12.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information of our Group for the FYEs 2021, 2022, 2023 and FPE 2024, have been extracted from the Accountants' Report set out in **Section 13** of this Prospectus.

The historical audited combined financial information for the Financial Periods Under Review as set out in this section is based on financial statements that have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to represent our future financial position and results.

You should read the historical financial information below together with our Management's Discussion and Analysis of Financial Condition and Results of Operations set out in **Section 12.3** of this Prospectus and the Accountants' Report set out in **Section 13** of this Prospectus.

12.1.1 Combined Statements of Profit and Loss and Other Comprehensive Income

	<------------------ Audited	----------------	---------------->	Unaudited	Audited
	FYE 2021	**FYE 2022**	**FYE 2023**	**FPE 2023**	**FPE 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	108,779	188,296	151,547	73,193	67,311
Cost of sales	(88,379)	(154,554)	(123,937)	(59,145)	(54,296)
GP	**20,400**	**33,742**	**27,610**	**14,048**	**13,015**
Other income	173	1,090	327	189	76
Administrative and other operating expenses	(9,016)	(13,888)	(13,030)	(6,499)	(5,236)
Finance costs	(782)	(1,677)	(1,523)	(639)	(505)
PBT	**10,774**	**19,267**	**13,384**	**7,099**	**7,350**
Income tax expense	(3,149)	(4,651)	(3,330)	(1,704)	(1,772)
PAT	**7,625**	**14,616**	**10,054**	**5,395**	**5,578**
Total comprehensive income	**7,625**	**14,616**	**10,054**	**5,395**	**5,578**
Supplementary financial information					
EBITDA(1) (**RM**)	13,665	23,502	17,301	8,697	8,677
GP margin(2) (**%**)	18.8	17.9	18.2	19.2	19.3
EBITDA margin(3) (**%**)	12.6	12.5	11.4	11.9	12.9
PBT margin(4) (**%**)	9.9	10.2	8.8	9.7	10.9
Effective tax rate(5) (**%**)	29.2	24.1	24.9	24.0	24.1
PAT margin(6) (**%**)	7.0	7.8	6.6	7.4	8.3
PAT attributable to the owners of our Company	7,625	14,616	10,054	5,395	5,578
Basic and diluted EPS(7) (**sen**)	1.0	2.0	1.4	2.2	2.2

Notes:

(1) EBITDA is computed based on PAT plus: (i) income tax expense; (ii) finance costs; (iii) depreciation of plant and equipment; and (iv) depreciation of right-of-use assets, less (v) interest income. See below for details of computation as well as information regarding the use of non-MFRS measures.

The following table reconciles our PAT to EBITDA for the financial periods indicated:

	<------------------ Audited ---------------->			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	7,625	14,616	10,054	5,395	5,578
Add/(Less):					
Income tax expense	3,149	4,651	3,330	1,704	1,772
Finance costs	782	1,677	1,523	639	505
Depreciation of plant and equipment	471	615	793	292	383
Depreciation of right-of use assets	1,661	1,965	1,629	677	453
Interest income	(23)	(22)	(28)	(10)	(14)
EBITDA	**13,665**	**23,502**	**17,301**	**8,697**	**8,677**

EBITDA and EBITDA margin are supplemental measure of our performance and liquidity that are not required by or presented in accordance with the MFRS or IFRS. EBITDA and EBITDA margin are not measures of our financial performance or liquidity under the MFRS or IFRS and should not be considered as alternatives to net income or any other performance measures derived in accordance with the MFRS or IFRS or as alternatives to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA and EBITDA margin are not standardised terms, and hence, a direct comparison of similarly titled measures between companies may not be possible. Other companies may calculate EBITDA and EBITDA margin differently from us, limiting its usefulness as a comparative measure.

(2) Computed based on GP divided by revenue.

(3) Computed based on EBITDA divided by revenue.

(4) Computed based on PBT divided by revenue.

(5) Computed based on income tax expense divided by PBT.

(6) Computed based on PAT divided by revenue.

(7) Computed based on PAT attributable to owners of our Company divided by the enlarged total number of 738,000,000 Shares after our IPO. There are no potential dilutive equity instruments that would give a diluted effect to the basic EPS during the respective Financial Periods Under Review.

12.1.2 Combined Statements of Financial Position

The combined statements of financial position for the Financial Periods Under Review are as follows:

	<-- Audited --			-->
	<-- As at 31 December		-->	As at 31 May
	2021	**2022**	**2023**	**2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plant and equipment	4,062	5,184	6,982	7,096
Right-of-use assets	18,944	23,796	11,213	10,760
Total non-current assets	**23,006**	**28,980**	**18,195**	**17,856**
Inventories	14,301	27,745	21,356	16,888
Trade receivables	13,337	18,093	16,575	24,638
Other receivables, deposits and prepayments	4,429	3,516	5,429	6,550
Short-term deposit with a licensed bank	-	20	20	1,620
Cash and bank balances	6,246	9,336	7,987	2,859
Asset held for sale	-	-	11,386	11,386
Total current assets	**38,313**	**58,710**	**62,753**	**63,941**
Total assets	**61,319**	**87,690**	**80,948**	**81,797**
Share capital	-	-	*	*
Invested equity	2,500	2,500	2,500	2,500
Retained profits	13,901	28,516	34,570	36,148
Total equity / Net assets	**16,401**	**31,016**	**37,070**	**38,648**
Borrowings	15,666	18,430	18,475	18,269
Lease liabilities	991	1,445	1,111	888
Deferred tax liabilities	508	422	422	422
Total non-current liabilities	**17,165**	**20,297**	**20,008**	**19,579**
Trade payables	4,905	8,821	5,101	12,289
Other payables and accruals	6,987	5,982	4,629	5,179
Amount due to directors	5,175	-	-	-
Borrowings	8,283	18,666	12,883	4,159
Lease liabilities	1,055	1,344	702	543
Current tax liabilities	1,348	1,564	555	1,400
Total current liabilities	**27,753**	**36,377**	**23,870**	**23,570**
Total liabilities	**44,918**	**56,674**	**43,878**	**43,149**
Total equity and liabilities	**61,319**	**87,690**	**80,948**	**81,797**

	Audited			
	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Total borrowings[(1)] (**RM'000**)	25,995	39,885	33,171	23,859
Total bank borrowings[(2)] (**RM'000**)	25,412	39,004	33,040	23,859
Gearing ratio[(3)] (**times**)	1.5	1.3	0.9	0.6
Net borrowings / (Net cash)[(4)] (**RM'000**)	19,166	29,648	25,033	19,380
Net gearing ratio[(5)] (**times**)	1.2	1.0	0.7	0.5
Current ratio[(6)] (**times**)	1.4	1.6	2.6	2.9

Notes:

* *On 11 September 2023, our Company was incorporated with an issued share capital of RM100.*

*(1) Computed based on total borrowings, including lease liabilities under the hire purchase contracts and factory rental. For more information, see Note 36 of the Accountants' Report included in **Section 13** of this Prospectus.*

(2) Computed based on total bank borrowings, including lease liabilities under the hire purchase contracts.

(3) Computed based on total bank borrowings divided by total equity.

(4) Computed based on total bank borrowings less (i) cash and bank balances; and (ii) short term deposit. See below for details of computation of net borrowings:

	Audited			
	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Bank Borrowings	25,412	39,004	33,040	23,859
(Less):				
Cash and bank balances	(6,246)	(9,336)	(7,987)	(2,859)
Short-term deposit	-	(20)	(20)	(1,620)
Net borrowings / (Net cash)	**19,166**	**29,648**	**25,033**	**19,380**

(5) Computed based on net borrowings divided by total equity.

(6) *Computed based on current assets over current liabilities.*

12.2 CAPITALISATION AND INDEBTEDNESS

The following table summarises our pro forma capitalisation and indebtedness based on the unaudited management account as at 30 September 2024 and giving effect to the completion of our IPO and the use of proceeds having occurred on 30 September 2024.

The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 30 September 2024 and is provided for illustrative purposes only.

	<------------------- Unaudited -------------------->	
	As at 30 September 2024	**After our IPO and use of proceeds**
	RM'000	**RM'000**
Indebtedness		
Current		
Secured and guaranteed		
Term loans	1,434	1,152
Lease liabilities with financial institutions (hire purchase)	625	625
Non-current		
Secured and guaranteed		
Term loans	17,647	20,209
Lease liabilities with financial institutions (hire purchase)	1,139	1,139
Total indebtedness	**20,845**	**23,125**
Capitalisation		
Total equity	42,701	82,584
Total capitalisation and indebtedness	**63,546**	**105,709**
Gearing ratio (times)(1)	0.49	0.28

Note:

(1) Computed based on total indebtedness divided by total equity.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our Group's financial conditions and results of operations for the Financial Periods Under Review should be read in conjunction with the combined financial statements of our Group and the accompanying notes as set out in the Accountants' Report included in **Section 13** of this Prospectus.

This discussion and analysis contain information derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in **Section 9** of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 4 of the Accountants' Report as set out in **Section 13** of this Prospectus.

12.3.1 Overview of our business

We are an investment holding company. Through our Subsidiary, we are involved in the formulation and blending of conventional and specialty fertilisers. We develop standard formulations for conventional and specialty fertiliser respectively. In addition, we also customise formulas based on customers' requirements and soil, environmental and/or plant conditions. In addition, we are involved in the trading of straight fertilisers and related products. Please refer to **Section 7** of this Prospectus for further details on our business overview.

Overview of our results of operations

For the Financial Periods Under Review, our revenue was derived from the sales of fertilisers which are recognised when the fertilisers have been delivered to customers. Our sales of fertilisers are segmented below:

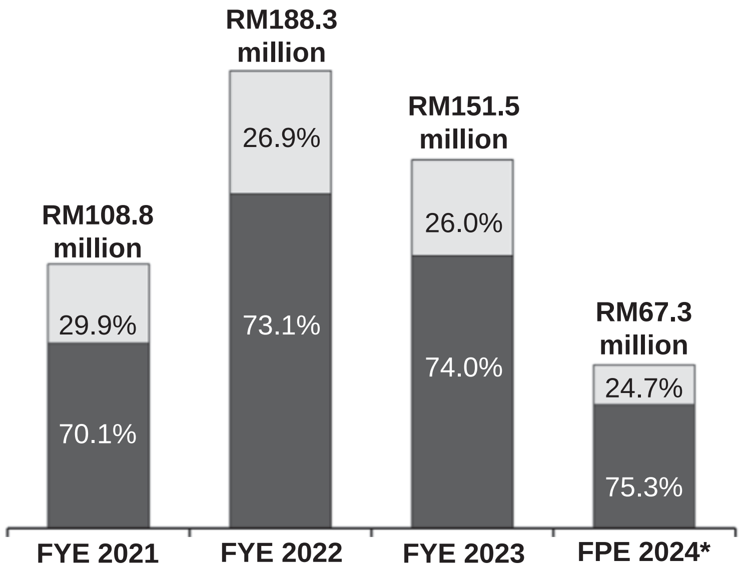
(i) Formulation and Blending Segment

Revenue from this segment is from the sales of conventional and specialty fertilisers formulated and blended in our production facility in Klang, Selangor.

(ii) Trading Segment

Revenue from this segment is mainly from the sales of straight fertilisers, such as N, P and K fertilisers, and to a lesser extent, other macronutrients, micronutrients and organic matters. Fertilisers sold under the Trading Segment do not involve any blending process.

Between FYE 2021 and FYE 2023, revenue from our Formulation and Blending Segment increased by a CAGR of approximately 21.3% from RM76.2 million in FYE 2021 to approximately RM112.1 million in FYE 2023. In FPE 2024, revenue from our Formulation and Blending Segment accounted for approximately 75.3% of our Group's total revenue.



Revenue	FYE 2021 *RM'000*	FYE 2022 *RM'000*	FYE 2023 *RM'000*	FPE 2024* *RM'000*
Formulation and blending segment				
Conventional fertilisers	*72,063*	*119,691*	*90,582*	*40,523*
Specialty fertilisers	*4,183*	*17,947*	*21,522*	*10,173*
Subtotal	**76,246**	**137,638**	**112,104**	**50,696**
Trading segment				
Straight fertilisers	*29,701*	*48,471*	*37,089*	*15,177*
Others	*2,832*	*2,187*	*2,354*	*1,438*
Subtotal	**32,533**	**50,658**	**39,443**	**16,615**
Total Revenue	**108,779**	**188,296**	**151,547**	**67,311**

*****FPE 2024 refers to the 5-month financial period ended 31 May 2024.

Between FYE 2021 and FYE 2023, revenue from the Trading Segment increased by a CAGR of approximately 10.1%, which increased from RM32.5 million in FYE 2021 to approximately RM39.4 million in FYE 2023. In FPE 2024, revenue from the Trading Segment accounted for approximately 24.7% of our total Group's revenue. Please refer to **Section 12.3.2** of this Prospectus for further details on the year-on-year analysis of our revenue.

Our revenue from domestic sales accounted for approximately 99.3%, 99.1%, 99.3% and 99.1% of our Group's total revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively, which were transacted and reported in RM.

Meanwhile, revenue from the export sales accounted for approximately 0.7%, 0.9%, 0.7% and 0.9% of our Group's total revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively, all of which were transacted in USD and translated and reported in RM. For FYE 2021 and FYE 2022, our Group's export sales were derived from Cambodia. In FYE 2023, our Group also exported to Sri Lanka and Singapore and in FPE 2024, it also includes sales to Papua New Guinea. Please refer to **Section 12.3.2** for further details on our revenue by geographical markets.

12. FINANCIAL INFORMATION (CONT'D)

12.3.2 Revenue

(i) Revenue segmentation by business activities

	FYE 2021		FYE 2022		FYE 2023	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Formulation and Blending Segment						
▪ Conventional fertilisers						
(i) Compacted fertilisers	47,134	43.3	83,045	44.1	65,711	43.4
(ii) Blended fertilisers	24,929	22.9	36,646	19.5	24,871	16.4
	72,063	**66.2**	**119,691**	**63.6**	**90,582**	**59.8**
▪ Specialty fertilisers						
(i) Semi-organic fertilisers	3,881	3.6	17,456	9.3	20,743	13.7
(ii) Organic fertilisers	302	0.3	491	0.2	727	0.5
(iii) Liquid fertilisers	-	-	-	-	52	*
	4,183	**3.9**	**17,947**	**9.5**	**21,522**	**14.2**
Subtotal	**76,246**	**70.1**	**137,638**	**73.1**	**112,104**	**74.0**
Trading Segment						
▪ Straight fertilisers	29,701	27.3	48,471	25.7	37,089	24.5
▪ Others[(1)]	2,832	2.6	2,187	1.2	2,354	1.5
Subtotal	**32,533**	**29.9**	**50,658**	**26.9**	**39,443**	**26.0**
Total Revenue	**108,779**	**100.0**	**188,296**	**100.0**	**151,547**	**100.0**

12. FINANCIAL INFORMATION (CONT'D)

	FPE 2023		FPE 2024	
Revenue	**RM'000**	**%**	**RM'000**	**%**
Formulation and Blending Segment				
▪ Conventional fertilisers				
(i) Compacted fertilisers	33,313	45.5	28,421	42.2
(ii) Blended fertilisers	12,011	16.4	12,102	18.0
	45,324	**61.9**	**40,523**	**60.2**
▪ Specialty fertilisers				
(i) Semi-organic fertilisers	10,080	13.8	9,834	14.6
(ii) Organic fertilisers	268	0.4	291	0.4
(iii) Liquid fertilisers	11	*	48	0.1
	10,359	**14.2**	**10,173**	**15.1**
Subtotal	**55,683**	**76.1**	**50,696**	**75.3**
Trading Segment				
▪ Straight fertilisers	16,795	22.9	15,177	22.5
▪ Others(1)	715	1.0	1,438	2.2
Subtotal	**17,510**	**23.9**	**16,615**	**24.7**
Total Revenue	**73,193**	**100.0**	**67,311**	**100.0**

***Notes**:*

(1) Others include MgO, micronutrients and organic matters and an externally sourced organic fertiliser.

* *Less than 0.1%*

12. FINANCIAL INFORMATION (CONT'D)

The volume and selling price per tonne of our fertilisers are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	Sales volume (tonne)	**ASP (RM/ tonne)**	**Sales volume (tonne)**	**ASP (RM/ tonne)**	**Sales volume (tonne)**	**ASP (RM/ tonne)**
Formulation and Blending Segment	**60,598**	**1,258**	**66,046**	**2,084**	**61,408**	**1,826**
▪ Conventional fertilisers	57,196	1,260	55,100	2,172	47,480	1,908
(i) Compacted fertilisers	*36,224*	*1,301*	*36,830*	*2,255*	*32,585*	*2,017*
(ii) Blended fertilisers	*20,972*	*1,189*	*18,270*	*2,006*	*14,895*	*1,670*
▪ Specialty fertilisers	3,402	1,230	10,946	1,640	13,928	1,545
(i) Semi-organic fertilisers	*2,922*	*1,328*	*10,275*	*1,699*	*12,904*	*1,607*
(ii) Organic fertilisers	*480*	*629*	*671*	*732*	*1,020*	*713*
(iii) Liquid fertiliser	-	-	-	-	*4*	*13,000*
Trading Segment	**33,162**	**981**	**29,704**	**1,705**	**28,942**	**1,363**
▪ Straight fertilisers	29,774	998	28,057	1,728	26,321	1,409
▪ Others[(1)]	3,388	836	1,647	1,328	2,621	898
Group	**93,760**	**1,160**	**95,750**	**1,967**	**90,350**	**1,677**

12. FINANCIAL INFORMATION (CONT'D)

	FPE 2023		FPE 2024	
	Sales volume (tonne)	**ASP (RM/ tonne)**	**Sales volume (tonne)**	**ASP (RM/ tonne)**
Formulation and Blending Segment	**28,364**	**1,963**	**33,913**	**1,495**
▪ Conventional fertilisers	21,637	2,095	26,817	1,511
(i) Compacted fertilisers	*15,038*	*2,215*	*18,365*	*1,548*
(ii) Blended fertilisers	*6,599*	*1,820*	*8,452*	*1,432*
▪ Specialty fertilisers	6,727	1,540	7,096	1,434
(i) Semi-organic fertilisers	*6,346*	*1,588*	*6,690*	*1,470*
(ii) Organic fertilisers	*380*	*705*	*401*	*726*
(iii) Liquid fertiliser	*1*	*11,000*	*5*	*9,600*
Trading Segment	**11,597**	**1,510**	**14,533**	**1,143**
▪ Straight fertilisers	10,724	1,566	13,066	1,162
▪ Others[1]	873	819	1,467	980
Group	**39,961**	**1,832**	**48,446**	**1,389**

***Note**:*

(1) Others include MgO, micronutrients, organic matters and an externally sourced organic fertiliser.

(ii) Revenue segmentation by geographical markets

Revenue[1]	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FYE 2023 RM'000	FYE 2023 %
Malaysia						
▪ Peninsular Malaysia						
(i) Central region[2]	47,918	44.1	76,609	40.7	57,780	38.1
(ii) Southern region[3]	23,378	21.5	35,533	18.9	40,618	26.8
(iii) Northern region[4]	17,659	16.2	27,800	14.8	23,917	15.8
(iv) East coast region[5]	12,658	11.6	21,773	11.5	19,697	13.0
	101,613	**93.4**	**161,715**	**85.9**	**142,012**	**93.7**
▪ East Malaysia						
(i) Sarawak	6,391	5.9	24,894	13.2	8,487	5.6
	6,391	**5.9**	**24,894**	**13.2**	**8,487**	**5.6**
Subtotal	**108,004**	**99.3**	**186,609**	**99.1**	**150,499**	**99.3**
Foreign country						
▪ Cambodia	775	0.7	1,687	0.9	593	0.4
▪ Sri Lanka	-	-	-	-	298	0.2
▪ Singapore	-	-	-	-	157	0.1
Subtotal	**775**	**0.7**	**1,687**	**0.9**	**1,048**	**0.7**
Total Revenue	**108,779**	**100.00**	**188,296**	**100.0**	**151,547**	**100.0**

Revenue[1]	FPE 2023 RM'000	FPE 2023 %	FPE 2024 RM'000	FPE 2024 %
Malaysia				
▪ Peninsular Malaysia				
(i) Central region[2]	29,537	40.4	23,986	35.6
(ii) Southern region[3]	20,430	27.9	16,358	24.3
(iii) Northern region[4]	9,296	12.7	9,347	13.9
(iv) East coast region[5]	9,291	12.7	9,387	14.0
	68,554	**93.7**	**59,078**	**87.8**
▪ East Malaysia				
(i) Sarawak	4,514	6.1	7,636	11.3
	4,514	**6.1**	**7,636**	**11.3**
Subtotal	**73,068**	**99.8**	**66,714**	**99.1**

	FPE 2023		FPE 2024	
Revenue[1]	**RM'000**	**%**	**RM'000**	**%**
Foreign country				
▪ Sri Lanka	-	-	*273*	*0.4*
▪ Cambodia	*125*	*0.2*	*134*	*0.2*
▪ Papua New Guinea	-	-	*102*	*0.2*
▪ Singapore	-	-	*88*	*0.1*
Subtotal	**125**	**0.2**	**597**	**0.9**
Total Revenue	**73,193**	**100.0**	**67,311**	**100.0**

Notes:

(1) The above geographical market segmentation is based on the location of our customers and may not represent the location of the end-user customers.

