficial owner);
- (e) the Deed of Indemnity;
- (f) the Deed of Non-Competition; and
- (g) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are or may be material to our business:




Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	302277621	29	S&P Industries	Hong Kong	8 June 2012	7 June 2022
S & P	302277478	29	S&P Industries	Hong Kong	8 June 2012	7 June 2022
" 	303954493	29, 30	S&P Industries	Hong Kong	7 November 2016	6 November 2026
" 						
	06006219	30	S&P Industries	Malaysia	17 April 2006	17 April 2026
	06006220	29	S&P Industries	Malaysia	17 April 2006	17 April 2026
	06006221	29	S&P Industries	Malaysia	17 April 2006	17 April 2026
	06006222	30	S&P Industries	Malaysia	17 April 2006	17 April 2026
	08020415	29	S&P Industries	Malaysia	13 October 2008	13 October 2018
	08020416	30	S&P Industries	Malaysia	13 October 2008	13 October 2018
LEGENDA	01001964	29	Rasa Mulia	Malaysia	16 February 2011	16 February 2021
	6298664	29	S&P Industries	PRC	7 February 2010	6 February 2020
	441/82	29	S&P Industries	Saudi Arabia	19 July 2006	10 December 2025
	12240	29	S&P Industries (Note)	UAE	23 November 2006	23 November 2026

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	TM/37862	29	S&P Industries	Brunei	22 April 2006	22 April 2026
	200483	30	S&P Industries	Vietnam	1 December 2011	1 December 2021
	202998	30	S&P Industries	Vietnam	29 December 2011	29 December 2021

Note:

- Pursuant to the deed of assignment dated 21 March 2008 entered into between S&P Food Industries and S&P Industries, S&P Food Industries assigned the ownership of the trademark to S&P Industries. Such assignment has been published in the official gazette of the Trademark Department of UAE in December 2016.

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are or may be material to our business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	303954501AA	29	S&P Industries	Hong Kong	7 November 2016
	303954501AB	30	S&P Industries	Hong Kong	7 November 2016
	303988207	29	SSB	Hong Kong	9 December 2016

(b) *Domain names*

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are or may be material to our business:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
spfood.com	S&P Industries	1 November 2016	31 October 2017
stancodex.com	Stancodex Sdn Bhd	1 November 2016	31 October 2017
rmulia.com	Rasa Mulia	1 November 2016	31 October 2017

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) *Interest in our Company*

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Tang	Interest in controlled corporation ⁽²⁾	567,000,000 (L)	52.5%
Mr. Lee	Interest in controlled corporation ⁽³⁾	243,000,000 (L)	22.5%

Notes:

(1) The letter “L” denotes the person’s long position in the Shares.

(2) Mr. Tang beneficially owns 100% of the issued share capital of TYJ.

(3) Mr. Lee beneficially owns 100% of the issued share capital of Trinity.

(ii) *Interest in associated corporation*

Name of Director	Name of associated corporation	Nature of Interest	Number of share(s) ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Tang	TYJ	Beneficial owner	1 ordinary share (L)	100%

Notes:

(1) The letter “L” denotes the person’s long position in the share(s).

(b) *Particulars of service agreements and letters of appointment*

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of our executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the year ended 31 December 2016, the aggregate remuneration (including fees, salaries, allowances, discretionary bonuses, other benefits in kind and contributions to employees’ provident fund) paid to our Directors was approximately RM1.9 million. For details, please refer to note 10 of section B in the Accountants’ Report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director’s fee of HK\$120,000 per annum to each of Mr. Fung Che Wai, Anthony, Mr. Chong Yew Hoong and Mr. Ng Hock Boon. Save for directors’ fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, allowances, discretionary bonuses, other benefits in kind and contributions to employees’ provident fund) of our Directors for the year ending 31 December 2017 is estimated to be no more than RM2.0 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Offer Size Adjustment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering and the Capitalisation issue ⁽¹⁾		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue ⁽¹⁾	
		Number	Percentage	Number	Percentage
TYJ ⁽²⁾	Beneficial owner	42 (L)	70%	567,000,000 (L)	52.5%
Trinity ⁽³⁾	Beneficial owner	18 (L)	30%	243,000,000 (L)	22.5%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) TYJ is beneficially and wholly owned by Mr. Tang. By virtue of the SFO, Mr. Tang is deemed to be interested in the Shares held by TYJ.
- (3) Trinity is beneficially and wholly owned by Mr. Lee. By virtue of the SFO, Mr. Lee is deemed to be interested in the Shares held by Trinity.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed this prospectus, as at the Latest Practicable Date:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (b) none of our Directors or experts referred to “D. Other information — 8. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) none of the experts referred to “D. Other information — 8. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 23 June 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) **Acceptance of an offer of Options**

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of our Shares so allotted.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) ***Maximum number of Shares***

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 108,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an Option must be accepted;
- (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the Option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the Option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the Option; and
- (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) ***Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their

respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
 - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
 - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
 - (iv) the information required under Rule 2.17 of the Listing Rules.
- (h) ***Restrictions on the times of grant of Options***

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***Time of exercise of Option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) ***Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as

soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per

Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract

with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of Options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 108,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and on behalf of its subsidiaries) (being the contract referred to in paragraph (e) of “B. Information about our business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and any expenses, costs, fines, penalties or other liabilities which any member of our Group may suffer as a result of (i) the violations of U.S. sanctions as disclosed in “Business — Business Activities in the Sanctioned Countries — Sanctions Risk” and (ii) the inventory write-off and subsequent reversal as disclosed in “Financial Information — Discussion of selected consolidated statements of profit or loss and other comprehensive income items — Administrative expenses” of this prospectus.

3. Litigation

As at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor’s fees are HK\$4,500,000 and are payable by our Company.

5. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately US\$6,844.

6. Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of holders of Shares**(a) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dongxing Securities (Hong Kong) Company Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
KPMG	Certified public accountants, Hong Kong
KPMG PLT	Chartered accountants, Malaysia
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Teh & Lee Advocates and Solicitors	Legal adviser as to Malaysia law
Hogan Lovells	Legal adviser as to International Sanctions law
Ipsos Limited	Industry consultant

9. Consents of experts

Each of the experts named in “8. Qualification of experts” above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the experts named in “8. Qualification of experts” above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by the Principal Share Registrar and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;

- (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures;
- (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

13. Bilingual Prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR PUBLIC INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to under “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to under “Statutory and general information — B. Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the Accountants’ Report, the text of which is set out in Appendix I to this prospectus;
- (c) the report from the Joint Reporting Accountants in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the financial years ended 31 December 2014, 2015 and 2016;
- (e) the legal opinion issued by Teh & Lee Advocates and Solicitors, legal advisers to our Company as to Malaysia law;
- (f) the legal memorandum issued by Hogan Lovells, legal advisers to our Company as to International Sanctions law;
- (g) the letter of advice prepared by Conyers Dill & Pearman, the special legal counsel to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Companies Law as referred to in Appendix III to this prospectus;
- (h) the Ipsos Report;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR PUBLIC INSPECTION**

- (i) the Cayman Companies Law;
- (j) the material contracts referred to under “Statutory and general information — B. Information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the service agreements and letters of appointment referred to under “Statutory and general information — C. Further information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (l) the written consents referred to under “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (m) the rules of the Share Option Scheme.



S&P International Holding Limited
椰豐集團有限公司