(2) Central region covers Selangor, Negeri Sembilan and Kuala Lumpur. For FPE 2023, it includes sales to a customer in Selangor where the fertilisers are delivered to Sabah.

(3) Southern region covers Johor and Malacca.

(4) Northern region covers Perak, Penang and Kedah.

(5) East coast region covers Pahang, Terengganu and Kelantan.

Comparison between FYE 2022 and FYE 2021

Our total revenue increased by approximately RM79.5 million or 73.1% to approximately RM188.3 million in FYE 2022 (FYE 2021: RM108.8 million), mainly attributed to the higher ASP coupled with moderate increase in sales volume of fertilisers. The higher ASP was mainly arising from increase in prices of input materials. The main input materials purchased for our business operations are macronutrients N, P and K and other macronutrients which are globally traded and as such, may be subject to global prices. Overall, the global average prices of key fertilisers grew between December 2020 and April 2022 were mainly attributed to the continuing Russia-Ukraine conflict, production curtailments resulting from adverse weather, higher cost of input materials particularly natural gas, trade policies implemented by various countries and increase in sea freight rate.

The growth in FYE 2022 was attributed to the following business segments:

(a) Formulation and Blending Segment

In FYE 2022, revenue from our Formulation and Blending Segment increased by approximately RM61.4 million or 80.5% to approximately RM137.6 million in FYE 2022 (FYE 2021: RM76.2 million), mainly due to higher revenue from conventional fertilisers and specialty fertilisers. Revenue from our Formulation and Blending Segment in FYE 2022 which were mainly sold to oil palm plantations, had increased, as prices of crude palm oil were on an upward trend in 2022, where the average annual prices grew from RM4,407 per tonne in 2021 to RM5,088 per tonne in 2022. *(Source: IMR report)*

Conventional fertilisers

The revenue from the sales of conventional fertilisers increased by approximately RM47.6 million or 66.1% to RM 119.7 million in FYE 2022 (FYE 2021: RM72.1 million) which was mainly contributed by the following:

- an increase in revenue from compacted fertilisers by approximately RM35.9 million or 76.2% arising from higher ASP and a slight increase in sales volume. The ASP of compacted fertilisers increased by 73.3% to RM2,255 per tonne in FYE 2022 (FYE 2021: RM1,301 per tonne), arising from the increase in prices of input materials. Meanwhile the sales volume of compacted fertilisers increased by 606 tonnes or 1.7% to 36,830 tonnes in FYE 2022 (FYE 2021: 36,224 tonnes) arising from higher orders of certain standard formulation products mainly CM125B and CM65B, as well as higher orders for our customised formulation of compacted fertilisers; and

- an increase in revenue from blended fertilisers by approximately RM11.7 million or 47.0% arising from higher ASP. The ASP increased by 68.7% to RM2,006 per tonne in FYE 2022 (FYE 2021: RM1,189 per tonne), attributed to the increase in prices of input materials. However, the increase in revenue as a result of the higher ASP was partially offset by the drop in sales volume of blended fertilisers which declined by 2,702 tonnes or 12.9% to 18,270 tonnes in FYE 2022 (FYE 2021: 20,972 tonnes), which was mainly due to lower orders for the customised formulation blended fertilisers during FYE 2022.

Specialty fertilisers

The revenue from the sales of our specialty fertilisers increased by approximately RM13.8 million or 329.0%, mainly contributed by higher revenue from semi-organic fertilisers which increased by approximately RM13.6 million or 349.8% in FYE 2022. This was mainly driven by higher demand for certain of our existing products, launching of new products in FYE 2022 and coupled with the higher ASP.

The sales volume of semi-organic fertilisers increased by 7,352 tonnes or 251.6% to 10,274 tonnes in FYE 2022 (FYE 2021: 2,922 tonnes), mainly contributed to sales of 4 new products launched in FYE 2022 namely CM Miracle Green, CM Miracle Blue, CM Miracle 80:20 and CM Miracle 70:30, as well as increased orders from certain existing products under our CM Miracle series mainly CM 900 and CM Miracle King. The ASP of semi-organic fertilisers increased by 27.9% from RM1,328 per tonne in FYE 2021 to RM1,699 per tonne in FYE 2022, resulting from the increase in prices of input materials.

(b) Trading Segment

In FYE 2022, revenue from our Trading Segment increased by approximately RM18.1 million or 55.7% to RM50.7 million in FYE 2022 (FYE 2021: RM32.5 million), mainly contributed by straight fertilisers attributable to higher ASP. The ASP of straight fertilisers increased by 73.1% to RM1,728 per tonne in FYE 2022 (FYE 2021: RM998 per tonne), mainly arising from the increase in prices of input materials.

However, the increase in revenue as a result of the higher ASP was partially offset by the drop in sales volume of fertilisers mainly straight fertilisers under the Trading Segment which declined by 3,458 tonnes or 10.4% to 29,704 tonnes in FYE 2022 (FYE 2021: 33,162 tonnes). This was mainly due to lower demand from our customers who are fertiliser manufacturers where the trading sales to these customers declined by 3,251 tonnes or 21.0% to 12,259 tonnes in FYE 2022 (FYE 2021: 15,510 tonnes). In addition, our customer base from trading sales reduced from 193 customers in FYE 2021 to 150 in FYE 2022 mainly due to lower demand arising from higher ASP.

On a geographical basis, revenue from domestic sales increased by approximately RM78.6 million or 72.8% to RM186.6 million in FYE 2022 (FYE 2021: RM108.0 million) was mainly driven by higher sales from Peninsular Malaysia which increased by approximately RM60.1 million or 59.1% as well as East Malaysia which increased by approximately RM18.5 million or 289.5%. Overall, the sales volume of our fertilisers to domestic market increased by 1,920 tonnes or 2.1% to 95,030 tonnes in FYE 2022 (FYE 2021: 93,110 tonnes).

Revenue from foreign market sales increased by approximately RM0.9 million or 117.7% to RM1.7 million in FYE 2022 (FYE 2021: RM0.8 million), which was reflected in the increase in export volume by 70 tonnes or 10.7% to 720 tonnes in FYE 2022 (FYE 2021: 650 tonnes). This was mainly attributed to the increase in sales of compacted fertilisers and straight fertilisers to a trading company in Cambodia by approximately RM0.9 million or 117.7%. During the FYE 2022, our export sales were derived solely from Cambodia.

Comparison between FYE 2023 and FYE 2022

Our total revenue decreased by approximately RM36.7 million or 19.5% to RM151.5 million in FYE 2023 (FYE 2022: RM188.3 million), mainly attributed to the decline in ASP coupled with lower sales volume of fertilisers. The lower ASP was mainly due to the overall decrease in prices of input materials as a result of declining key fertilisers prices arising from adjustments in the global economy, including a rebound in fertiliser production and the installation of new production capacities, in response to supply disruptions notably from Ukraine. Additionally, the decline in natural gas prices by 44.2% to USD13.24 per million British thermal unit (mmbtu) in September 2024 compared to September 2022 further contributed to this trend. *(Source: IMR report)*

The decline in FYE 2023 was attributed to the following business segments:

(a) Formulation and Blending Segment

In FYE 2023, revenue from our Formulation and Blending Segment decreased by approximately RM25.5 million or 18.6% to RM112.1 million in FYE 2023 (FYE 2022: RM137.6 million), mainly attributed to the lower revenue from conventional fertilisers. The decline was partially offset by the increase in revenue from specialty fertilisers. Overall, revenue from our Formulation and Blending Segment in FYE 2023 which were mainly sold to oil palm plantations, had decreased as prices of crude palm oil were on a downward trend in 2023 where the annual average prices declined from RM5,088 per tonne in 2022 to RM3,810 per tonne in 2023. *(Source: IMR report)*

Conventional fertilisers

The revenue from the sales of conventional fertilisers decreased by approximately RM29.1 million or 24.3% to RM90.6 million in FYE 2023 (FYE 2022: RM119.7 million) which was mainly attributed to the following:

- decrease in revenue from compacted fertilisers by approximately RM17.3 million or 20.9%, mainly due to lower demand in FYE 2023. This was reflected in the decline in sales volume of compacted fertilisers by 4,245 tonnes or 11.5% to 32,585 tonnes in FYE 2023 (FYE 2022: 36,830 tonnes), mainly arising from lower orders of our customised formulation of compacted fertilisers and certain standard formulation products including CM125B, CM126B and CM1022. The decrease in revenue was also partly attributed to the decline in the ASP of compacted fertilisers by 10.6% to RM2,017 per tonne in FYE 2023 (FYE 2022: RM2,255 per tonne); and

- decrease in the revenue from blended fertilisers by approximately RM11.8 million or 32.1%, mainly due to lower demand in FYE 2023. This was reflected in the decline in sales volume of blended fertilisers by 3,375 tonnes or 18.5% to 14,895 tonnes in FYE 2023 (FYE 2022: 18,270 tonnes), mainly arising from lower orders of our customised formulation of blended fertilisers. The decrease in revenue was also partly attributed to the decline in the ASP of blended fertilisers by 16.7% to RM1,670 per tonne in FYE 2023 (FYE 2022: RM2,006 per tonne).

Specialty fertilisers

The decrease in revenue from conventional fertilisers was partially offset by the increase in revenue of specialty fertilisers by approximately RM3.6 million or 19.9% to RM21.5 million in FYE 2023 (FYE 2022: RM17.9 million). This was largely contributed by higher revenue from semi-organic fertilisers, which increased by approximately RM3.3 million or 18.8%, mainly driven by higher demand in most of our CM Miracle series of specialty fertilisers. The sales volume of semi-organic fertilisers increased by 2,629 tonnes or 25.6% to 12,904 tonnes in FYE 2023 (FYE 2022: 10,275 tonnes), mainly contributed to sales of our existing products, including CM 900 and CM Miracle Blue.

The increase in revenue of specialty fertilisers was partially offset by the decline in the ASP of specialty fertilisers, mainly from the semi-organic fertilisers where the ASP declined by 5.4% to RM1,607 per tonne in FYE 2023 (FYE 2022: RM1,699 per tonne).

(b) Trading Segment

In FYE 2023, revenue from our Trading Segment decreased by approximately RM11.2 million or 22.1% to RM39.4 million in FYE 2023 (FYE 2022: RM50.7 million). This was mainly attributed to the lower revenue from trading of straight fertilisers where the ASP of straight fertilisers decreased by 18.5% to RM1,409 per tonne in FYE 2023 (FYE 2022: RM1,728 per tonne) arising from the decrease in prices of input materials. In addition, the sales volume of straight fertilisers under the Trading Segment declined by 1,736 tonnes or 6.2% to 26,321 tonnes in FYE 2023 (FYE 2022: 28,057 tonnes) attributed to the lower demand of P fertilisers.

On a geographical basis, our revenue from domestic sales declined by approximately RM36.1 million or 19.4% to RM150.5 million in FYE 2023 (FYE 2022: RM186.6 million), mainly attributed to lower sales from central, northern and east coast region of Peninsular Malaysia as well as Sarawak. The decline was partially moderated by the increase in sales from the southern region by RM5.1 million or 14.3% to RM40.6 million in FYE 2023 (FYE 2022: RM35.5 million). Overall, the sales volume of fertilisers to domestic market decreased by 5,382 tonnes or 5.7% to 89,649 tonnes in FYE 2023 (FYE 2022: 95,031 tonnes).

Revenue from foreign market also declined by approximately RM0.6 million or 37.9% to RM1.0 million in FYE 2023 (FYE 2022: RM1.7 million) which was reflected in the decrease in export volume by approximately 20 tonnes or 2.8% to 700 tonnes in FYE 2023 (FYE 2022: 720 tonnes). This was due to the decrease in sales of fertilisers to a trading company in Cambodia by approximately RM1.6 million or 92.6% arising from lower orders placed by the said trading company. This is indicated by the lower sales volume of approximately 85.8%, from 720 tonnes in FYE 2022 to 102 tonnes in FYE 2023. During the FYE 2023, our export sales were derived from Cambodia, Sri Lanka and Singapore.

Comparison between FPE 2024 and FPE 2023

Our total revenue decreased by approximately RM5.9 million or 8.0% to RM67.3 million in FPE 2024 (FPE 2023: RM73.2 million) mainly resulted from a decrease in ASP, which was adjusted downward due to the overall drop in prices of input materials as a result of declining key fertiliser prices arising from factors as set out under the revenue commentaries on comparison between FYE 2023 and FYE 2022 in **Section 12.3.2** of this Prospectus.

The decline in FPE 2024 was attributed to the following business segments:

(a) Formulation and Blending Segment

In FPE 2024, revenue from our Formulation and Blending Segment decreased by approximately RM5.0 million or 9.0% to RM50.7 million in FPE 2024 (FPE 2023: RM55.7 million), mainly attributed to the lower revenue from conventional fertilisers.

Conventional fertilisers

The revenue from the sales of conventional fertilisers decreased by approximately RM4.8 million or 10.6% to RM40.5 million in FPE 2024 (FPE 2023: RM45.3 million) which was mainly attributed to the following:

- decrease in revenue from compacted fertilisers by approximately RM4.9 million or 14.7% to RM28.4 million in FPE 2024 (FPE 2023: RM33.3 million). This was mainly resulted from the decrease in ASP of compacted fertilisers by 30.1% to RM1,548 per tonne in FPE 2024 (FPE 2023: RM2,215 per tonne) on the back of the overall decrease in prices of input materials. Meanwhile, the sales volume of compacted fertilisers increased by 3,327 tonnes or 22.1% to 18,365 tonnes in FPE 2024 (FPE 2023: 15,038 tonnes), mainly contributed by the higher orders of certain standard formulation products including CM125B and CM44B as well as our customised formulation of compacted fertilisers.

- increase in revenue from blended fertilisers by approximately RM0.1 million or 0.8% to RM12.1 million in FPE 2024 (FPE 2023: RM12.0 million). This was mainly attributed to the higher demand in FPE 2024 as reflected in the increase in sales volume of blended fertilisers by 1,853 tonnes or 28.1% to 8,452 tonnes in FPE 2024 (FPE 2023: 6,599 tonnes). This was mainly arising from higher orders of our customised formulation of blended fertilisers and certain standard formulation products including BB105, BB44 and Supermas. Meanwhile, the ASP of blended fertilisers decreased by 21.3% to RM1,432 per tonne in FPE 2024 (FPE 2023: RM1,820 per tonne) on the back of the overall decrease in prices of input materials.

Specialty fertilisers

The revenue from specialty fertilisers decreased by approximately RM0.2 million or 1.8% to RM10.2 million in FPE 2024 (FPE 2023: RM10.4 million). This was mainly due to the lower revenue from semi-organic fertilisers, which decreased by approximately RM0.2 million or 2.4% to RM9.8 million in FPE 2024 (FPE 2023: RM10.1 million).

The decrease in revenue from semi-organic fertilisers was mainly resulted from the decrease in ASP of semi-organic fertilisers by 7.4% to RM1,470 per tonne in FPE 2024 (FPE 2023: RM1,588 per tonne) on the back of lower prices of input materials. Meanwhile the sales volume of semi-organic fertilisers increased by 344 tonnes or 5.4% to 6,690 tonnes in FPE 2024 (FPE 2023: 6,346 tonnes), mainly contributed by the higher sales of CM Miracle 70:30.

(b) Trading Segment

In FPE 2024, revenue from our Trading Segment decreased by approximately RM0.9 million or 5.1% to RM16.6 million in FPE 2024 (FPE 2023: RM17.5 million). This was mainly attributed to the lower revenue from trading of straight fertilisers resulting from the decrease in ASP of straight fertilisers decreased by 25.8% to RM1,162 per tonne in FPE 2024 (FPE 2023: RM1,566 per tonne) as the prices of input materials declined. Meanwhile, the sales volume of straight fertilisers under the Trading Segment increased by 2,342 tonnes or 21.8% to 13,066 tonnes in FPE 2024 (FPE 2023: 10,724 tonnes), mainly attributed to the higher demand of N fertilisers.

On a geographical basis, our revenue from domestic sales declined by approximately RM6.4 million or 8.7% to RM66.7 million in FPE 2024 (FPE 2023: RM73.1 million), mainly attributed to lower sales from the central and southern region of Peninsular Malaysia. The decline was partially moderated by the increase in sales from the northern and east coast region as well as Sarawak by RM3.3 million or 14.2% to RM26.4 million in FPE 2024 (FPE 2023: RM23.1 million). Meanwhile, the overall sales volume of fertilisers to domestic market increased by 8,272 tonnes or 20.8% to 48,132 tonnes in FPE 2024 (FPE 2023: 39,859 tonnes).

Revenue from foreign market increased by approximately RM0.5 million or 377.6% to RM0.6 million in FPE 2024 (FPE 2023: RM0.1 million) which was reflected in the increase in export volume by approximately 212 tonnes or 208.1% to 314 tonnes in FPE 2024 (FPE 2023: 102 tonnes). This was due to the sales of fertilisers to Sri Lanka, Papua New Guinea and Singapore.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Cost of Sales

(i) Cost of sales by components

	FYE 2021		FYE 2022		FYE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Input materials						
▪ Macronutrients[(1)]	75,321	85.2	137,199	88.8	104,527	84.3
▪ Micronutrients and additives[(2)]	2,274	2.6	2,991	1.9	4,005	3.3
▪ Packaging materials	1,894	2.1	2,105	1.4	2,034	1.6
▪ Organic matters	254	0.3	742	0.5	506	0.4
▪ Others[(3)]	2,566	2.9	3,634	2.4	3,240	2.6
	82,309	**93.1**	**146,671**	**94.9**	**114,312**	**92.2**
Production overhead						
▪ Upkeep of factory equipment	1,160	1.3	1,811	1.2	3,094	2.5
▪ Rental[(4)]	1,169	1.3	1,178	0.8	1,212	1.0
▪ Other production overhead[(5)]	1,048	1.2	1,599	1.0	1,729	1.4
	3,377	**3.8**	**4,588**	**3.0**	**6,035**	**4.9**
Labour costs	2,693	3.1	3,295	2.1	3,590	2.9
Total cost of sales	**88,379**	**100.0**	**154,554**	**100.0**	**123,937**	**100.0**

12. FINANCIAL INFORMATION (CONT'D)

	FPE 2023		FPE 2024	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**
Input materials				
▪ Macronutrients[1]	51,084	86.4	44,647	82.2
▪ Micronutrients and additives[2]	1,779	3.0	2,781	5.1
▪ Packaging materials	874	1.5	950	1.8
▪ Organic matters	203	0.3	230	0.4
▪ Others[3]	1,348	2.3	1,526	2.8
	55,288	**93.5**	**50,134**	**92.3**
Production overhead				
▪ Upkeep of factory equipment	1,165	2.0	1,104	2.0
▪ Rental[4]	505	0.8	520	1.0
▪ Other production overhead[5]	669	1.1	861	1.6
	2,339	**3.9**	**2,485**	**4.6**
Labour costs	1,518	2.6	1,677	3.1
Total cost of sales	**59,145**	**100.0**	**54,296**	**100.0**

***Notes*:**

(1) Macronutrients include N, P, K and secondary macronutrients.

(2) Micronutrients include sodium borate and additives comprising biostimulants and microbes.

(3) Others mainly made up of inward freight charges comprising import duties and logistics costs for the purchase of input materials.

(4) Rental of our operational facilities at Factory Lot 8949 during the Financial Periods Under Review and at Factory Lot 8950 for FYE 2021 onwards.

(5) Other production overhead mainly made up of utilities, upkeep of factory building, depreciation of manufacturing-related assets, and factory safety protective equipment.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by business activities

	FYE 2021		FYE 2022		FYE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Formulation and Blending Segment						
▪ Conventional fertilisers						
(i) Compacted fertilisers	37,059	41.9	66,188	42.8	52,495	42.4
(ii) Blended fertilisers	20,594	23.3	30,868	19.9	20,919	16.9
	57,653	**65.2**	**97,056**	**62.7**	**73,414**	**59.3**
▪ Specialty fertilisers						
(i) Semi-organic fertilisers	2,633	3.0	11,754	7.6	14,511	11.7
(ii) Organic fertilisers	164	0.2	275	0.2	430	0.3
(iii) Liquid fertilisers	-	-	-	-	8	*
	2,797	**3.2**	**12,029**	**7.8**	**14,949**	**12.0**
Subtotal	**60,450**	**68.4**	**109,085**	**70.5**	**88,363**	**71.3**
Trading Segment						
▪ Straight fertilisers	25,879	29.3	43,825	28.4	33,865	27.3
▪ Others[(1)]	2,050	2.3	1,644	1.1	1,709	1.4
Subtotal	**27,929**	**31.6**	**45,469**	**29.5**	**35,574**	**28.7**
Total cost of sales	**88,379**	**100.0**	**154,554**	**100.0**	**123,937**	**100.0**

	FPE 2023		FPE 2024	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**
Formulation and Blending Segment				
▪ Conventional fertilisers				
(i) Compacted fertilisers	26,217	44.3	22,683	41.8
(ii) Blended fertilisers	10,088	17.1	10,113	18.6
	36,305	**61.4**	**32,796**	**60.4**
▪ Specialty fertilisers				
(i) Semi-organic fertilisers	6,986	11.8	6,539	12.1
(ii) Organic fertilisers	160	0.3	172	0.3
(iii) Liquid fertilisers	2	*	12	*
	7,148	**12.1**	**6,723**	**12.4**
Subtotal	**43,453**	**73.5**	**39,519**	**72.8**
Trading Segment				
▪ Straight fertilisers	15,175	25.6	13,699	25.2
▪ Others(1)	517	0.9	1,078	2.0
Subtotal	**15,692**	**26.5**	**14,777**	**27.2**
Total cost of sales	**59,145**	**100.0**	**54,296**	**100.0**

***Notes**:*

* *Less than 0.1%.*

(1) Others include MgO, micronutrients, organic matters and an externally sourced organic fertiliser.

12. FINANCIAL INFORMATION (CONT'D)

The sales volume and cost of sales per tonne of our fertilisers are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	Sales volume (tonne)	**COS per tonne (RM/ tonne)**	**Sales volume (tonne)**	**COS per tonne (RM/ tonne)**	**Sales volume (tonne)**	**COS per tonne (RM/ tonne)**
Formulation and Blending Segment	**60,598**	**998**	**66,046**	**1,652**	**61,408**	**1,439**
▪ Conventional fertilisers	57,196	1,008	55,100	1,761	47,480	1,546
(i) Compacted fertilisers	*36,224*	*1,023*	*36,830*	*1,797*	*32,585*	*1,611*
(ii) Blended fertilisers	*20,972*	*982*	*18,270*	*1,690*	*14,895*	*1,404*
▪ Specialty fertilisers	3,402	822	10,946	1,099	13,928	1,073
(i) Semi-organic fertilisers	*2,922*	*901*	*10,275*	*1,144*	*12,904*	*1,125*
(ii) Organic fertilisers	*480*	*342*	*671*	*410*	*1,020*	*422*
(iii) Liquid fertilisers	-	-	-	-	*4*	*2,000*
Trading Segment	**33,162**	**842**	**29,704**	**1,531**	**28,942**	**1,229**
▪ Straight fertilisers	29,774	869	28,057	1,562	26,321	1,287
▪ Others[1]	3,388	605	1,647	998	2,621	652
Group	**93,760**	**943**	**95,750**	**1,614**	**90,350**	**1,372**

12. FINANCIAL INFORMATION (CONT'D)

	FPE 2023		FPE 2024	
	Sales volume (tonne)	**COS per tonne (RM/ tonne)**	**Sales volume (tonne)**	**COS per tonne (RM/ tonne)**
Formulation and Blending Segment	**28,364**	**1,532**	**33,913**	**1,165**
▪ Conventional fertilisers	21,637	1,678	26,817	1,223
(i) Compacted fertilisers	*15,038*	*1,743*	*18,365*	*1,235*
(ii) Blended fertilisers	*6,599*	*1,529*	*8,452*	*1,197*
▪ Specialty fertilisers	6,727	1,063	7,096	947
(i) Semi-organic fertilisers	*6,346*	*1,101*	*6,690*	*977*
(ii) Organic fertilisers	*380*	*421*	*401*	*429*
(iii) Liquid fertilisers	*1*	*2,000*	*5*	*2,400*
Trading Segment	**11,597**	**1,353**	**14,533**	**1,017**
▪ Straight fertilisers	10,724	1,415	13,066	1,048
▪ Others[(1)]	873	592	1,467	735
Group	**39,961**	**1,480**	**48,446**	**1,121**

***Note**:*

(1) Others include MgO, micronutrients, organic matters and an externally sourced organic fertiliser.

(a) **Input materials' cost**

Input materials mainly consist of input materials used for the formulation and blending of conventional and specialty fertilisers such as macronutrients, micronutrients, organic matters, biostimulants, microbes, packaging materials and others. For our Trading Segment, we purchase N, P and K fertiliser as well as other related materials where we sell them to our customers without further processing.

Input material costs constituted the largest component of our cost of sales which accounted for 93.1%, 94.9%, 92.2% and 92.3% for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

In FYE 2022, our input materials costs increased by approximately RM64.4 million or 78.2% to approximately RM146.7 million in FYE 2022 (FYE 2021: RM82.3 million), mainly attributed to the increase in the consumption of macronutrients by approximately RM61.9 million or 82.2% to RM137.2 million in FYE 2022 (FYE 2021: RM75.3 million) to cater for the higher sales volume during the year and partly attributed to increase in prices of macronutrients during FYE 2022. The higher consumption of macronutrients was reflected by the increase in our revenue by 73.1% to approximately RM188.3 million in FYE 2022 as discussed above and also reflected in the increase in sales volume of fertilisers by 2.1% in FYE 2022. In addition, the higher input materials prices had contributed to an increase in input material costs per tonne, which increased by 74.5% in FYE 2022 to RM1,532 per tonne in FYE 2022 (FYE 2021: RM878 per tonne) which indicates that higher costs for materials used for production and trading.

In FYE 2023, our input materials costs decreased by approximately RM32.4 million or 22.1% to RM114.3 million in FYE 2023 (FYE 2022: RM146.7 million), mainly attributed to the lower consumption of macronutrients by RM32.7 million or 23.8% to RM104.5 million in FYE 2023 (FYE 2022: RM137.2 million) and partly attributed to the decrease in prices of macronutrients during FYE 2023. The lower consumption of macronutrients was reflected by the decrease in our revenue by approximately 19.5% to RM151.5 million in FYE 2023 (FYE 2022: RM188.3 million), as discussed above and also reflected in the decrease in sales volume of fertilisers by 5.6% in FYE 2023. In addition, the lower input materials prices had contributed to a decrease in input material costs per tonne, which decreased by 17.4% in FYE 2023 to RM1,265 per tonne in FYE 2023 (FYE 2022: RM1,532 per tonne) which indicates that lower costs for materials used for production and trading. The decrease was partially moderated by the increase in consumption of micronutrients and additives by approximately RM1.0 million or 33.9% to RM4.0 million in FYE 2023 (FYE 2022: RM3.0 million) to cater for higher demand for our specialty fertilisers. This was reflected in higher sales volume of our specialty fertilisers which increased by 2,982 tonnes or 27.2% to 13,928 tonnes in FYE 2023 (FYE 2022: 10,946 tonnes).

In FPE 2024, our input material costs decreased by approximately RM5.2 million or 9.3% to RM50.1 million in FPE 2024 (FPE 2023: RM55.3 million) which was due to the lower input materials costs, mainly arising from lower prices of macronutrient. Overall, the input material costs per tonne decreased by 25.2% to RM1,035 per tonne in FPE 2024 (FPE 2023: RM1,384 per tonne) which indicates the lower costs for materials used for production and trading.

(b) Production overhead costs

Production overhead costs mainly comprise cost for upkeep of equipment for our formulation and blending activities and rental of our operational facilities.

For FYE 2022, our production overhead costs increased by approximately RM1.2 million or 35.9% to RM4.6 million in FYE 2022 (FYE 2021: RM3.4 million). This was mainly due to the consequential increase in cost for upkeep of equipment for our production activities by approximately RM0.7 million or 56.1% as well as increase in utility costs by RM0.2 million or 44.4% in view of the commencement of production activities at Factory Lot 8950.

For FYE 2023, our production overhead costs increased by approximately RM1.4 million or 31.5% to RM6.0 million in FYE 2023 (FYE 2022: RM4.6 million). This was mainly due to the increase in cost for upkeep of equipment for our production activities by approximately RM1.3 million or 70.8% in FYE 2023 arising mainly from the maintenance services carried out for the production facilities in Factory Lot 8949.

In FPE 2024, our production overhead costs increased by approximately RM0.1 million or 6.2% to RM2.5 million in FPE 2024 (FPE 2023: RM2.3 million). This was mainly due to the increase in cost for upkeep of our factory for our production activities as well as the depreciation of manufacturing-related assets.

(c) Labour costs

Labour costs comprise mainly wages and salaries as well as statutory contribution.

In FYE 2022, our labour cost increased by approximately RM0.6 million or 22.4% to approximately RM3.3 million in FYE 2022 (FYE 2021: RM2.7 million), mainly arising from the incremental cost incurred by higher production activities in meeting the increased orders during FYE 2022.

In FYE 2023, our labour cost increased by approximately RM0.3 million or 9.0% to RM3.6 million in FYE 2023 (FYE 2022: RM3.3 million), mainly arising from increase in headcount from our production floor from 52 in FYE 2022 to 71 in FYE 2023.

In FPE 2024, our labour cost increased by approximately RM0.2 million or 10.5% to RM1.7 million in FPE 2024 (FPE 2023: RM1.5 million), mainly arising from the increase in headcount from our production floor from 53 in FPE 2023 to 70 in FPE 2024.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.4 Gross profit (GP)

(i) GP and GP margin by business activities

	FYE 2021			FYE 2022			FYE 2023		
GP and GP margin	**GP RM'000**	**% of total GP**	**GP Margin (%)**	**GP RM'000**	**% of total GP**	**GP Margin (%)**	**GP RM'000**	**% of total GP**	**GP Margin (%)**
Formulation and Blending Segment	**15,796**	**77.4**	**20.7**	**28,553**	**84.6**	**20.7**	**23,741**	**86.0**	**21.2**
▪ Conventional fertilisers	14,410	70.6	20.0	22,635	67.1	18.9	17,168	62.2	19.0
(i) *Compacted* fertilisers	*10,075*	*49.4*	*21.4*	*16,857*	*50.0*	*20.3*	*13,216*	*47.9*	*20.1*
(ii) *Blended* fertilisers	*4,335*	*21.2*	*17.4*	*5,778*	*17.1*	*15.8*	*3,952*	*14.3*	*15.9*
▪ Specialty fertilisers	1,386	6.8	33.1	5,918	17.5	33.0	6,573	23.8	30.5
(i) *Semi-organic* fertilisers	*1,248*	*6.1*	*32.2*	*5,702*	*16.9*	*32.7*	*6,232*	*22.6*	*30.0*
(ii) *Organic* fertilisers	*138*	*0.7*	*45.7*	*216*	*0.6*	*44.0*	*297*	*1.1*	*40.9*
(iii) *Liquid* fertiliser	-	-	-	-	-	-	*44*	*0.1*	*84.6*
Trading Segment	**4,604**	**22.6**	**14.2**	**5,189**	**15.4**	**10.2**	**3,869**	**14.0**	**9.8**
▪ Straight fertilisers	3,822	18.7	12.9	4,646	13.8	9.6	3,224	11.7	8.7
▪ Others[(1)]	782	3.9	27.6	543	1.6	24.8	645	2.3	27.4
Total	**20,400**	**100.0**	**18.8**	**33,742**	**100.0**	**17.9**	**27,610**	**100.00**	**18.2**

12. FINANCIAL INFORMATION (CONT'D)

GP and GP margin	FPE 2023 GP RM'000	FPE 2023 % of total GP	FPE 2023 GP Margin (%)	FPE 2024 GP RM'000	FPE 2024 % of total GP	FPE 2024 GP Margin (%)
Formulation and Blending Segment	**12,230**	**87.1**	**22.0**	**11,177**	**85.9**	**22.0**
▪ Conventional fertilisers	9,019	64.2	19.9	7,727	59.4	19.1
(i) Compacted fertilisers	*7,096*	*50.5*	*21.3*	*5,738*	*44.1*	*20.2*
(ii) Blended fertilisers	*1,923*	*13.7*	*16.0*	*1,989*	*15.3*	*16.4*
▪ Specialty fertilisers	3,211	22.9	31.0	3,450	26.5	33.9
(i) Semi-organic fertilisers	*3,094*	*22.0*	*30.7*	*3,295*	*25.3*	*33.5*
(ii) Organic fertilisers	*108*	*0.8*	*40.3*	*119*	*0.9*	*40.9*
(iii) Liquid fertiliser	*9*	*0.1*	*81.8*	*36*	*0.3*	*75.0*
Trading Segment	**1,818**	**12.9**	**10.4**	**1,838**	**14.1**	**11.1**
▪ Straight fertilisers	1,620	11.5	9.6	1,478	11.3	9.7
▪ Others[(1)]	198	1.4	27.7	360	2.8	25.0
Total	**14,048**	**100.0**	**19.2**	**13,015**	**100.0**	**19.3**

***Note**:*

(1) Others include MgO, micronutrients, organic matters and an externally sourced organic fertiliser.

12. FINANCIAL INFORMATION (CONT'D)

The volume and gross profit per tonne of our fertilisers are as follows:

	FYE 2021		FYE 2021		FYE 2023	
	Sales volume (tonne)	**GP per tonne (RM/ tonne)**	**Sales volume (tonne)**	**GP per tonne (RM/ tonne)**	**Sales volume (tonne)**	**GP per tonne (RM/ tonne)**
Formulation and Blending Segment	**60,598**	**261**	**66,046**	**432**	**61,408**	**387**
▪ Conventional fertilisers	57,196	252	55,100	411	*47,480*	*362*
(i) Compacted fertilisers	*36,224*	*278*	*36,830*	*458*	*32,585*	*406*
(ii) Blended fertilisers	*20,972*	*207*	*18,270*	*316*	*14,895*	*265*
▪ Specialty fertilisers	3,402	407	10,946	541	13,928	472
(i) Semi-organic fertilisers	*2,922*	*427*	*10,275*	*555*	*12,904*	*483*
(ii) Organic fertilisers	*480*	*287*	*671*	*322*	*1,020*	*291*
(iii) Liquid fertilisers	-	-	-	-	*4*	*11,000*
Trading Segment	**33,162**	**139**	**29,704**	**175**	**28,942**	**134**
▪ Straight fertilisers	29,774	128	28,057	166	26,321	122
▪ Others[(1)]	3,388	231	1,647	329	2,621	246
Total	**93,760**	**218**	**95,750**	**352**	**90,350**	**306**

12. FINANCIAL INFORMATION (CONT'D)

	FPE 2023		FPE 2024	
	Sales volume (tonne)	**GP per tonne (RM/ tonne)**	**Sales volume (tonne)**	**GP per tonne (RM/ tonne)**
Formulation and Blending Segment	**28,364**	**431**	**33,913**	**330**
▪ Conventional fertilisers	21,637	417	26,817	*288*
(i) Compacted fertilisers	*15,038*	*472*	*18,365*	*312*
(ii) Blended fertilisers	*6,599*	*291*	*8,452*	*235*
▪ Specialty fertilisers	6,727	477	7,096	486
(i) Semi-organic fertilisers	*6,346*	*488*	*6,690*	*493*
(ii) Organic fertilisers	*380*	*284*	*401*	*297*
(iii) Liquid fertilisers	*1*	*9,000*	*5*	*7,200*
Trading Segment	**11,597**	**157**	**14,533**	**126**
▪ Straight fertilisers	10,724	151	13,066	113
▪ Others[(1)]	873	227	1,467	245
Total	**39,961**	**352**	**48,446**	**269**

***Note**:*

(1) Others include MgO, micronutrients, organic matters and an externally sourced organic fertiliser.

Comparison between FYE 2022 and FYE 2021

Our total GP increased by approximately RM13.3 million or 65.4% to approximately RM33.7 million in FYE 2022 (FYE 2021: RM20.4 million) while our total GP margin declined from 18.8% in FYE 2021 to 17.9% in FYE 2022. This was mainly attributed to the two business segments below:

(a) Formulation and Blending Segment

The GP derived from our Formulation and Blending Segment increased by approximately RM12.8 million or 80.8% to approximately RM28.6 million in FYE 2022 (FYE 2021: RM15.8 million) was mainly contributed by the following:

- GP derived from conventional fertilisers increased by approximately RM8.2 million or 57.1% to approximately RM22.6 million in FYE 2022 (FYE 2021: RM14.4 million) was reflected by the revenue growth of 66.1% from the conventional fertilisers in FYE 2022. The higher GP contribution from compacted fertilisers and blended fertilisers during the FYE 2022 was mainly attributed to the following:

  (aa) the higher GP contribution from compacted fertilisers was mainly due to higher sales volume of the said fertilisers coupled with the increase in ASP; and

  (bb) the higher GP contribution from blended fertilisers was due to the increase in ASP despite the decrease in sales volume.

  Please refer to the table as set out in **Section 12.3.2(i)** of this Prospectus for the sales volume and ASP of conventional fertilisers.

- GP derived from specialty fertilisers increased by approximately RM4.5 million or 327.0% to approximately RM5.9 million in FYE 2022 (FYE 2021: RM1.4 million) which was reflected in the increase of 329.0% in revenue derived from sales of specialty fertilisers in FYE 2022. The higher GP contribution was mainly driven by the higher sales volume and the increase in ASP of semi-organic fertilisers.

GP margin derived from the Formulation and Blending Segment remained at 20.7% in FYE 2022. This was mainly attributed to the following:

- GP margin from compacted fertilisers declined from 21.4% in FYE 2021 to 20.3% in FYE 2022. This was due to the increase in COS per tonne of compacted fertilisers by 75.7% from RM1,023 per tonne in FYE 2021 to RM1,797 per tonne in FYE 2022 which was mainly arising from the increase in prices of input materials. Meanwhile, the ASP per tonne of compacted fertilisers increased by 73.3% from RM1,301 per tonne in FYE 2021 to RM2,255 per tonne in FYE 2022, as we were unable to pass on fully the increase in input material costs to the customers to stay competitive. This was also reflected in the higher proportion of cost of sales against revenue of compacted fertilisers in FYE 2021, which increased from 78.6% in FYE 2021 to 79.7% in FYE 2022;

- GP margin from blended fertilisers declined from 17.4% in FYE 2021 to 15.8% in FYE 2022. This was due to the increase in COS per tonne of blended fertilisers by 72.1% from RM982 per tonne in FYE 2021 to RM1,690 per tonne in FYE 2022 which was mainly arising from the increase in prices of input materials. Meanwhile, the ASP per tonne of blended fertilisers increased by 68.7% from RM1,189 per tonne in FYE 2021 to RM2,006 per tonne in FYE 2022 as we were unable to pass on fully the increase in input material costs to the customers to stay competitive. This was also reflected in the higher proportion of cost of sales against revenue of blended fertilisers in FYE 2022, which increased from 82.6% in FYE 2021 to 84.2% in FYE 2022; and

- GP margin from specialty fertilisers declined slightly from 33.1% in FYE 2021 to 33.0% in FYE 2022. This was due to the increase in COS per tonne of specialty fertilisers by 33.7% from RM822 per tonne in FYE 2021 to RM1,099 per tonne in FYE 2022, mainly arising from the increase in prices of input materials. Meanwhile, the ASP per tonne of specialty fertilisers increased by 33.3% from RM1,230 per tonne in FYE 2021 to RM1,640 per tonne in FYE 2022 as we were unable to pass on fully the increase in input material costs to the customers to stay competitive.

  The slight decrease in GP margin from specialty fertilisers were partially moderated by the improvement in GP margin from our semi-organic fertilisers in FYE 2022. The GP margin from the semi-organic fertilisers improved from 32.2% in FYE 2021 to 32.7% in FYE 2022. In addition, the GP contribution of this fertiliser type increased from 6.1% in FYE 2021 to 16.9% in FYE 2022.

(b) Trading Segment

The GP derived from the Trading Segment increased by approximately RM0.6 million or 12.7% to RM5.2 million in FYE 2022 (FYE 2021: RM4.6 million) was mainly driven by the higher GP contribution from the sales of straight fertilisers. The increase in GP derived from the Trading Segment was reflected by the increase of 55.7% in revenue derived from the Trading Segment in FYE 2022.

The GP margin from the Trading Segment declined from 14.2% in FYE 2021 to 10.2% in FYE 2022. This was mainly due to the drop in GP margin of straight fertilisers arising from higher COS per tonne which increased by 79.7% from RM869 per tonne to RM1,562 per tonne in FYE 2022 mainly arising from the increase in prices of input materials. Meanwhile, the ASP per tonne of the straight fertilisers traded had only increased by 73.1% from RM998 per tonne in FYE 2021 to RM1,728 per tonne in FYE 2022, as we were unable to pass on fully the increase in input material costs to the customers to stay competitive. This was also reflected in the higher proportion of cost of sales against revenue of straight fertilisers traded in FYE 2021, which increased from 87.1% in FYE 2021 to 90.4% in FYE 2022.

Comparison between FYE 2023 and FYE 2022

Our total GP decreased by approximately RM6.1 million or 18.2% to RM27.6 million in FYE 2023 (FYE 2022: RM33.7 million) while our GP margin improved from 17.9% in FYE 2022 to 18.2% in FYE 2023. This was mainly attributed to the two business segments below:

(a) Formulation and Blending Segment

The GP derived from our Formulation and Blending Segment decreased by approximately RM4.8 million or 16.9% to RM23.7 million in FYE 2023 (FYE 2022: RM28.6 million) which was mainly contributed by the following:

- GP derived from conventional fertilisers decreased by RM5.5 million or 24.2% to RM17.2 million in FYE 2023 (FYE 2022: RM22.6 million) which was reflected in the decrease in revenue from conventional fertilisers by 24.3% in FYE 2023. The lower GP contribution from compacted fertilisers and blended fertilisers during the FYE 2023 was mainly attributed to the following:

  (aa) the lower GP contribution from compacted fertilisers was attributed to the decline in sales volume of the said fertilisers coupled with the lower ASP; and

  (bb) the lower GP contribution from blended fertilisers was attributed to the decline in sales volume of the said fertilisers coupled with the lower ASP.

  Please refer to the table as set out in **Section 12.3.2(i)** of this Prospectus for the sales volume and ASP of conventional fertilisers.

- GP derived from specialty fertilisers increased by approximately RM0.7 million or 11.1% to RM6.6 million in FYE 2023 (FYE 2022: RM5.9 million) which was reflected in the increase of 19.9% in revenue derived from sales of specialty fertilisers in FYE 2023. The higher GP contribution was mainly driven by the higher sales volume of semi-organic fertilisers.

GP margin derived from the Formulation and Blending Segment improved from 20.7% in FYE 2022 to 21.2% in FYE 2023 mainly attributed to the increase in sales of higher margin specialty fertilisers. The GP margin for our compacted, blended and specialty fertilisers are as follows:

- GP margin from compacted fertilisers declined slightly from 20.3% in FYE 2022 to 20.1% in FYE 2023. This was due to the decline in ASP per tonne of compacted fertilisers by 10.6% from RM2,255 per tonne in FYE 2022 to RM2,017 per tonne in FYE 2023;

- GP margin from blended fertilisers increased slightly from 15.8% in FYE 2022 to 15.9% in FYE 2023. This was mainly due to the lower COS per tonne of blended fertilisers by 16.9% from RM1,690 per tonne in FYE 2022 to RM1,404 per tonne in FYE 2023; and

- GP margin from specialty fertilisers decreased from 33.0% in FYE 2022 to 30.5% in FYE 2023. This was due to the decline in ASP per tonne of specialty fertilisers by 5.8% from RM1,640 per tonne in FYE 2022 to RM1,545 per tonne in FYE 2023. Notwithstanding the drop in GP margin of specialty fertilisers, the overall GP margin from Formulation and Blending Segment improved due to the higher sales volume of our Group's specialty fertilisers of 13,928 tonnes in FYE 2023 as compared to 10,945 tonnes in FYE 2022, as specialty fertilisers command higher margin than conventional fertilisers. In FYE 2023, the GP margin of specialty fertilisers was 30.5% while the GP margin for conventional fertilisers was 19.0%.

(b) Trading Segment

The GP derived from the Trading Segment decreased by approximately RM1.3 million or 25.4% to RM3.9 million in FYE 2023 (FYE 2022: RM5.2 million), which was attributed to the lower GP contribution from the sales of straight fertilisers. The decrease in GP derived from the Trading Segment is reflected in the decrease of 22.1% in the revenue of Trading Segment in FYE 2023.

The GP margin from the Trading Segment decreased from 10.2% in FYE 2022 to 9.8% in FYE 2023. This was mainly due to the drop in GP margin of straight fertilisers arising from the decline in ASP per tonne of straight fertilisers by 18.4% from RM1,728 per tonne in FYE 2022 to RM1,409 per tonne in FYE 2023.

<u>Comparison between FPE 2024 and FPE 2023</u>

Our total GP decreased by approximately RM1.0 million or 7.4% to RM13.0 million in FPE 2024 (FPE 2023: RM14.0 million) while our GP margin increased from 19.2% in FPE 2023 to 19.3% in FPE 2024. This was mainly attributed to the two business segments below:

(a) Formulation and Blending Segment

The GP derived from our Formulation and Blending Segment decreased by approximately RM1.1 million or 8.6% to RM11.2 million in FPE 2024 (FPE 2023: RM12.2 million) which was mainly contributed by the following:

- GP derived from conventional fertilisers decreased by approximately RM1.3 million or 14.3% to RM7.7 million in FPE 2024 (FPE 2023: RM9.0 million) which was reflected in the decrease in revenue from conventional fertilisers by 10.6% in FPE 2024. The decrease in GP from conventional fertilisers was mainly due to the following:

  (aa) the lower GP contribution from compacted fertilisers by RM1.4 million, mainly due to the adjustment on the ASP of compacted fertilisers; and

  (bb) the decrease was partially moderated by the increased GP contribution from blended fertilisers by RM0.1 million, mainly attributed to the increase in sales volume of blended fertilisers.

Please refer to the table as set out in **Section 12.3.2(i)** of this Prospectus for the sales volume and ASP of conventional fertilisers.

- GP derived from specialty fertilisers increased by approximately RM0.2 million or 7.4% to RM3.5 million in FPE 2024 (FPE 2023: RM3.2 million). The higher GP contribution was mainly driven by the higher sales volume of semi-organic fertilisers.

GP margin derived from the Formulation and Blending Segment remained at 22.0% in FPE 2024. This was mainly attributed to the following:

- GP margin from compacted fertilisers declined slightly from 21.3% in FPE 2023 to 20.2% in FPE 2024. This was mainly resulting from a decrease in ASP of compacted fertilisers by 30.1% on the back of the overall decrease in prices of input materials.

- GP margin from blended fertilisers increased slightly from 16.0% in FPE 2023 to 16.4% in FPE 2024. This was mainly attributed to the lower COS per tonne of blended fertilisers by 21.7% from RM1,529 per tonne in FPE 2023 to RM1,197 per tonne in FPE 2024.

- GP margin from specialty fertilisers increased from 31.0% in FPE 2023 to 33.9% in FPE 2024. This was mainly attributed to the lower COS per tonne of specialty fertilisers by 10.9% from RM1,063 per tonne in FPE 2023 to RM947 per tonne in FPE 2024.

(b) Trading Segment

The GP derived from the Trading Segment remained relatively consistent at RM1.8 million in FPE 2024 (FPE 2023: RM1.8 million). GP contribution from the sales of straight fertilisers decreased by RM0.1 million or 8.8% to RM1.5 million in FPE 2024 (FPE 2023: RM1.6 million), as reflected in the decrease of revenue for straight fertilisers. The decrease was partially moderated by the increase in GP contributed from the trading of macronutrients and micronutrients.

The GP margin from Trading Segment increased from 10.4% in FPE 2023 to 11.1% in FPE 2024. This was mainly attributed to the lower COS per tonne of straight fertilisers by 25.9% from RM1,415 per tonne in FPE 2023 to RM1,048 per tonne to FPE 2024.

12.3.5 Other income

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Gain on foreign exchange	124	71.7	363	33.3	293	89.6
▪ *Realised*	*118*	*68.2*	*359*	*32.9*	*293*	*89.6*
▪ *Unrealised*	*6*	*3.5*	*4*	*0.4*	-	-
Interest income(1)	23	13.3	22	2.0	28	8.6
Others(2)	26	15.0	705	64.7	6	1.8
Total	**173**	**100.0**	**1,090**	**100.0**	**327**	**100.0**

	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Gain on foreign exchange	173	91.5	62	81.6
▪ *Realised*	*173*	*91.5*	*62*	*81.6*
▪ *Unrealised*	-	-	-	-
Interest income(1)	10	5.3	14	18.4
Others(2)	6	3.2	-	-
Total	**189**	**100.0**	**76**	**100.0**

***Notes**:*

(1) Interest income earned from licensed bank.

(2) Others include fees charged for unloading of goods at customer's premise. In FYE 2022, it also includes a one-off sale of a compaction machine to a company in Indonesia which we source from a third party.

Comparison between FYE 2022 and FYE 2021

In FYE 2022, our other income increased by approximately RM0.9 million or 530.1% to RM1.1 million, mainly attributed to the increase in other income by approximately RM0.7 million which mainly comprises a one-off sale of a compaction machine to a company in Indonesia.

In addition, the increase was also partly attributed to the increase in the gain on foreign exchange of approximately RM0.2 million due to the movement of the foreign exchange arising mainly from the purchases of input materials which was mainly transacted in USD.

Comparison between FYE 2023 and FYE 2022

In FYE 2023, our other income decreased by approximately RM0.8 million or 70.0% to RM0.3 million in FYE 2023 (FYE 2022: RM1.1 million), mainly attributed to lower other income by RM0.7 million as there was no sales of compaction machine in FYE 2023. The sale of compaction machine was a one-off sale to a customer in Indonesia in FYE 2022.

Comparison between FPE 2024 and FPE 2023

In FPE 2024, our other income decreased by approximately RM0.1 million or 59.8% to RM0.1 million in FPE 2024 (FPE 2023: RM0.2 million). This was mainly attributed to the decrease in the gain on foreign exchange of approximately RM0.1 million due to the movement of the foreign exchange arising mainly from the purchases of input materials which was mainly transacted in USD.

12.3.6 Administrative and other expenses

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Staff costs[1]	3,596	39.9	5,184	37.3	3,465	26.6
General expenses	1,757	19.5	3,794	27.3	4,212	32.3
▪ *Professional fees*	*401*	*4.4*	*1,657*	*11.9*	*1,533*	*11.8*
▪ *Depreciation of right-of-use assets and PPE*	*713*	*7.9*	*1,102*	*7.9*	*1,245*	*9.6*
▪ *Office expenses*	*360*	*4.0*	*499*	*3.6*	*843*	*6.4*
▪ *Loss on foreign exchange*	*151*	*1.7*	*361*	*2.6*	*350*	*2.7*
▪ *Other general expenses[2]*	*132*	*1.4*	*175*	*1.3*	*241*	*1.8*
Transportation charges[3]	2,458	27.3	3,220	23.3	3,341	25.6
Sales commission[4]	1,029	11.3	1,256	9.0	1,656	12.7
Transport and travelling expenses[5]	132	1.5	241	1.7	231	1.8
Others[6]	44	0.5	194	1.4	125	1.0
Total	**9,016**	**100.0**	**13,888**	**100.0**	**13,030**	**100.0**

	FPE 2023		FPE 2024	
	RM'000	**%**	**RM'000**	**%**
Staff costs(1)	1,766	27.2	1,859	35.5
General expenses	2,155	33.1	1,243	23.8
▪ *Professional fees*	*900*	*13.8*	*365*	*7.0*
▪ *Depreciation of right-of-use assets and PPE*	*515*	*7.9*	*486*	*9.3*
▪ *Office expenses*	*497*	*7.7*	*224*	*4.3*
▪ *Loss on foreign exchange*	*177*	*2.7*	*87*	*1.7*
▪ *Other general expenses(2)*	*66*	*1.0*	*81*	*1.5*
Transportation charges(3)	1,789	27.5	1,217	23.2
Sales commission(4)	643	9.9	710	13.6
Transport and travelling expenses(5)	95	1.5	116	2.2
Others(6)	51	0.8	91	1.7
Total	**6,499**	**100.0**	**5,236**	**100.0**

Notes:

(1) Staff costs consist of salaries, wages and allowances, bonuses, employees provident fund, social security contributions and other staff related costs of the directors and administrative staffs.

(2) Other general expenses include insurance as well as upkeep and maintenance expenses.

(3) Shipping costs incurred in delivery of goods to customers.

(4) Being sales commission for our employees, agent fees and sales incentives.

(5) Transport and travelling expenses include petrol/diesel, upkeep of motor vehicle, accommodation, travelling and outstation expenses and allowance for the delivery of goods to customers as well as travelling expenses for our sales and marketing staff.

(6) For the Financial Periods Under Review, it includes entertainment expenses, advertisement and promotional expenses. In FYE 2022, it also includes loss of disposal of right-of-use assets, plant and equipment and impairment loss on trade receivables.

Comparison between FYE 2022 and FYE 2021

Our administrative and other expenses increased by approximately RM4.9 million or 54.0% to RM13.9 million in FYE 2022 (FYE 2021: RM9.0 million). The increase in administrative expenses was mainly attributed to the following:

- increase in staff costs by approximately RM1.6 million or 44.2% to RM5.2 million in FYE 2022 (FYE 2021: RM3.6 million). The increase in staff cost was mainly due to the higher bonus payment;

- increase in general expenses by approximately RM2.0 million or 115.9% to RM3.8 million in FYE 2022 (FYE 2021: RM1.8 million), mainly attributed to the increase in Listing expenses of approximately RM1.3 million or 313.5% to RM1.7 million in FYE 2022 (FYE 2021: RM0.4 million); and

- increase in transportation charges for the delivery of goods to customers by approximately RM0.7 million or 31.0% to approximately RM3.2 million in FYE 2022 (FYE 2021: RM2.5 million), arising from higher sales of fertilisers in FYE 2022.

Comparison between FYE 2023 and FYE 2022

Our administrative and other expenses decreased by approximately RM0.9 million or 6.2% to RM13.0 million in FYE 2023 (FYE 2022: RM13.9 million). The decrease in administrative expenses was mainly attributed to the decrease in staff cost by RM1.7 million or 33.2% to RM3.5 million in FYE 2023 (FYE 2022: RM5.2 million). The decrease in staff cost was mainly due to the lower directors' remuneration which declined by 52.4% to RM1.6 million in FYE 2023 (FYE 2022: RM3.4 million).

The decrease was partially offset by the increase in administrative expenses as follows:

- increase in general expenses by approximately RM0.4 million or 11.0% to RM4.2 million in FYE 2023 (FYE 2022: RM3.8 million), mainly attributed to the office expenses comprising stamp duty, license fees, audit fees and others; and

- increase in sales commission by approximately RM0.4 million or 31.8% to RM1.7 million in FYE 2023 (FYE 2022: RM1.3 million), being the sales commission for our employees and customers who are trades as an incentive for the sales of our fertilisers.

Comparison between FPE 2024 and FPE 2023

Our administrative and other expenses decreased by approximately RM1.3 million or 19.4% to RM5.2 million in FPE 2024 (FPE 2023: RM6.5 million). The decrease in administrative expenses was mainly attributed to the decrease in general expenses by RM0.9 million or 42.3% to RM1.2 million in FPE 2024 (FPE 2023: RM2.2 million) as professional fees and office expenses were lower in FPE 2024. In addition, transportation charges for the delivery of goods to customers decreased by approximately RM0.6 million or 32.0% to RM1.2 million in FPE 2024 (FPE 2023: RM1.8 million), as there were no shipments to Sabah during FPE 2024.

The decrease was partially offset by the increase in administrative expenses as follows:

- increase in staff costs by approximately RM0.1 million or 5.3% to RM1.9 million in FPE 2024 (FPE 2023: RM1.8 million). The increase in staff cost was mainly due to the higher bonus payment; and

- increase in sales commission by approximately RM0.1 million or 10.4% to RM0.7 million in FPE 2024 (FPE 2023: RM0.6 million), being the sales commission for our employees and customers who are traders as an incentive for the sales of our fertilisers.

12.3.7 Finance costs

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:						
▪ Term loans	266	34.0	818	48.8	941	61.8
▪ Bankers' acceptances	172	22.0	497	29.6	448	29.4
▪ Lease liabilities(1)	149	19.0	184	11.0	132	8.7
▪ Other loans(2)	195	25.0	178	10.6	2	0.1
Total	**782**	**100.0**	**1,677**	**100.0**	**1,523**	**100.0**

	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Interest expense on:				
▪ Term loans	376	58.8	394	78.1
▪ Bankers' acceptances	200	31.3	77	15.2
▪ Lease liabilities[(1)]	63	9.9	34	6.7
Total	**639**	**100.0**	**505**	**100.0**

Notes:

(1) Include hire purchase and other lease liabilities.

(2) For FYE 2021 and FYE 2022, it includes shareholder's advances which bears an annual effective interest of 3.5%. The advances from the shareholders was to fund the working capital as well as capital expenditure such as the purchase of machinery and equipment for our fertiliser operations and has been fully settled in November 2022. In FYE 2023, it includes bank guarantee charges.

Comparison between FYE 2022 and FYE 2021

Our finance costs increased by approximately RM0.9 million or 114.5% to RM1.7 million in FYE 2022 (FYE 2021: RM0.8 million) was mainly attributed to the following:

- increase in interest expense on term loans of approximately RM0.6 million due to a drawdown of additional term loans of RM2.9 million during the FYE 2022, which was mainly for the construction of warehouse on Lot 11925 land; and

- increase in interest expense on bankers' acceptance of approximately RM0.3 million due to the higher utilisation of the facilities for working capital purposes to pay our suppliers for the purchase of input materials.

Comparison between FYE 2023 and FYE 2022

Our finance cost decreased by approximately RM0.2 million or 9.2% to RM1.5 million in FYE 2023 (FYE 2022: RM1.7 million), mainly attributed to the following:

- decrease in interest expense on other loans by approximately RM0.2 million mainly attributed to the settlement of shareholder's advances; and

- decrease in interest expense on lease liabilities by approximately RM0.1 million.

The decrease was partially offset by the increase in interest expense on term loans by approximately RM0.1 million due to a drawdown of additional term loans of RM0.2 million which was mainly for the purchase of dust collector and scrubber for our factory. The increase in interest expense on term loans was also partly attributed to the refinancing of the existing banking facilities.

Comparison between FPE 2024 and FPE 2023

Our finance costs decreased by approximately RM0.1 million or 21.0% to RM0.5 million in FPE 2024 (FPE 2023: RM0.6 million) mainly due to lower interest expense on bankers' acceptance as there were lower drawdown in FPE 2024.

12.3.8 PBT, PAT and effective tax rate

	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
PBT (**RM'000**)	10,774	19,267	13,384	7,100	7,350
PBT margin (**%**)	9.9	10.2	8.8	9.7	10.9
Total taxation (**RM'000**)	3,149	4,651	3,330	1,704	1,772
Effective tax rate (**%**)	29.2	24.1	24.9	24.0	24.1
PAT (**RM'000**)	7,625	14,616	10,054	5,395	5,578
PAT margin (**%**)	7.0	7.8	6.6	7.4	8.3

Comparison between FYE 2022 and FYE 2021

Our PBT increased by approximately RM8.5 million or 78.8% to RM19.3 million in FYE 2022 (FYE 2021: RM10.8 million), which was reflected by the increase in our revenue and GP of 73.1% and 65.4% respectively in FYE 2022 as discussed in **Sections 12.3.2** and **12.3.4** of this Prospectus.

Our PBT margin increased from 9.9% in FYE 2021 to 10.2% in FYE 2022, mainly attributed to the lower proportion of administration and other expenses incurred against the revenue generated where our administration and other expenses were 7.4% over total revenue for the FYE 2022 which was lower compared to 8.3% in FYE 2021.

For FYE 2022, our effective tax rate was 24.1%, which was slightly higher than the statutory tax rate of 24.0%, mainly attributed to non-deductible expenses.

Our PAT increased by approximately RM7.0 million or 91.7% to RM14.6 million in FYE 2022 (FYE 2021: RM7.6 million). Our PAT margin also improved from 7.0% in FYE 2021 to 7.8% in FYE 2022. The improvements in PAT and PAT margin were mainly attributed to the improvement in the overall revenue and GP growth of 73.1% and 65.4% in FYE 2022 respectively.

Comparison between FYE 2023 and FYE 2021

Our PBT decreased by approximately RM5.9 million or 30.5% to RM13.4 million in FYE 2023 (FYE 2022: RM19.3 million), which was reflected by the decrease in our revenue and GP of 19.5% and 18.2% in FYE 2023 as discussed in **Sections 12.3.2** and **12.3.4** of this Prospectus.

Our PBT margin decreased from 10.2% in FYE 2022 to 8.8% in FYE 2023, mainly due to the higher proportion of administration and other expenses incurred against the revenue generated where our administration and other expenses were 8.6% over total revenue for the FYE 2023 which was higher compared to 7.4% in FYE 2022.

For FYE 2023, our effective tax rate was 24.9% which was higher than the statutory tax rate of 24.0%, mainly attributed to non-deductible expenses.

The decrease in PAT and PAT margin for the FYE 2023 were relatively consistent with the drop in PBT and PBT margin when compared to FYE 2022 after taking into account the effects of income tax expense.

Comparison between FPE 2024 and FPE 2023

Our PBT increased by approximately RM0.3 million or 3.5% to RM7.4 million in FPE 2024 (FPE 2023: RM7.1 million), which was mainly attributed to lower administration and other expenses by 19.4% in FPE 2023 as discussed in **Section 12.3.6** of this Prospectus.

PBT margin increased from 9.7% in FPE 2023 to 10.9% in FPE 2024, mainly attributed to the lower administration and other expenses against revenue generated where our administration and other expenses were 7.8% over total revenue for the FPE 2024 which was lower compared to 8.9% in FPE 2023.

For FPE 2024, our effective tax rate was 24.1%, which was slightly higher than the statutory tax rate of 24.0%, mainly attributed to non-deductible expenses.

Our PAT increased by approximately RM0.2 million or 3.4% to RM5.6 million in FPE 2024 (FPE 2023: RM5.4 million). Our PAT margin also improved from 7.4% in FPE 2023 to 8.3% in FPE 2024. The increase in PAT and PAT margin for FPE 2024 were relatively consistent with the increase in PBT and PBT margin when compared to FPE 2023 after taking into account the effects of income tax expense.

12.3.9 Significant factors materially affecting our operations and financial results

(i) Impact of increases in the prices of key fertilisers input materials

We face risk of higher prices in our key input materials including macronutrients and micronutrients which may adversely affect our financial performance. Macronutrients and micronutrients are globally traded commodities and thus, they are exposed to global price fluctuations which are affected by external factors such as Russia-Ukraine conflict, production curtailments, higher cost of input materials, trade policies and an increase in sea freight rate. Any increase in the cost of our key input materials will exert pressure on us to increase our selling prices, which may eventually reduce our competitiveness in the market. This may affect our ability to secure new orders from our customers which may affect our revenue and business growth. In the event we are not able to pass on the additional cost to our customers, our profit margins may be affected.

(ii) Impact of foreign exchange fluctuation

Our revenue is predominantly based on RM which accounted for 99.3%, 99.1%, 99.3% and 99.2% of our total revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024, respectively. Nonetheless, we are exposed to foreign exchange fluctuations as approximately 41.3%, 47.4%, 44.2% and 29.5% of our total purchases in FYE 2021, FYE 2022, FYE 2023 and FPE 2024, respectively, were imported and transacted in foreign currencies mainly in USD. In this respect, any adverse movements in USD against RM may have a negative impact on our business operations and financial results.

Our revenue transacted in RM and USD is as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
Revenue	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	108,004	99.3	186,609	99.1	150,499	99.3	66,766	99.2
USD[(1)]	775	0.7	1,687	0.9	1,048	0.7	545	0.8
Total	**108,779**	**100.0**	**188,296**	**100.0**	**151,547**	**100.0**	**67,311**	**100.0**

Note:

(1) Revenue transacted in USD arising from the sales made to customers in Cambodia during Financial Periods Under Review. In addition, for FYE 2023, the revenue transacted in USD also arising from the sales made to a customer in Sri Lanka and Singapore, and for FPE 2024, it also includes sales made to Papua New Guinea.

Our purchases transacted in RM, USD and RMB are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
Purchases	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	51,487	58.7	82,349	52.6	58,401	55.8	31,132	70.5
USD	[(1)]36,217	41.3	[(1)]73,942	47.3	[(1)]46,283	44.2	13,008	29.5
RMB	-	-	[(1)]190	0.1	-	-	-	-
Total	**87,704**	**100.0**	**156,481**	**100.0**	**104,684**	**100.0**	**44,140**	**100.0**

Note:

(1) Our Group's exposure to RMB was arising from the purchase of input materials from China. In addition, our purchases transacted in USD include the purchase of input materials from China which accounted for approximately 20.6% (RM18.1 million), 7.8% (RM12.2 million), 4.9% (RM5.1 million) and 12.5% (RM5.5 million) of our total purchases for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

Details of our foreign currency exchange gains and losses are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised gain on foreign currency exchange	118	359	293	62
Unrealised gain on foreign currency exchange	6	4	-	-
Realised loss on foreign currency exchange	(151)	(361)	(346)	(85)
Unrealised loss on foreign currency exchange	-	-	(4)	(2)
Net gain / (loss) on foreign currency exchange	**(27)**	**2**	**(57)**	**(25)**

We maintain bank accounts mainly in RM, USD and RMB. As at LPD, we have entered into a forward hedging contract to hedge against foreign currency movements for USD. Nevertheless, there is no assurance that any unfavourable fluctuations of foreign exchange rates between USD / RMB and RM will not result in a net loss on our Group's foreign currency exchange, which may negatively impact our profitability where our PBT may reduce. Please refer to **Section 9.1.6** of this Prospectus for the risk in relation to exposure to foreign currency exchange fluctuations.

(iii) We are exposed to liquidity risk

Our business operations require working capital to fund our bulk purchases of input materials mainly straight fertilisers that are imported. In this respect, we are exposed to liquidity risks arising from the requirements of working capital to fund bulk purchases.

For the FYE 2021, we recorded a negative operating cash flow of RM5.6 million mainly attributed to the higher cash outflow to suppliers for the purchases of input materials as we secured input materials for our subsequent planned production. This is reflected in the increase in our revenue and sales volume of fertilisers in FYE 2022 by 73.1% and 2.1% respectively.

There is no assurance that we would not experience any adverse liquidity conditions which may materially affect our results of operations and financial performance.

(iv) Impact of interest rate

All of our borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on term loans, shareholders' advances, bankers' acceptances and lease liabilities. As at 31 May 2024, our total bank borrowings were RM23.9 million, all of which were interest-bearing based on floating rates. Our finance cost increased from RM0.8 million in FYE 2021 to RM1.7 million and RM1.5 million in FYE 2022 and FYE 2023 respectively. In FPE 2024, our finance cost was RM0.5 million. In this respect, any increase in interest rates may impact our financial performance. If we fail or encounter any difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which will affect our operations and financial performance. Our interest coverage ratio for the Financial Periods Under Review was 14.8 times, 12.5 times, 9.8 times and 15.6 for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

For the Financial Periods Under Review and up to the LPD, we have not defaulted on any payments of either the principal or interests in relation to our bank borrowings.

(v) Our business operations and financial performance may be affected by a prolonged or resurgence of COVID-19 pandemic or emergence of other epidemics or pandemics

The spread or outbreak of the COVID-19 or any other contagious or virulent diseases may potentially affect our business operations. Our business operations were affected due to various COVID-19 pandemic containment measures between 2020 and 2021. Please refer to **Section 9.1.9** of this Prospectus for further details on the impact of COVID-19.

(vi) Impact of inflation

Our financial performances for the Financial Periods Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(vii) Economic/ social/ political/ regulatory considerations, and the inherent risks in the fertiliser industry that may affect the performance of our business operations and financial performance

Our business is subject to the risks relating to economic, social, political, regulatory conditions. Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, geopolitical events, changes in import tariffs and related duties, general economic and business conditions, fluctuations in foreign exchange rates, interest rates, acts of terrorism, riots, wars, sanctions, expropriation, nationalisation, fiscal and monetary policies, inflation, deflation, methods of taxation, tax policies, foreign worker levy, exchange control measures, unemployment trends, deterioration of international bilateral relationships, the outbreak of diseases and other matters that influence consumer and business confidence and spending. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our conventional and specialty fertilisers. Any unfavourable changes in the economic, social, political, regulatory conditions may materially affect our operations in Malaysia. Please refer to **Section 9.2.2** of this Prospectus for further details.

In addition, we are subject to the inherent risks in the fertiliser industry, among others, but not limited to political and economic conditions, changing regulatory requirements, changes in business conditions such as labour shortages, changes in the economic environment such as inflation and rising interest rates which may affect the demand for our products. This would adversely affect our business operations and financial performance.

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our business operations are financed by a combination of both internal and external sources of funds. Internal sources of funds comprised of shareholders' equity and cash generated from our operations, while external sources of funds were mainly banking facilities from financial institutions. The utilisation of these funds was for our business operations and growth.

Based on our audited combined statements of financial positions as at 31 May 2024, we have:

(i) cash and bank balances, including short term deposit, with licensed bank of RM4.5 million; and

(ii) working capital of RM40.3 million, being the difference between current assets of RM63.9 million and current liabilities of RM23.6 million.

As at the LPD, we have banking facilities of RM23.4 million including bankers' acceptance, bank overdrafts and foreign exchange facility, of which RM23.3 million has yet to be utilised.

Based on the above and taking into consideration of our funding requirements for our committed capital expenditures, our future plans as set out in **Section 7.16** of this Prospectus, our existing level of cash and bank balances with licensed banks, expected cash to be generated from our operations, credit facilities available and estimated net proceeds to be raised from the Public Issue, our Board is of the view that we will have sufficient working capital for 12 months from the date of this Prospectus.

12.4.2 Cash flow

The following is our cash flow for the Financial Periods Under Review based on our audited combined statement of cash flow. This should be read in conjunction with the Accountants' Report in **Section 13** of this Prospectus.

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Net cash generated from / (used in) operating activities	(5,561)	3,479	12,393	10,283
Net cash used in investing activities	(13,571)	(6,038)	(2,610)	(497)
Net cash generated from / (used in) financing activities	18,266	5,665	(11,128)	(13,312)
Net increase / (decrease) in cash and cash equivalents	**(866)**	**3,106**	**(1,345)**	**(3,526)**
Effect of exchange rate fluctuations on cash held	**6**	**4**	**(4)**	**(2)**
Cash and cash equivalents at the beginning of the financial period	**7,106**	**6,246**	**9,356**	**8,007**
Cash and cash equivalent at end of the financial period[(1)]	**6,246**	**9,356**	**8,007**	**4,479**

***Note**:*

(1) Details of the cash and cash equivalents are as follows:

	<------ Audited	*------>*		
	FYE 2021	***FYE 2022***	***FYE 2023***	***FPE 2024***
	RM'000	***RM'000***	***RM'000***	***RM'000***
Cash and bank balances	*6,246*	*9,336*	*7,987*	*2,859*
Add: Short-term deposits	*-*	*20*	*20*	*1,620*
Cash and cash equivalent at end of the financial period	***6,246***	***9,356***	***8,007***	***4,479***

All of our cash and cash equivalents are held in RM, USD and RMB. There are no legal, financial or economic restrictions on our Subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances subject to the availability of distributable profits and reserves, and any applicable financial covenants.

(i) Net cash from/(used in) operating activities

FYE 2021

For the FYE 2021, our net cash used in operating activities was approximately RM5.6 million after taking into account the following:

(a) increase in inventories of approximately RM8.0 million mainly attributed to the purchases of input materials for the last quarter of FYE 2021. The purchases of input materials for the last quarter of FYE 2021 amounting to RM29.7 million which was higher as compared to RM11.3 million during the last quarter of FYE 2020, mainly for our planned production in the subsequent months;

(b) increase in trade receivables of approximately RM4.0 million mainly attributed to higher billings for the sales of products to customers at the end of FYE 2021;

(c) increase in other receivables and deposits of approximately RM3.2 million mainly attributed to the following:

- an increase of approximately RM1.8 million of advances made to supplier for confirmation of our orders before shipment for the purchase of input materials based on the request by suppliers;
- approximately RM0.8 million of prepayments of machinery and equipment purchased from China during the FYE 2021, which were subsequently sold to a customer in Indonesia in FYE 2022; and
- approximately RM0.3 million of prepayments made to local council pertaining to the construction of Warehouse Lot 11925.

(d) decrease in trade payables of approximately RM0.4 million mainly attributed to lower outstanding balance as at 31 December 2021 due to faster payments to suppliers for the purchases of input materials during the FYE 2021 to secure the input materials in order to cater for our planned production for the subsequent months.

In FYE 2021, we recorded a negative cashflow of approximately RM5.6 million from operating activities mainly attributed to the higher cash outflow to suppliers for the purchases of input materials. This was also reflected in the increase in the purchases of input materials, which increased from approximately RM38.0 million in FYE 2020 to approximately RM87.7 million in FYE 2021 where our Group secured the input materials for our subsequent planned production. In addition, our Group made earlier payment to facilitate higher purchases and this was reflected in the improvement in the average trade payables turnover days from 53 days in FYE 2020 to 21 days in FYE 2021.

FYE 2022

For FYE 2022, our net cash from operating activities was approximately RM3.5 million after taking into account the following:

(a) increase in trade payables of approximately RM3.9 million, mainly attributed to higher purchases of input materials towards the end of FYE 2022. There were higher outstanding balances of amount owing to suppliers of straight fertilisers including Crown Champion Group and Supplier A which was subsequently settled after the FYE 2022;

(b) decrease in other receivables and deposits of approximately RM0.9 million, mainly attributed to lower prepayment after settling the one-off prepayments of machinery and equipment purchased from China and the one-off prepayment to local council pertaining to the construction of Warehouse Lot 11925 that was carried forward from FYE 2021;

(c) increase in inventories of approximately RM13.4 million, mainly attributed to higher volume of inventory (comprising input materials, work-in-progress and finished goods) coupled with a higher average inventory cost per tonne. As at 31 December 2022, the total inventory volume of input materials, work-in-progress and finished goods was 14,941 tonnes with average inventory cost of approximately RM1,802 per tonne (as at 31 December 2021: 11,907 tonnes with RM1,131 per tonne);

(d) increase in trade receivables of approximately RM4.8 million, mainly attributed to higher billings for the sales of products to customers at the end of FYE 2022; and

(e) decrease in other payables and accruals of approximately RM0.5 million, mainly attributed to repayment of the amount owing to Lau Sam Siong of RM0.5 million.

FYE 2023

For FYE 2023, our net cash from operating activities was approximately RM12.4 million after taking into account the following:

(a) decrease in the inventories of approximately RM6.4 million mainly attributed to lower purchases of input materials as a result from the lower sales by 19.5% in FYE 2023;

(b) decrease in trade receivables of approximately RM1.5 million which was mainly attributed to a lower outstanding balance of trade receivables as at 31 December 2023 arising from lower billings to customers;

(c) decrease in trade payables of approximately RM3.7 million, mainly attributed to lower outstanding balance as at 31 December 2023 due to lower purchases of input materials during the FYE 2023;

(d) increase in other receivables and deposits of approximately RM1.9 million mainly attributed to prepayment relating to the Proposed Acquisition of Factory Lot 8949 and Proposed Acquisition of Factory Lot 8950 in FYE 2023; and

(e) decrease in other payables and accruals of approximately RM1.4 million, mainly attributed to lower accruals of bonus in FYE 2023.

FPE 2024

For FPE 2024, our net cash from operating activities was approximately RM10.3 million after taking into account mainly the following:

(a) increase in trade payables of approximately RM7.2 million, mainly attributed to higher outstanding balance to suppliers for the purchases of input materials;

(b) decrease in inventories of approximately RM4.5 million, mainly attributed to lower volume of inventory (comprising input materials, work-in-progress and finished goods) coupled with a lower average inventory cost per tonne. As at 31 May 2024, the total inventory volume of input materials, work-in-progress and finished goods was 13,949 tonnes with average inventory cost of approximately RM1,153 per tonne (as at 31 December 2023: 14,840 tonnes with RM1,390 per tonne);

(c) increase in other payables of approximately RM0.5 million, mainly attributed to higher accruals of transportation charges in FPE 2024; and

(d) increase in trade receivables of approximately RM8.1 million, mainly attributed to higher billings for the sales of products to customers at the end of FPE 2024.

(ii) Net cash used in investing activities

FYE 2021

In FYE 2021, our net cash used in investing activities was approximately RM13.6 million, mainly attributed to the following:

(a) approximately RM11.9 million used to fund the acquisition of Lot 51 land in Klang; and

(b) approximately RM1.7 million for the purchase of plant and equipment comprising of RM0.8 million for the purchase of compacting machines for our business operations, RM0.7 million for the renovation of Factory Lot 8949 and Factory Lot 8950. The remaining payments were for the purchase of furniture and fittings and office equipment.

FYE 2022

In FYE 2022, our net cash used in investing activities was approximately RM6.0 million, mainly attributed to the following:

(a) approximately RM4.3 million used for the construction of Warehouse Lot 11925; and

(b) approximately RM1.8 million for the purchase of plant and equipment mainly comprising of RM0.6 million for the purchase of dust collector and scrubber, RM0.3 million for the purchase of a mixer as spare part for our business operations, RM0.3 million for the purchase of furniture and fittings as well as RM0.3 million for the renovation of our head office.

In addition, there were proceeds of RM0.1 million from the disposal of plant and equipment and right-of-use assets.

FYE 2023

In FYE 2023, our net cash used in investing activities was approximately RM2.6 million, mainly attributed to the purchase of plant and equipment mainly comprising RM0.7 million for the purchase of dust collector and scrubber and RM1.3 million for the purchase of a compacting machine for our business operations for Factory Lot 8949.

FPE 2024

For FPE 2024, our net cash used in investing activities was approximately RM0.5 million, mainly comprising RM0.4 million for the purchase of a scrubber and dust collector system, and the upgrading works for the fire extinguisher system for our factory.

(iii) Net cash from financing activities

FYE 2021

For FYE 2021, our net cash from financing activities was approximately RM18.3 million. This was mainly attributed to the drawdown of borrowings of approximately RM20.0 million comprising the following:

(a) approximately RM12.3 million of term loans drawndown mainly for the acquisition of Lot 51 land in Klang where the cost was RM11.2 million and the acquisition of Lot 11925 land in Klang where the cost was RM5.0 million; and

(b) drawdown of bankers' acceptance of approximately RM7.7 million for working capital purposes to pay our suppliers for the purchase of input materials.

The cash inflow was partially offset by the following:

(a) repayment of lease liabilities of approximately RM1.5 million mainly for rental payment for both Factory Lot 8949 and Factory Lot 8950; and

(b) repayment to Datuk Tan Chew Chin, the Substantial Shareholder of our Company, of approximately RM0.2 million pertaining to advances from Datuk Tan Chew Chin to fund part of the purchase of machinery and equipment for our fertiliser operations as well as for working capital purposes. As at the LPD, the said advances have been settled.

FYE 2022

For FYE 2022, our net cash from financing activities was approximately RM5.7 million. This was mainly attributed to the drawdown of borrowings of approximately RM13.1 million comprising the following:

(a) drawdown of bankers' acceptance of approximately RM10.3 million for working capital purposes to pay our suppliers for the purchase of input materials; and

(b) drawdown of term loans of approximately RM2.9 million mainly used for the construction of Warehouse Lot 11925.

The cash inflow was partially offset by the following:

(a) repayment to Lee Chin Yok of approximately RM5.2 million pertaining to advances from Lee Chin Yok to fund part of the purchase of machinery and equipment for our fertiliser operations as well as for working capital purposes. As at the LPD, the said advances have been settled;

(b) repayment of lease liabilities of approximately RM1.8 million mainly for rental payment for both Factory Lot 8949 and Factory Lot 8950; and

(c) repayment to Lau Sam Siong, the Substantial Shareholder of our Company, of approximately RM0.5 million pertaining to advances from Lau Sam Siong to fund part of the purchase of machinery and equipment for our fertiliser operations as well as for working capital purposes. As at the LPD, the said advances have been settled.

FYE 2023

For FYE 2023, our net cash used in financing activities was approximately RM11.1 million. This was mainly attributed to the following:

(a) repayment of bank borrowings of approximately RM5.7 million mainly for the repayment of bankers' acceptance;

(b) dividend payment of RM4.0 million to shareholders; and

(c) repayment of lease liabilities of approximately RM1.4 million mainly for rental payment for both Factory Lot 8949 and Factory Lot 8950.

FPE 2024

For FPE 2024, our net cash used in financing activities was approximately RM13.3 million after taking into account the following:

(a) repayment of bank borrowings of approximately RM9.3 million including the repayment of bankers' acceptance, term loans and hire purchase facilities; and

(b) dividend payment of RM4.0 million to shareholders.

12.4.3 Bank borrowings

As at 31 May 2024, our Group's total bank borrowings were set out below:

	As at 31 May 2024		
	Payable within 12 months	**Payable after 12 months**	**Total**
	RM'000	**RM'000**	**RM'000**
Term loans[(1)]	945	18,269	19,214
Banker's acceptance[(2)]	3,214	-	3,214
Hire purchase[(3)]	543	888	1,431
Total	**4,702**	**19,157**	**23,859**
Gearing ratio[(4)]			**0.6**

***Notes**:*

(1) Term loans were mainly utilised to part finance the acquisition of Lot 11925 land and Lot 51 land in Klang as well as construction of Warehouse Lot 11925.

(2) Banker's acceptance for working capital purposes.

(3) Includes lease liabilities under the hire purchase contracts for the purchase of motor vehicles, forklift as well as dust collector and scrubber.

(4) Based on total borrowings (including lease liabilities under hire purchase contracts) over total equity.

As at the LPD, we do not have borrowings which are non-interest bearing and/or in foreign currency. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to borrowings for the Financial Periods Under Review and up to the LPD.

The maturity profile and average effective interest rates of our bank borrowings as at 31 May 2024 are set out below:

		As at 31 May 2024			
	Average interest rate	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Term loans	3.70% - 7.30%	945	4,205	14,064	19,214
Banker's acceptance	4.31% - 4.64%	3,214	-	-	3,214
Hire purchase	1.95% - 4.08%	543	888	-	1,431
Total		**4,702**	**5,093**	**14,064**	**23,859**

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect the financial position and results of business operations or investments by holders of securities in our Company.

We also do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities.

12.4.4 Financial instruments, treasury policies and objectives

As at the LPD, save as disclosed in **Section 12.4.3** of this Prospectus, our Group did not use any other financial instruments.

Our Group's operations have been funded through shareholders' equity, cash generated from our business operations and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers is immediate payment to 90 days.

As at the LPD, our Group's banking facilities from financial institutions mainly consist of the following:

(i) term loans mainly for the purchase of land and to fund the construction of warehouse;

(ii) banker's acceptance and bank overdraft for working capital purposes;

(iii) hire purchase for purchase of motor vehicles and industrial vehicles; and

(iv) foreign exchange facility.

The interest rates for our bank borrowings are based on the market rates prevailing at the dates of the respective transaction. As at the LPD, our Group has available banking facilities (comprising banker's acceptance, bank overdraft and foreign exchange facility) amounting to RM23.4 million, of which RM23.3 million has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholder's equity to ensure our ability to support and grow our business to maximise shareholder's value. We review and manage our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.4.5 Material litigation and contingent liabilities

(i) Material litigation

Neither we nor our Subsidiary are engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

(ii) Contingent liabilities

As at the LPD, we do not have any other material contingent liabilities which have become enforceable or likely to become enforceable, which may have a material adverse impact on our results of operations or financial position.

12.4.6 Material commitment

As at the LPD, our Group's material commitments for capital expenditure are summarised below:

		Source of Funds	
	Capital commitment	**Internally generated funds/ bank borrowings**	**Proceeds from the Public Issue**
	RM'000	**RM'000**	**RM'000**
Approved and contracted for:			
Proposed Acquisition of Factory Lot 8949 and Proposed Acquisition of Factory Lot 8950(1)	26,820	20,860	5,960
Approved but not contracted for:			
Automate weighing process	1,300	-	1,300
Setting up R&D and test laboratory	1,000	-	1,000
Purchase of equipment and vehicles	870	-	870
Total	**29,990**	**20,860**	**9,130**

Note:

(1) The total estimated costs for the Proposed Acquisition of Factory Lot 8949 and Proposed Acquisition of Factory Lot 8950 are RM29.8 million. As at the LPD, we have incurred RM2.98 million for the deposits and retention sum for the acquisition of the said factories.

The capital commitments above will be funded through internally generated funds and proceeds from the Public Issue. Please refer to **Section 4.6** of this Prospectus for further details on the use of proceeds.

12.4.7 Key financial ratios

Our key financial ratios for the Financial Periods Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivable turnover period (days)[1]	38	30	42	47
Trade payable turnover period (days)[2][6]	21	16	21	24
Inventory turnover period (days)[3]	43	50	72	54
Current ratio (times)[4]	1.4	1.6	2.6	2.7
Gearing ratio (times)[5]	1.5	1.3	0.9	0.6

***Notes**:*

(1) Based on average trade receivables as at the beginning and end of the respective financial period over total revenue of the respective financial period, and multiplied by 365 days/152 days.

(2) Based on average trade payables as at the beginning and end of the respective financial period over total cost of sales of the respective financial period, and multiplied by 365 days/152 days.

(3) Based on average inventory as at the beginning and end of the respective financial period over total cost of sales of the respective financial period, and multiplied by 365 days/152 days.

(4) Based on current assets over current liabilities.

(5) Based on total borrowings (including lease liabilities under hire purchase contracts) over total equity.

(6) For the Financial Periods Under Review, our trade payable turnover periods were shorter than the trade receivable turnover periods. This was mainly due to the requirement for immediate payment by some of our suppliers. We typically utilise banker's acceptance to fund our working capital to pay suppliers.

(i) Trade receivable turnover period

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivables[1]	13,337	18,094	16,575	24,638
Trade receivable turnover period (days)[2]	38	30	42	47

***Notes**:*

(1) Exclude impairment loss on trade receivables of approximately RM0.02 million for FYE 2022.

(2) Based on average trade receivables as at the beginning and end of the respective financial period over total revenue of the respective financial period, and multiplied by 365 days/152 days.

We deal with our customers on immediate payment term or credit terms of up to 90 days.

As part of our credit control process, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure timely payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and written reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the Financial Periods Under Review, our average trade receivables turnover period ranges between 30 days and 42 days, which are within the normal credit period granted to our customers.

For FYE 2022, our average trade receivable turnover period decreased from 38 days in FYE 2021 to 30 days in FYE 2022, mainly due to timely collections from our customers.

For FYE 2023, our average trade receivable turnover period increased from 30 days in FYE 2022 to 42 days in FYE 2023, mainly due to slower collection from our customers.

For FPE 2024, our average trade receivable turnover period increased from 42 days in FYE 2023 to 47 days in FPE 2024, mainly due to slower collection from our customers.

The ageing analysis of our Group's trade receivables as at 31 May 2024 is as follows:

		Past Due			
	Not past due	**1-30 days**	**31-90 days**	**More than 90 days**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables	20,490	2,736	1,412	-	24,638
% contribution	83.2	11.1	5.7	-	100.0
Subsequent collections as at the LPD	20,053	2,736	1,250	-	24,039
Net trade receivables after subsequent collections	437	-	162	-	599

As at the LPD, we have collected approximately RM24.0 million or 97.6% of the total trade receivables which were outstanding as at 31 May 2024. The balance outstanding of approximately RM0.2 million which was past due are from our customers who are plantation owner and trader.

(ii) Trade payable turnover period

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade payables	4,905	8,821	5,101	12,289
Trade payable turnover period (days)[(1)]	21	16	21	24

Note:

(1) Based on average trade payables as at the beginning and end of the respective financial period over total cost of sales of the respective financial period, and multiplied by 365 days/152 days.

The normal credit term given by our trade payables range from immediate payment to 90 days.

For the Financial Periods Under Review, our average trade payables turnover period ranges between 16 days and 21 days, which are within the normal credit period granted by our suppliers.

In FYE 2022, our trade payables turnover period improved from 21 days in FYE 2021 to 16 days in FYE 2022. This was mainly due to earlier payments to our suppliers.

For FYE 2023, our trade payables turnover period increased from 16 days in FYE 2022 to 21 days in FYE 2023, mainly due to slightly slower repayment to our suppliers. All the payments were made within the credit period granted by our suppliers.

Our trade payables turnover period increased from 21 days in FYE 2023 to 24 days in FPE 2024, mainly due to slightly slower repayment to our suppliers.

The ageing analysis of our Group's trade payables as at 31 May 2024 is as follows:

		Past Due			
	Not past due	1-30 days	31-90 days	More than 90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	12,289	-	-	-	12,289
% contribution	100.0	-	-	-	100.0
Subsequent payments as at the LPD	12,289	-	-	-	12,289
Net trade payables after subsequent payments	-	-	-	-	-

As at the LPD, we have settled all the trade payables which were outstanding as at 31 May 2024.

(iii) Inventory turnover period

The breakdown of our inventories are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Input materials	11,923	20,170	14,581	12,895
Finished goods	803	2,382	2,517	1,977
Work-in-progress	739	4,374	3,533	1,216
Packaging materials	836	819	726	800
Total inventory	**14,301**	**27,745**	**21,357**	**16,888**
Cost of sales	88,379	154,554	123,937	54,296
Inventory turnover period (days)[1]	43	50	72	54

Note:

(1) Based on average inventory as at the beginning and end of the respective financial period over total cost of sales of the respective financial period, and multiplied by 365 days/152 days.

Our inventory mainly comprises the following:

(a) Input materials including macronutrients, micronutrients, organic matters and biostimulants;

(b) Finished goods include conventional and specialty fertilisers;

(c) Work in progress include fertilisers which are in the production stage; and

(d) Packaging materials.

For FYE 2022, our inventory turnover period increased from 43 days in FYE 2021 to 50 days in FYE 2022. This was mainly due to higher input materials purchased in the last quarter of FYE 2022 to cater for our planned production in the subsequent months. During the last quarter of FYE 2022, our purchases of input materials were approximately RM38.8 million, which was higher than our last quarter of FYE 2021 at RM29.7 million.

For FYE 2023, our inventory turnover period increased from 50 days in FYE 2022 to 72 days in FYE 2023 mainly attributed the lower consumption of input materials as reflected in the lower cost of sales in FYE 2023. The lower consumption of input materials is due to lower sales volume of fertilisers during the year.

Our inventory turnover period improved from 72 days in FYE 2023 to 54 days in FPE 2024. This was mainly attributed to lower inventory balance as at 31 May 2024 as there were higher consumption of inventories used for the production, and this was reflected in the increased sales volume during FPE 2024. As at 31 May 2024, the total inventory volume of input materials, work-in-progress and finished goods was 13,949 tonnes (as at 31 December 2023: 14,840 tonnes).

(iv) Current ratio

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Current assets	38,313	58,710	62,753	63,941
Current liabilities	27,753	36,377	23,870	23,570
Current ratio (times) (1)	1.4	1.6	2.6	2.7

Note:

(1) Based on current assets over current liabilities.

Our current ratio increased from 1.4 times as at FYE 2021 to 1.6 times as at FYE 2022. This was mainly due to following:

(a) higher inventories arising from higher purchases of input materials for FYE 2022 to cater for our planned production in the subsequent months. Our total purchases of input materials increased by approximately 78.4% to RM156.5 million in FYE 2022 (FYE 2021: RM87.7 million); and

(b) higher trade receivables attributed to higher billings for the sales of products to customers at the end of FYE 2022.

Our current ratio increased from 1.6 times as at FYE 2022 to 2.6 times as at FYE 2023. This was mainly due to following:

(a) lower current borrowings of RM12.9 million as at 31 December 2023 compared to RM18.7 million as at 31 December 2022 which was mainly due to the higher repayment of banker's acceptance;

(b) lower trade payables which was mainly due to lower amount owing to suppliers for the purchases of input materials; and

(c) the reclassification of Lot 51 from rights-of-use asset in non-current assets to asset held for sale in current assets.

Our current ratio increased from 2.6 times as at FYE 2023 to 2.7 times as at FPE 2024. This was mainly attributed to the repayment of bankers' acceptance as at end of FPE 2024.

(v) Gearing ratio

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Bank borrowings				
▪ Term loans	16,300	19,161	19,371	19,214
▪ Banker's acceptances	7,649	17,935	11,988	3,214
▪ Lease liabilities(1)	1,463	1,908	1,682	1,431
	25,412	**39,004**	**33,041**	**23,859**
Total equity	16,401	31,016	37,070	38,648
Gearing ratio (times)(2)	1.5	1.3	0.9	0.6

Notes:

(1) Include lease liabilities under the hire purchase contracts (excludes rental at Factory Lot 8949 and Factory Lot 8950).

(2) Based on total bank borrowings (includes lease liabilities under hire purchase contracts) over total equity.

In FYE 2022, our gearing ratio was 1.3 times, which was lower as compared to 1.5 times in FYE 2021. This was mainly attributed to higher retained profits which increased from RM13.9 million in FYE 2021 to RM28.5 million in FYE 2022, as we achieved a higher PAT in FYE 2022 which increased by 91.7% to RM14.6 million in FYE 2022 (FYE 2021: RM7.6 million). Despite the lower gearing ratio, our outstanding bank borrowings was higher at approximately RM39.9 million mainly attributed to higher utilisation of banker's acceptance for working capital purposes to pay our suppliers for the purchase of input materials as well as drawdown of term loans of approximately RM2.9 million mainly used for the construction of Warehouse Lot 11925.

In FYE 2023, our gearing ratio was 0.9 times, which was lower as compared to 1.3 times in FYE 2022. This was mainly attributed to the higher retained profits which increased from RM28.5 million in FYE 2022 to RM34.6 million in FYE 2023 mainly due to net profits generated during FYE 2023. The improvement in our Group's gearing ratio was also due to lower utilisation of banker's acceptance.

As at FPE 2024, our gearing ratio was 0.6 times, which was lower as compared to 0.9 times as at FYE 2023. This was mainly attributed to lower utilisation of banker's acceptance.

12.5 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus, our operations have not been and are not expected to be affected by any of the following:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as set out in **Sections 7** and **9** of this Prospectus;

(ii) material commitment for capital expenditure, as set out in this **Section 12.4.6** of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to the COVID-19 pandemic as set out in **Section 7.12** of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position.

12.6 ORDER BOOK

We do not maintain an order book as we are involved mainly in the formulation and blending of conventional and specialty fertilisers as well as the trading of straight and other fertilisers whereby our sales are carried out based on purchase orders received from our customers on an on-going basis.

12.7 SIGNIFICANT CHANGES/EVENTS

The significant events during the relevant reporting periods are as follows:

(i) on 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Government has imposed the MCO starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreaks since early 2020 has brought significant economic uncertainties in Malaysia and market in which our Group operates;

(ii) on 3 April 2023, our Group declared a single-tier final dividend of RM1.60 per ordinary share, amounted to RM4,000,000 in respect of current financial year which was paid on 17 April 2023. The final dividend was declared based on 2,500,000 number of ordinary shares in issue on 10 April 2023;

(iii) on 24 October 2023, our Group entered into a sale and purchase agreement in respect of the Proposed Acquisition of Factory Lot 8949 for a cash consideration of RM16.3 million;

(iv) on 24 October 2023, our Group entered into a sale and purchase agreement in respect of the Proposed Acquisition of Factory Lot 8950 for a cash consideration of RM13.5 million; and

(v) on 24 October 2023, our Group entered into a sale and purchase agreement in respect of the Proposed Disposal of Lot 51 for a cash consideration of RM11.4 million.

(vi) on 30 October 2023, our Group entered into a Conditional Share Sale Agreement to acquire the entire equity interest of Cropmate Fertilizer Sdn. Bhd. comprising of 2,500,000 ordinary shares for a total purchase consideration of RM32,399,994.

(vii) on 23 February 2024, the Group declared a final single-tier dividend of RM1.60 per ordinary share, amounted to RM4,000,000 in respect of financial year ended 31 December 2023 which was paid on 4 March 2024. The final dividend was declared based on 2,500,000 number of ordinary shares of Cropmate Fertilizer Sdn. Bhd. in issue on 29 February 2024.

(viii) On 8 March 2024, the Group entered into a Supplemental Share Sale Agreement with Cropmate Fertilizer Sdn. Bhd. to alter the purchase consideration for the acquisition of the entire equity interest of Cropmate Fertilizer Sdn. Bhd. based on the adjusted net assets of the Cropmate Fertilizer Sdn. Bhd. as at 31 December 2023.

For further details on the significant events during the relevant reporting periods, please refer to Note 39 of the Accountants' Report as set out in **Section 13** of this Prospectus.

12.8 DIVIDEND POLICY

It is the intention of our Board to recommend and distribute a dividend of at least 30.0% of our audited PAT of each financial period on a consolidated basis after taking into consideration anticipated future operating conditions, operating cash flow requirements, financing commitments, subject to any applicable law and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

When recommending the final dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, among others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan;

(ii) our operating cash flow requirements and financing commitments;

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows and may be waived if the payment of the dividends would adversely affect our cash flows and operations. There is no dividend restrictions being imposed on our Group currently.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

The dividends declared and paid by our Group for the Financial Periods Under Review are as follows:

	FYE 2021	**FYE 2022**	**FYE 2023**	**FPE 2024**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends declared	-	-	(1)4,000	(2)4,000
Dividends paid	-	-	4,000	4,000
PAT	7,625	14,616	10,054	5,578
Dividend payout ratio(3)	-	-	39.8%	71.7%

***Notes**:*

(1) Being dividend in respect of FYE 2022 declared on 3 April 2023.

(2) Being dividend in respect of FYE 2023 declared on 23 February 2024.

(3) Computed as dividends paid divided by PAT during the financial periods.

For the FYE 2021 and FYE 2022, there was no dividend declared, made or paid by us or our Subsidiary to shareholders.

For the FYE 2023, we have declared and paid a dividend of RM4.0 million in respect of the FYE 2022 via internally generated funds.

For FPE 2024, we have declared and paid a dividend of RM4.0 million in respect of the FYE 2023 via internally generated funds.

Prior to our Listing, we have declared a dividend of RM4.0 million in respect of the FYE 2023 and paid on 4 March 2024 via internally generated funds.

Our Company has no intention to declare any further dividends up to the completion of the Listing.

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12.9 REPORTING ACCOUNTANTS REPORT ON PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

KRESTON
JOHN & GAN

Date : 23 October 2024

The Board of Directors
Cropmate Berhad
Lot 8949, Jalan Teluk Gong KS/10,
Kampung Nelayan, Telok Gong,
42000 Pelabuhan Klang,
Selangor Darul Ehsan

CROPMATE BERHAD

REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Cropmate Berhad ("Cropmate" or "the Company") and its wholly owned subsidiary company, namely Cropmate Fertilizer Sdn Bhd ("the Group") prepared by the Board of Directors of the Company. The pro forma combined statements of financial position as at 31 May 2024 together with the accompanying notes thereon have been stamped for the purpose of identification. The pro forma combined statements of financial position have been prepared for inclusion in the Prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("IPO and Listing").

The pro forma combined statements of financial position are prepared by the Board of Directors in accordance with the requirements of Chapter 9 of the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the *Guidance Note for issuers of Pro Forma Financial Information* issued by the Malaysian Institute of Accountants.

The pro forma combined statements of financial position have been compiled by the Board of Directors solely to illustrate the impact of events or transactions as set out in note 5 to the pro forma combined statements of financial position ("Applicable Criteria"), on the Group's financial position as at 31 May 2024 as if the events or transactions have been affected as at that date.

As part of this process, information about the pro forma combined statements of financial position has been extracted by the Board of Directors from the financial statements of the Company and Cropmate Fertilizer Sdn Bhd, for five months financial period ended 31 May 2024, which an audit report has been issued on 27 September 2024 respectively.

Director's Responsibility for the Pro forma Combined Financial Information

The Board of Directors is responsible for compiling the pro forma combined statements of financial position on the basis of the Applicable Criteria.

Kreston John & Gan
Chartered Accountants • AF 0113

Audit | Tax | Advisory

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T : + 603 2381 2828 E : assurance@kreston.com.my W : www.kreston.com.my

KRESTON JOHN & GAN

Our Independence and Quality Management

We are independent in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, requires the firm to design, implement and operate a system of quality management including 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 the Prospectus Guidelines about whether the pro forma combined statements of financial position have been compiled, in all material respects, by the Board of Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the Reporting Accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors have compiled, in all material respects, the pro forma combined statements of financial position on the basis of the Applicable Criteria and in accordance with the requirements of the Prospectus Guidelines.

For purposes 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 combined 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 combined statements of financial position.

The purpose of pro forma combined statements of financial position to be included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or transactions had been undertaken at the earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors in the compilation of the pro forma combined statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether the related pro forma adjustments give appropriate effect to those criteria and the pro forma combined statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KRESTON JOHN & GAN

Opinion

In our opinion, the pro forma combined statements of financial position of the Group have been compiled, in all material respects, on the basis of the Applicable Criteria and in accordance with the requirements of the Prospectus Guidelines and the *Guidance Note for issuers of Pro Forma Financial Information* issued by the Malaysian Institute of Accountants.

Other Matters

This report is made exclusively and solely for the purpose of inclusion in the Prospectus of Cropmate in connection with the IPO and Listing of the Company on the ACE Market of Bursa Securities. As such, this report should not be used or referred to, in whole or in part, for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Kreston John & Gan	**Yong Chung Sin**
AF 0113	**02892/04/26 (J)**
Chartered Accountants	**Chartered Accountant**

Kuala Lumpur

CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. ABBREVIATIONS

The following definitions will apply throughout this report, unless or except where the context or subject matter otherwise indicates or requires:-

Act	:	Companies Act, 2016 in Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad
CFSB	:	Cropmate Fertilizer Sdn Bhd
Cropmate or the Company	:	Cropmate Berhad
Director(s)	:	Director(s) of the Company
Factory Lot 8949	:	A parcel of freehold industrial land presently built upon with an individually designed single-storey detached factory/warehouse together with a 3-storey office section held under title bearing GM 23073 for Lot 179010 (formerly known as Lot 8949), Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 8949, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan
Factory Lot 8950	:	A parcel of leasehold land presently built upon with an individually designed single-storey detached factory/warehouse held under title bearing H.S. (M) 58011 for PT 152572 (formerly known as Lot 8950), Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 8950, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan
Final Retail Price	:	Final price per IPO Share to be paid by investors under the Retail Offering, equivalent to the Retail Price or the Institutional Price, whichever is lower, to be determined on the price determination date
FPE	:	Five months financial period ended 31 May 2024
FYE	:	Financial year ended 31 December, as the case may be
Group	:	Collectively, Cropmate and its subsidiary, CFSB
IFRS	:	International Financial Reporting Standards
Institutional Offering	:	Institutional offering of 208,340,000 IPO Shares comprising:- (i) 92,250,000 IPO Shares made available to Bumiputera investors approved by the MITI; and (ii) 116,090,000 IPO Shares made available to other institutional and selected investors, at the Institutional Price per IPO Share, subject to the clawback and reallocation provisions

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. ABBREVIATIONS (CONT'D)

Institutional Price	:	Price per IPO Share to be paid by investors under the Institutional Offering which will be determined on the price determination date by way of bookbuilding
IPO	:	Initial Public Offering comprising the Public Issue and the Offer for Sale, in conjunction with the Listing
IPO Share(s)	:	Collectively, the following:- (i) new Share(s) to be issued by the Company under the Public Issue; and (ii) existing Share(s) to be offered by the Offerors under the Offer for Sale
Listing	:	Admission of the Company to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued Shares on the ACE Market of Bursa Securities
Lot 51	:	A parcel of leasehold vacant corner detached industrial land held under title bearing H.S.(D) 164202 for PT 152624, Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 51, Jalan Sungai Chandong 27/KS11, Kawasan Perindustrian Pulau Indah (Phase 3 Pulau Indah), 42920 Pelabuhan Klang, Selangor Darul Ehsan
LPD	:	Latest practicable date at 15 October 2024
Malaysian Public	:	Citizens of Malaysia, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
MFRS	:	Malaysian Financial Reporting Standards
MITI	:	Ministry of Investment, Trade and Industry
NA	:	Net assets
Offer for Sale	:	Offer for sale of 50,000,000 Shares by the Offerors to Bumiputera investors approved by MITI under the Institutional Offering
Offeror(s)	:	Lee Chin Yok, Lee Cheng Seng, Lee Cheng Fei, Lau Sam Siong and Datuk Tan Chew Chin, collectively
PPE	:	Property, plant and equipment
Public Issue	:	Public issue of 210,000,000 IPO Shares at the IPO Price comprising the Retail Offering and Institutional Offering

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. ABBREVIATIONS (CONT'D)

Retail Offering	:	Retail offering of 51,660,000 IPO Shares comprising:- (i) 36,900,000 IPO Shares made available for application by the Malaysian Public via balloting; and (ii) 14,760,000 IPO Shares made available for application by the eligible Directors of the Group, employees of the Group and persons who have contributed to the success of the Group, at the Retail Price per IPO Share, payable in full upon application and subject to refund of the difference between the Retail Price and the Final Retail Price in the event that the Final Retail Price is less than the Retail Price, subject to the clawback and reallocation provisions
Retail Price	:	Indicative price of RM0.20 per IPO Share to be fully paid upon application under the Retail Offering, subject to adjustment
RM	:	Ringgit Malaysia
ROU Assets	:	Right-of-use assets
Shares or Cropmate Shares	:	Ordinary shares in Cropmate
SPA	:	Sale and purchase agreement

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

2. GENERAL

Cropmate was incorporated on 11 September 2023 under the Act as a public limited company under the name of Cropmate Berhad. The Company is principally an investment holding company and was incorporated to facilitate its IPO and Listing on the ACE Market of Bursa Securities.

The registered office of Cropmate is located at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No.1, Jalan Kiara, Mont Kiara 50480 Kuala Lumpur.

The principal place of business of Cropmate is located at Lot 8949, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Kong, 42000 Pelabuhan Klang, Selangor Darul Ehsan, Malaysia.

The pro forma combined statements of financial position have been prepared solely for inclusion in the Prospectus of Cropmate in connection with the IPO and Listing on the ACE Market of Bursa Securities.

The details of the IPO and Listing are entailed in Note 3 below.

3. PRO FORMA GROUP AND BASIS OF PREPARATION

In conjunction with the IPO and Listing, the Company undertook the following for preparation of the pro forma combined statements of financial position:-

3.1 Events Subsequent to Financial Period End

3.1.1 On 24 October 2023, CFSB entered into a conditional SPA to acquire Factory Lot 8949 for a total consideration of RM16.30 million. A 10% deposit amounting to RM1.63 million has been paid upon signing of the SPA and the remaining 90% of the purchase price shall be fully settled by the proceeds from the Public Issue.

On 24 October 2023, CFSB entered into a separate conditional SPA to acquire Factory Lot 8950 for a total of RM13.50 million. A 10% deposit amounting to RM1.35 million has been paid upon signing of SPA and 15% of the purchase price shall be partly settled by the proceeds from the Public Issue. The remaining balance of 75% will be financed by bank borrowing.

*(collectively, "**Acquisition of Factories**")*

On 24 October 2023, CFSB entered into a conditional SPA to dispose of Lot 51 at total selling price of RM11.4 million. Proceeds from disposal of Lot 51 will be utilised to fully settle the outstanding bank borrowing granted to finance the acquisition of Lot 51.

("Disposal of Land")

The above transactions are expected to be completed in FYE 2025.

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

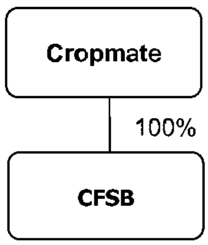
3.2 Pre-IPO Restructuring Exercise

3.2.1 On 30 October 2023, Cropmate entered into a conditional share sale agreement to acquire the entire equity interest in CFSB for a purchase consideration of approximately RM32,400,000 to be satisfied entirely by the issuance of 539,999,900 new Shares in Cropmate at RM0.06 per Share.

On 8 March 2024, Cropmate further entered into a conditional supplemental share sale agreement to acquire the entire equity interest in CFSB for a purchase consideration of approximately RM33,106,000 to be satisfied entirely by the issuance of 527,999,900 new Shares in Cropmate at RM0.0627 per Share.

(*"**Acquisition of CFSB**"*)

Following the completion of the Acquisition of CFSB, the intended group structure of the Group is as follows:-



3.3. Listing Scheme

The listing scheme entails the following:-

3.3.1 Public Issue

Public issue of 210,000,000 new Shares at an indicative issue price of RM0.20 per Share for application in the following manner:-

a. 36,900,000 Shares to the Malaysian Public (via balloting);
b. 14,760,000 Shares to the eligible Directors, employees of the Group and persons who have contributed to the success of the Group;
c. 42,250,000 Shares to Bumiputera investors approved by MITI; and
d. 116,090,000 Shares to institutional and selected investors (other than Bumiputera investors approved by the MITI).

3.3.2 Offer for Sale

Offer for sale of 50,000,000 existing Shares by Offerors at an indicative offer price of RM0.20 to Bumiputera investors approved by the MITI.

3.3.3 Listing

In conjunction with the above, Cropmate will seek the listing of and quotation for its entire enlarged issued share capital, comprising 738,000,000 Shares with market capitalisation of RM147,600,000 on the ACE Market of Bursa Securities.

(Collectively known as "IPO and Listing")

CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.4. Basis of Preparation

3.4.1 The pro forma combined statements of financial position, of which the Directors of the Group are solely responsible, have been prepared for illustrative purposes only and based on the audited financial statements of Cropmate for FPE 31 May 2024 and also on the assumptions that the transactions as stated in Note 5 have been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.4.2 The pro forma combined statements of financial position have been prepared in accordance with the requirements of *Part II (Division 1), Chapter 9 of the Prospectus Guidelines* issued by the Securities Commission Malaysia and *Guidance Note for Issuers of Pro Forma Financial Information* issued by Malaysian Institute of Accountants.

3.4.3 The pro forma combined statements of financial position have been prepared based on the audited financial statements of Cropmate for FPE 31 May 2024, which have been prepared in accordance with MFRS, IFRS and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Cropmate.

3.4.4 The audited financial statements of Cropmate under review have been reported without any audit qualification or modification.

3.4.5 The pro forma combined statements of financial position are presented in RM and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

3.4.6 The pro forma combined statements of financial position, because of their nature, may not be reflective of the Group's actual financial position and results. Furthermore, such information does not purport to predict the future financial position and results of the Group.

3.4.7 The pro forma combined statements of financial position have been prepared using the merger method to account for the Acquisition of CFSB as this business combination involves entities or businesses which are commonly controlled by the same parties before and after the business combination, and that control is not transitory.

(i) Under the merger method of accounting, the results of the subsidiary are presented as if the merger had been effected throughout the current financial year.

(ii) The assets and liabilities combined are accounted based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

(iii) When the merger method is used, the difference between the cost of investment recorded by the Company (i.e. the consideration for the Acquisition of CFSB) and the share capital of CFSB is accounted for as merger reserve.

CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4. Pro Forma Combined Statements of Financial Position

	Note	Cropmate Audited as at 31 May 2024 RM'000	CFSB Audited as at 31 May 2024 RM'000	Pro forma I After Events Subsequent to Financial Period End RM'000	Pro forma II After Acquisition of CFSB RM'000	Pro forma III After Pro forma II, Acquisition of Factories, IPO and Listing RM'000	Pro forma IV After Pro forma III and Utilisation of Proceeds RM'000
ASSETS							
Non-current asset							
Property, plant and equipment	5.2	-	7,096	7,096	7,096	23,396	23,396
Right-of-use assets	5.3	-	10,760	10,760	10,760	24,260	24,260
		-	17,856	17,856	17,856	47,656	47,656
Current assets							
Inventories		-	16,888	16,888	16,888	16,888	16,888
Trade receivables		-	24,638	24,638	24,638	24,638	24,638
Other receivables, deposits and prepayments	5.4	-	6,634	6,634	6,551	3,571	3,571
Short term deposit with a licensed bank		-	1,620	1,620	1,620	1,620	1,620
Cash and bank balances	5.5	@	2,859	5,844	5,844	47,844	27,918
Asset held for sale	5.6	-	11,386	-	-	-	-
Total Current Assets		@	64,025	55,624	55,541	94,561	74,635
Total Assets		@	81,881	73,480	73,397	142,217	122,291
EQUITY AND LIABILITIES							
Share capital	5.7	#	2,500	2,500	33,106	75,106	73,246
Merger reserve	5.8	-	-	-	(30,606)	(30,606)	(30,606)
(Accumulated losses)/Retained earnings	5.9	(86)	36,234	36,248	36,162	36,162	35,891
Total Equity		(86)	38,734	38,748	38,662	80,662	78,531

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12. FINANCIAL INFORMATION (CONTD)

CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4. **Pro Forma Combined Statements of Financial Position (Cont'd)**

	Note	Cropmate Audited as at 31 May 2024 RM'000	CFSB Audited as at 31 May 2024 RM'000	Pro forma I After Events Subsequent to Financial Period End RM'000	Pro forma II After Acquisition of CFSB RM'000	Pro forma III After Pro forma II, Acquisition of Factories, IPO and Listing RM'000	Pro forma IV After Pro forma III and Utilisation of Proceeds RM'000
Non-current liabilities							
Borrowings	5.10	-	18,269	10,706	10,706	20,831	20,831
Lease liabilities		-	888	888	888	888	888
Deferred tax liabilities		-	422	422	422	422	422
		-	19,579	12,016	12,016	22,141	22,141
Current liabilities							
Trade payables		-	12,288	12,288	12,288	12,288	12,288
Other payables and accruals	5.11	86	5,176	4,606	4,609	21,304	3,509
Borrowings	5.12	-	4,160	3,878	3,878	3,878	3,878
Lease liabilities		-	544	544	544	544	544
Current tax liabilities		-	1,400	1,400	1,400	1,400	1,400
Total Current Liabilities		86	23,568	22,716	22,719	39,414	21,619
Total Liabilities		86	43,147	34,732	34,735	61,555	43,760
Total Equity and Liabilities		@	81,881	73,480	73,397	142,217	122,291
No. of shares in issue ('000)		*	2,500	2,500	528,000	738,000	738,000
(NL)/NA (RM'000)		(86)	38,734	38,748	38,662	80,662	78,531
(NL)/NA per share attributable to the equity holders of the Company (RM)		(860.00)	15.49	15.50	0.07	0.11	0.11

Notes: -

@ *Denotes RM222*
# *Denotes RM100*
* *Denotes 100 shares*

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:-

Pro forma I

Pro forma I incorporates the effect of the following events subsequent to the financial period end:-

Disposal of Land which entails the disposal of Lot 51 to be completed subsequent to 31 May 2024

The details of disposal of Lot 51 are tabled as follows:-

	Lot 51 RM'000
Disposal price	11,400
Net book value as at 31 May 2024	(11,386)
Gain on disposal of land	14

Proceeds from disposal of Lot 51 will be utilised to fully settle the outstanding RM7.845 million term loan as at 31 May 2024 granted to finance the acquisition of Lot 51 as follows:-.

	RM'000
Non-current portion	7,563
Current portion	282
Total	7,845

In FPE 31 May 2024, 5% deposit amounting to RM570,000 has been received by CFSB.

Pro forma II

Pro forma II incorporates the effect of Pro forma I and the Acquisition of CFSB for a purchase consideration of approximately RM33,106,000 to be satisfied entirely by the issuance of 527,999,900 Cropmate Shares at RM0.0627 per share.

The acquisition of the entire issued share capital of CFSB by Cropmate is part of the pre-IPO restructuring exercise and does not result in any change in economic substance. Accordingly, the pro forma combined statements of financial position of Cropmate are accounted as follows:-

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (Cont'd)

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

Pro forma II (Cont'd)

i. The combined results of Cropmate are presented as if the Acquisition of CFSB has been effected throughout the financial years under review; and

ii. Cropmate incorporates the assets and liabilities of CFSB at their pre-combination carrying amounts. No adjustment is made to reflect their fair values, or recognise any new assets or liabilities at the date of combination that would otherwise have been done under the acquisition method.

The above pre-IPO restructuring exercise will generate a merger reserve approximates RM30,606,000, computed as follows:

	RM'000
Purchase consideration	33,106
Share capital of CFSB	(2,500)
Merger reserve	30,606

Pro forma III

Pro forma III incorporates the effects of Pro forma II and the following:-

i. Public Issue

Public issue of 210,000,000 new Shares at an indicative issue price of RM0.20 per Share for application in the following manner:-

a. 36,900,000 Shares to the Malaysian Public (via balloting);
b. 14,760,000 Shares to the eligible Directors, employees of the Group and persons who have contributed to the success of the Group;
c. 42,250,000 Shares to Bumiputera investors approved by MITI; and
d. 116,090,000 Shares to the other institutional and selected investors other than Bumiputera investors approved by the MITI.

ii. Listing

In conjunction with the above, Cropmate will seek the listing of and quotation for its entire enlarged issued share capital, comprising 738,000,000 Shares with market capitalisation of RM147,600,000 the ACE Market of Bursa Securities.

The public issue of 210,000,000 new Shares at an indicative issue price of RM0.20 is estimated to raise proceeds amounting to RM42,000,000.

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (Cont'd)

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

Pro forma III (Cont'd)

i. Acquisition of Land

The Acquisition of land is expected to be completed after the Public Issue and Listing. The purchase consideration of Factory Lot 8949 and Factory Lot 8950 will be settled in the following manner:-

	Factory Lot 8949 RM'000	Factory Lot 8950 RM'000
10% deposit paid upon signing of SPA	1,630	1,350
90%/15% paid by proceeds from Public Issue	14,670	2,025
75% of purchase price financed by bank borrowing	-	10,125
Total purchase consideration	16,300	13,500

Pro forma IV

Pro forma IV incorporates the effects of Pro forma III and the following:-

The proceeds from the Public Issue will be utilised as follows:-

	RM'000	Estimated timeframe for utilisation of proceeds upon Listing
Working capital	17,135	Within twelve (12) months
Acquisition of factories	16,695	Within twelve (12) months
Capital expenditure^	3,170	Within twelve (12) months to eighteen (18) months
Estimated listing expenses*	5,000	Within two (2) months
	42,000	

^ As at the LPD, the Group has yet to enter into any contractual binding agreement pertaining to acquisition of plant and equipment. Accordingly, the intended use of proceeds of RM3,170,000 for capital expenditure is not reflected in the pro forma combined statements of financial position.

Should the payment for capital expenditure be reflected in the pro forma combined statements of financial position, the movement in property, plant and equipment will be illustrated as follows:-

	RM'000
Pro forma II and III	23,396
Payment for capital expenditure	3,170
Pro forma IV	26,566

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (Cont'd)

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

* The estimated listing expenses totalling RM5,000,000 comprise professional fees, regulatory authority fees, underwriting, placement and brokerage fees and miscellaneous fees incidental to the IPO and Listing. A portion of the sum amounting to approximately RM1,860,000 is reckoned as transaction costs incidental to the issuance of new shares and therefore will be set off against the share capital in accordance with Para 37 of MFRS 132, *Financial Instruments : Presentation*. The balance of RM3,140,000 is assumed to be non-equity transaction costs in nature of which approximately RM2,869,000 has been charged to profit or loss up to FPE 31 May 2024.

As at 31 May 2024, included in Other Payables and Accruals Accounts of the Group is a sum of accrued expenses approximate RM1,100,000 in relation to the listing expenses.

5.2 **Movement in Property, Plant and Equipment**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Pro forma I	7,096
Pro forma II	7,096
Acquisition of Factory Lot 8949	16,300
Pro forma III and IV	23,396

5.3 **Movement in Right-of-Use Assets**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Pro forma I	10,760
Pro forma II	10,760
Acquisition of Lot 8950	13,500
Pro forma III and IV	24,260

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.4 **Movement in Other Receivables, Deposits and Prepayments**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Pro forma I	6,634
Elimination of inter-company balance	(83)
Pro forma II	6,551
10% deposit transfer to PPE - Factory Lot 8949	(1,630)
10% deposit transfer to ROU Assets - Factory Lot 8950	(1,350)
	(2,980)
Pro forma III and IV	3,571

5.5 **Movement in Cash and Bank Balances**

	RM'000
Cropmate	
Balance as at 31 May 2024	@
CFSB	
Balance as at 31 May 2024	2,859
Disposal of Lot 51	10,830
Repayment of bank borrowing - Lot 51	(7,845)
Pro forma I	5,844
Pro forma II	5,844
Proceeds from IPO and Listing	42,000
Pro forma III	47,844
Payment of purchase of Lot 8949 and Lot 8950	(16,695)
Payment of IPO and Listing expenses - Accruals	(1,100)
Payment of IPO and Listing expenses to be incurred	(2,131)
	(19,926)
Pro forma IV	27,918

@ Denotes RM222

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.6 **Movement in Asset Held for Sale**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Balance as at 31 May 2024	11,386
Disposal of asset held for sale - Lot 51	(11,386)
Pro forma I	-
Pro forma II, III and IV	-

5.7 **Movement in Share Capital**

	Share value RM	No. of shares'000	RM'000
Balance as at 31 May 2024	1.00	*	#
Issuance of shares to acquire CFSB	0.0627	528,000	33,106
Pro forma II	0.07	528,000	33,106
Issuance of shares from IPO	0.20	210,000	42,000
Pro forma III	0.10	738,000	75,106
Set off of IPO and Listing expenses		-	(1,860)
Pro forma IV	0.10	738,000	73,246

* *Denotes 100 Shares*
\# *Denotes RM100*

5.8 **Movement in Merger Reserve**

	RM'000	RM'000
Cropmate		
Balance as at 31 May 2024		-
CFSB		
Balance as at 31 May 2024	2,500	
Issuance of shares to acquire CFSB	33,106	30,606
Pro forma II, III and IV		30,606

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.9 **Movement in (Accumulated Losses)/Retained Earnings**

	RM'000
Cropmate	
Balance as at 31 May 2024	(86)
CFSB	
Balance as at 31 May 2024	36,234
Gain on disposal of Lot 51	14
Pro forma I	36,248
Pro forma II and III	36,162
IPO and Listing expenses to be charged to profit or loss	(271)
Pro forma IV	35,891

5.10 **Movement in Bank Borrowings – Non Current Portion**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Balance as at 31 May 2024	18,269
Repayment of bank borrowing - Lot 51	(7,563)
Pro forma I	10,706
Pro forma II	10,706
Borrowings on acquisition of Factory Lot 8950	10,125
Pro forma III and IV	20,831

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CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.11 **Movement in Other Payables and Accruals**

	RM'000
Cropmate	
Balance as at 31 May 2024	86
CFSB	
Balance as at 31 May 2024	5,176
Deposit net off against asset held for sale - Lot 51	(570)
Pro forma I	4,606
Elimination of inter-co balance	(83)
Pro forma II	4,609
Acquisition of Factory Lot 8949	14,670
Acquisition of Factory Lot 8950	2,025
Pro forma III	21,304
Payment of other payables on purchase of factories	(16,695)
Payment of IPO and Listing expenses - Accruals	(1,100)
	(17,795)
Pro forma IV	3,509

5.12 **Movement in Bank Borrowings – Current Portion**

	RM'000
Cropmate	
Balance as at 31 May 2024	-
CFSB	
Balance as at 31 May 2024	4,160
Repayment of bank borrowing - Lot 51	(282)
Pro forma I	3,878
Pro forma II, III and IV	3,878

Kreston John & Gan
Stamped For Identification Purposes only
AF0113

12. FINANCIAL INFORMATION (CONTD)

CROPMATE BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Approved by the Board of Directors

Signed on behalf of the Board in accordance with a resolution of the Directors of Cropmate Berhad dated 23 October 2024

Lee Chin Yok
Managing Director

CROPMATE BERHAD
(1529299-W)

Kreston John & Gan
Stamped For Identification Purposes only
AF0113

KRESTON
JOHN & GAN

Date: 23 October 2024

The Board of Directors
Cropmate Berhad
Lot 8949, Jalan Telok Gong KS/10
Kampung Nelayan, Telok Gong
42000 Pelabuhan Klang
Selangor Darul Ehsan.

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Cropmate Berhad ("the Company" or "Cropmate")

Opinion

We have audited the accompanying combined financial statements of Cropmate Berhad and its combining entity (collectively known as "the Group") which comprises the combined statements of financial position of the Group as at 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for 5-months financial period/years ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021, and a summary of material accounting policy information and notes to the combined financial statements, as set out on pages 4 to 72.

The historical combined financial statements have been prepared for inclusion in the prospectus of Cropmate, in connection with the listing of and quotation for the entire enlarged issued ordinary shares of Cropmate on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and is given for the purpose of complying with Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021 and of its combined financial performance and combined cash flows for the financial period/years ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group in accordance with the By-Laws (on *Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KRESTON JOHN & GAN

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Group are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial information of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial information of the Group, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also : -

- Identify and assess the risk of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

KRESTON JOHN & GAN

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements (Cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also : - (Cont'd.)

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Other Matters

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows and notes to the combined financial statements for the financial period ended 31 May 2023 has not been audited.

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of Cropmate in connection with the listing of and quotation for the entire enlarged issued ordinary shares of Cropmate on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Kreston John & Gan	**Yong Chung Sin**
(AF 0113)	Approval No: 02892/04/2026 J
Chartered Accountants	Chartered Accountants

Kuala Lumpur,
Date: 23 October 2024

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Financial Position

as at 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

		<——— Audited		———>
		31.05.2024	31.12.2023	31.12.2022	31.12.2021
	Note	**RM**	RM	RM	RM
ASSETS					
Non-Current Assets					
Plant and equipment	5	**7,096,055**	6,982,139	5,183,520	4,061,653
Right-of-use assets	6	**10,760,082**	11,213,241	23,796,284	18,944,584
Total Non-Current Assets		**17,856,137**	18,195,380	28,979,804	23,006,237
Current Assets					
Inventories	7	**16,887,827**	21,356,578	27,745,192	14,301,482
Trade receivables	8	**24,637,618**	16,575,198	18,093,624	13,336,582
Other receivables, deposits and prepayments	9	**6,550,565**	5,428,707	3,515,742	4,428,672
Short-term deposit with a licensed bank	10	**1,620,000**	20,000	20,000	-
Cash and bank balances		**2,859,199**	7,986,976	9,335,638	6,245,875
		52,555,209	51,367,459	58,710,196	38,312,611
Asset held for sale	11	**11,385,758**	11,385,758	-	-
Total Assets		**81,797,104**	80,948,597	87,690,000	61,318,848
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12(a)	**100**	100	-	-
Invested equity	12(b)	**2,500,000**	2,500,000	2,500,000	2,500,000
Retained profits	13	**36,148,283**	34,570,310	28,516,431	13,900,779
Total Equity		**38,648,383**	37,070,410	31,016,431	16,400,779
Non-Current Liabilities					
Borrowings	14	**18,268,565**	18,474,881	18,429,729	15,666,173
Lease liabilities	17	**887,742**	1,110,842	1,444,825	991,324
Deferred tax liabilities	18	**422,170**	422,170	422,170	507,844
Total Non-Current Liabilities		**19,578,477**	20,007,893	20,296,724	17,165,341

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Financial Position

as at 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

		<	Audited		>
		31.05.2024	31.12.2023	31.12.2022	31.12.2021
	Note	**RM**	RM	RM	RM
Current Liabilities					
Trade payables	19	**12,288,505**	5,101,051	8,820,544	4,905,119
Other payables and accruals	20	**5,178,675**	4,629,220	5,981,689	6,986,611
Amount due to directors	21	**-**	-	-	5,175,000
Borrowings	14	**4,159,553**	12,883,550	18,666,031	8,282,925
Lease liabilities	17	**543,523**	701,898	1,344,291	1,054,499
Current tax liabilities		**1,399,988**	554,575	1,564,290	1,348,574
Total Current Liabilities		**23,570,244**	23,870,294	36,376,845	27,752,728
Total Liabilities		**43,148,721**	43,878,187	56,673,569	44,918,069
Total Equity and Liabilities		**81,797,104**	80,948,597	87,690,000	61,318,848

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Profit or Loss and Other Comprehensive Income

for the financial period/year ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

	Note	Audited	Unaudited	<------	Audited	------>
		01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
		RM	RM	RM	RM	RM
Revenue	22	**67,310,708**	73,192,645	151,547,376	188,296,326	108,778,807
Cost of sales		**(54,295,912)**	(59,144,742)	(123,937,617)	(154,553,981)	(88,379,147)
Gross profit		**13,014,796**	14,047,903	27,609,759	33,742,345	20,399,660
Other income	23	**75,971**	189,385	326,993	1,089,902	173,484
Administrative and other operating expenses		**(5,235,669)**	(6,498,653)	(13,030,082)	(13,888,600)	(9,016,332)
Profit from operations		**7,855,098**	7,738,635	14,906,670	20,943,647	11,556,812
Finance costs	24	**(505,046)**	(638,675)	(1,522,793)	(1,676,800)	(782,380)
Profit before taxation	25	**7,350,052**	7,099,960	13,383,877	19,266,847	10,774,432
Income tax expense	28	**(1,772,079)**	(1,703,999)	(3,329,998)	(4,651,195)	(3,149,097)
Profit for the financial period/year, representing total comprehensive income for the financial period/year attributable to the owners of the Company		**5,577,973**	5,395,961	10,053,879	14,615,652	7,625,335
Earnings per share (RM)						
- Basic	29	2.23	2.16	4.02	5.85	3.05
- Diluted	29	*	*	*	*	*

* *There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Changes in Equity

for the financial period/year ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

		Non-Distributable	*Distributable*	
	Share capital RM	Invested equity RM	Retained profit RM	Total RM
At 1 January 2021	-	2,500,000	6,275,444	8,775,444
Total comprehensive income for the financial year	-	-	7,625,335	7,625,335
At 31 December 2021	-	2,500,000	13,900,779	16,400,779
Total comprehensive income for the financial year	-	-	14,615,652	14,615,652
At 31 December 2022	-	2,500,000	28,516,431	31,016,431
Issuance of share at the date of incorporation (Note12(a))	100	-	-	100
Dividend paid (Note 30)	-	-	(4,000,000)	(4,000,000)
Total comprehensive income for the financial year	-	-	10,053,879	10,053,879
At 31 December 2023	100	2,500,000	34,570,310	37,070,410
Dividend paid (Note 30)	-	-	**(4,000,000)**	**(4,000,000)**
Total comprehensive income for the financial period	-	-	**5,577,973**	5,577,973
At 31 May 2024	**100**	**2,500,000**	**36,148,283**	**38,648,383**
Unaudited				
At 1 January 2023	-	2,500,000	28,516,431	31,016,431
Dividend paid (Note 30)	-	-	(4,000,000)	(4,000,000)
Total comprehensive income for the financial period	-	-	5,395,961	5,395,961
At 31 May 2023	-	2,500,000	29,912,392	32,412,392

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Cash Flows

for the financial period/year ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

	Note	**Audited 01.01.2024 to 31.05.2024 RM**	Unaudited 01.01.2023 to 31.05.2023 RM	<—— Audited 01.01.2023 to 31.12.2023 RM	Audited 01.01.2022 to 31.12.2022 RM	Audited ——> 01.01.2021 to 31.12.2021 RM
Cash flows from operating activities						
Profit before taxation		**7,350,052**	7,099,960	13,383,877	19,266,847	10,774,432
Adjustment for : -						
Depreciation of plant and equipment		**382,838**	291,609	793,146	614,681	470,994
Depreciation of right-of-use assets		**453,159**	677,016	1,629,145	1,965,240	1,661,090
Loss on disposal of plant and equipment		-	-	-	7,769	-
Loss on disposal of right-of-use assets		-	-	2	26,649	-
Impairment loss on trade receivables		-	-	-	21,250	-
Interest expense		**505,046**	638,675	1,522,793	1,676,800	782,380
Interest income		**(14,102)**	(9,501)	(28,265)	(22,003)	(22,629)
Unrealised loss/(gain) on foreign exchange		**1,848**	479	4,273	(3,839)	(5,739)
Operating profit before working capital changes		**8,678,841**	8,698,238	17,304,971	23,553,394	13,660,528
Changes in working capital : -						
Inventories		**4,468,751**	7,669,899	6,388,614	(13,443,710)	(7,960,502)
Trade receivables		**(8,062,420)**	(7,471,171)	1,518,426	(4,778,292)	(4,009,739)
Other receivables, deposits and prepayments		**(1,121,858)**	159,014	(1,912,965)	912,930	(3,244,386)
Trade payables		**7,187,454**	(644,415)	(3,719,493)	3,915,425	(441,191)
Other payables and accruals		**549,455**	1,969,574	(1,352,469)	(504,922)	(757,190)
Net cash generated from/(used in) operations		**11,700,223**	10,381,139	18,227,084	9,654,825	(2,752,480)
Interest paid		**(505,046)**	(638,675)	(1,522,793)	(1,676,800)	(782,380)
Interest received		**14,102**	9,501	28,265	22,003	22,629
Tax paid		(926,666)	(1,597,622)	(4,339,713)	(4,521,153)	(2,048,829)
Net cash from/(used in) operating activities		**10,282,613**	8,154,343	12,392,843	3,478,875	(5,561,060)

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

Combined Statements of Cash Flows (Cont'd.)

for the financial period/year ended 31 May 2024, 31 December 2023, 31 December 2022, and 31 December 2021

	Note	**Audited 01.01.2024 to 31.05.2024 RM**	Unaudited 01.01.2023 to 31.05.2023 RM	<——— Audited 01.01.2023 to 31.12.2023 RM	Audited 01.01.2022 to 31.12.2022 RM	Audited ———> 01.01.2021 to 31.12.2021 RM
Cash flows from investing activities						
Additions of right-of-use assets	31	**-**	-	(17,832)	(4,363,969)	(11,901,757)
Proceeds from disposal of plant and equipment		**-**	-	-	23,356	-
Proceeds from disposal of right-of-use assets		**-**	-	-	70,000	-
Purchase of plant and equipment	5	**(496,754)**	(1,595,384)	(2,591,765)	(1,767,673)	(1,669,054)
Net cash used in investing activities		**(496,754)**	(1,595,384)	(2,609,597)	(6,038,286)	(13,570,811)
Cash flows from financing activities						
Proceeds from issuance of share capital		**-**	-	100	-	-
(Repayment)/Drawdown of borrowings	32(a)	**(8,930,313)**	(4,658,525)	(5,737,329)	13,146,662	19,996,755
Repayment to directors		**-**	-	-	(5,175,000)	(26)
(Repayment)/Advances from/to other payables		**-**	-	-	(500,000)	(224,500)
Repayment of lease liabilities	32(b)	**(381,475)**	(307,320)	(1,390,406)	(1,806,327)	(1,505,761)
Dividend paid	30	**(4,000,000)**	(4,000,000)	(4,000,000)	-	-
Net cash (used in)/from financing activities		**(13,311,788)**	(8,965,845)	(11,127,635)	5,665,335	18,266,468
Net (decrease)/increase in cash and cash equivalents		**(3,525,929)**	(2,406,886)	(1,344,389)	3,105,924	(865,403)
Effect of foreign exchange rate		**(1,848)**	(479)	(4,273)	3,839	5,739
Cash and cash equivalents at beginning of the financial period/year		**8,006,976**	9,355,638	9,355,638	6,245,875	7,105,539
Cash and cash equivalents at end of the financial period/year	33	**4,479,199**	6,948,273	8,006,976	9,355,638	6,245,875

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

ACCOUNTANTS' REPORT

1. **General information**

a) Introduction

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Cropmate Berhad ("the Company" or "Cropmate") in connection with the listing of and quotation for the entire enlarged issued ordinary shares of Cropmate on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and should not be relied upon for any other purposes.

b) Background

The Company was incorporated on 11 September 2023 as Cropmate Berhad, a public company limited by shares in accordance with the Companies Act, 2016.

The registered office of the Company is located at Unit 27.2, Menara 1MK, Kompleks 1 Mont Kiara, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur W.P. Kuala Lumpur, Malaysia.

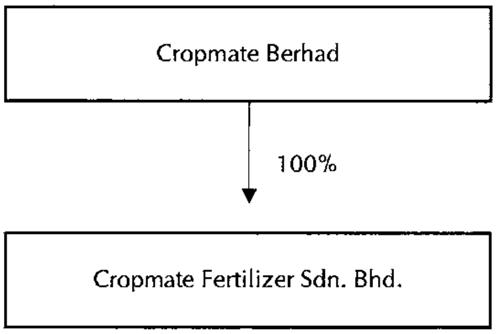
The principal place of business of the Company is located at Lot 8949, Jalan Telok Gong KS/10, Kampung Nelayan, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan.

c) Pre-IPO restructuring exercise

As part of the pre-IPO restructuring exercise, the Company enter into a conditional share sale agreement on 30 October 2023 to acquire the entire issued share capital of Cropmate Fertilizer Sdn. Bhd. comprising 2,500,000 ordinary shares ("Acquisition") prior to the Listing.

The purchase consideration for the above Acquisition is RM33.1 million to be satisfied by the issuance of 527,999,900 new ordinary shares in the Company at approximately RM0.06 per share.

Following the completion of the Acquisition, the intended group structure of Cropmate ("the Group") is as follows : -



Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

ACCOUNTANTS' REPORT

1. **General information (Cont'd.)**

d) Principal activities

The Company's principal activity is investment holding company.

Details of the combining entity of the Company for the relevant financial years are as follows : -

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation
Cropmate Fertilizer Sdn. Bhd.	100%	Manufacturing and trading of fertilizer, agrochemical, product and other related product. However, during the financial year 31 December 2023, the company changed its principal activities to formulation and blending of conventional and specialty fertilisers as well as trading of straight fertilisers and related products.	14 March 2018	Malaysia

2. **Relevant financial period/years**

For the purpose of inclusion in the prospectus of Cropmate in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares on the ACE Market of Bursa Malaysia Securities Berhad in accordance with Chapter 10, Part II Division 1: Equity of Prospectus Guidelines issued by Securities Commission Malaysia, the combined financial statements of the Group, which are the combination or aggregation of the financial statements of the following combining entities, have been prepared based on the separate financial statements for the relevant reporting periods as follows : -

Company	Relevant financial years	Auditors	Accounting Standards Applied
Cropmate Berhad	FPE 31 May 2024	Kreston John & Gan	MFRSs
	FYE 31 December 2023	Kreston John & Gan	MFRSs
Cropmate Fertilizer Sdn. Bhd.	FPE 31 May 2024	Kreston John & Gan	MFRSs
	FYE 31 December 2023	Kreston John & Gan	MFRSs
	FYE 31 December 2022	Kreston John & Gan	MFRSs
	FYE 31 December 2021	Kreston John & Gan	MFRSs

MFRSs – Malaysian Financial Reporting Standards

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

ACCOUNTANTS' REPORT

2. **Relevant financial period/years (Cont'd.)**

The combined financial statements were prepared in a manner similar to the "pooling-of interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest period covered by the relevant reporting periods. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant reporting periods.

Entities under common control are entities which are ultimately controlled by the same parties and the control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and the ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. All material intra-group transactions and balances are eliminated upon combination, where applicable.

The combined financial statements comprising the combined statements of financial position, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the relevant reporting periods, are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards including related interpretations which are effective for accounting periods on or before 1 January 2024.

3. **Basis of preparation**

a) Statement of compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The Group have applied the following accounting standards and amendments of the MFRSs for financial period beginning on 1 January 2024 : -

MFRSs and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 7, Financial Instruments : Disclosure – Supplier Finance Arrangements
- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-Current Liabilities with Covenants
- Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

Cropmate Berhad
(Incorporated in Malaysia, Registration No. 202301035376 (1529299-W))

ACCOUNTANTS' REPORT

3. **Basis of preparation (Cont'd.)**

a) Statement of compliance (Cont'd.)

The following are accounting standards and amendments of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group.

MFRSs and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, The Effect of Changes in Foreign Exchange Rates – Lack of Exchangeability.

MFRSs and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 7, Financial Instruments: Disclosures and MFRS 9, Financial Instruments – Classification and Measurement of Financial Instruments

Annual Improvements to MFRS Accounting Standards – Volume 11 effective for annual periods beginning on or after 1 January 2026

- MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards
- MFRS 7, Financial Instruments: Disclosures
- MFRS 9, Financial Instruments
- MFRS 10, Consolidated Financial Statements
- MFRS 107, Statement of Cash Flows

MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18, Presentation and Disclosures in Financial Statements
- MFRS 19, Subsidiaries without Public Accountability : Disclosures

MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The initial application of the accounting standards and amendments are not expected to have any material financial impacts to the current period and prior period combined financial statements upon their first adoption.

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3. **Basis of preparation (Cont'd.)**

b) Basis of measurement

The combined financial statements have been prepared on the historical cost basis unless otherwise as disclosed in Note 4.

c) Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

d) Adoption of new standards/amendments/improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these combined financial statements.

At the beginning of the current financial period/years, the combining entities adopted new standards/amendments/improvement to MFRSs which have been applied using the full retrospective approach.

Initial application of the new standards/amendments/improvements to MFRSs did not have material impact on the combined financial statements of the Group.

e) Significant accounting estimates and judgements

The preparation of the combined financial statements in conformity with MFRSs 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 financial statements other than the following items : -

i) Depreciation of plant and equipment

Plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated that useful life of these assets as disclosed in Note 4(d). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

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3. **Basis of preparation (Cont'd.)**

e) Significant accounting estimates and judgements (Cont'd.)

ii) Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over their useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Measurement of Expected Credit Loss ("ECL") allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

iv) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

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ACCOUNTANTS' REPORT

4. **Material accounting policy information**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group, unless otherwise stated.

a) Basis of combination

i) Business combination under common control

The combined financial statements comprise the financial statements of the Company and its combining entity which are under common control as disclosed in Note 1 and 2. The financial statements used in the preparation of the combined financial statements are prepared as of the same reporting date as the Company.

A business combination involving entity under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accountings, the results of the subsidiaries are presented as if the merger had been affected throughout the current and previous financial years.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial years.

ii) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

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4. **Material accounting policy information (Cont'd.)**

a) Basis of combination (Cont'd.)

iii) Intra-group balances and transactions, and any unrealised income and expenses arising from intro-group transactions, are eliminated in preparing the combined financial statements.

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the date 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 which 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, except for differences arising on the retranslation of equity instruments where there are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

c) Financial instruments

Financial assets – subsequent measurements and gains and losses

Debt instruments at amortised cost

These assets are subsequently measured at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – subsequent measurements and gains and losses

Financial liabilities are classified at amortised cost. Financial liabilities are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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4. **Material accounting policy information (Cont'd.)**

d) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

	Rate (%)
Computers and software	33.3
Factory equipment	10
Furniture and fittings	10
Motor vehicles	20
Office equipment	10
Plant and machinery	10
Renovation	10

e) 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 work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

f) Asset held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with Group's accounting policies. Thereafter generally the assets, or disposal group, are measure at lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets which continue to be measured in accordance with Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associated ceases once classified as held for sale.

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4. **Material accounting policy information (Cont'd.)**

g) Leases

i) Lessee accounting

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use asset

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate. The Group have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

ii) Lessor accounting

The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of revenue. Rental income from sublease properties which recognise as other income.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments 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 statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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4. **Material accounting policy information (Cont'd.)**

i) Impairment of assets

i) Financial assets

The Group recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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ACCOUNTANTS' REPORT

4. **Material accounting policy information (Cont'd.)**

i) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial assets is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

ii) Other assets

The carrying amounts of other assets (except for contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) 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 goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

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 units.

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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

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4. **Material accounting policy information (Cont'd.)**

i) Impairment of assets (Cont'd.)

ii) Other assets (Cont'd.)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

k) Revenue and other income

i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met : -

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

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4. **Material accounting policy information (Cont'd.)**

k) Revenue and other income (Cont'd.)

i) Revenue from contract with customers (Cont'd.)

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the control of the goods have been transferred to the customer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

l) 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.

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4. **Material accounting policy information (Cont'd.)**

m) 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 the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, 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 reserve, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that 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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

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4. **Material accounting policy information (Cont'd.)**

n) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave 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 under short-term cash bonus or profit-sharing plans if the Group has a present or constructive obligation can be estimated reliably.

ii) State plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

o) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues 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, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

p) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

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ACCOUNTANTS' REPORT

4. **Material accounting policy information (Cont'd.)**

q) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and 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 use observable market data as far as possible. Fair value is 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 that the Group can access at the measurement date.

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 recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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5. **Plant and equipment**

Audited	Computers and software RM	Factory equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Plant and Machinery - Work in progress RM	Total RM
31.05.2024									
Costs									
At 1 January 2024	105,600	363,380	1,275,359	40,000	117,286	5,103,063	1,959,632	745,715	9,710,035
Additions	4,635	16,209	-	92,500	6,578	10,762	-	366,070	496,754
At 31 May 2024	110,235	379,589	1,275,359	132,500	123,864	5,113,825	1,959,632	1,111,785	10,206,789
Accumulated depreciation									
At 1 January 2024	91,575	114,234	472,115	34,666	30,475	1,359,283	625,548	-	2,727,896
Charge for the financial period	4,957	15,654	53,140	9,500	5,128	212,807	81,652	-	382,838
At 31 May 2024	96,532	129,888	525,255	44,166	35,603	1,572,090	707,200	-	3,110,734
Carrying amount	13,703	249,701	750,104	88,334	88,261	3,541,735	1,252,432	1,111,785	7,096,055

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5. **Plant and equipment (Cont'd.)**

Audited	Computers and software RM	Factory equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Plant and Machinery - Work in progress RM	Total RM
31.12.2023									
Costs									
At 1 January 2023	99,121	284,847	1,221,299	40,000	71,767	2,906,441	1,847,595	647,200	7,118,270
Reclassification	-	-	-	-	-	647,200	-	(647,200)	-
Additions	6,479	78,533	54,060	-	45,519	1,549,422	112,037	745,715	2,591,765
At 31 December 2023	105,600	363,380	1,275,359	40,000	117,286	5,103,063	1,959,632	745,715	9,710,035
Accumulated depreciation									
At 1 January 2023	77,437	82,252	346,148	26,666	20,021	946,106	436,120	-	1,934,750
Charge for the financial year	14,138	31,982	125,967	8,000	10,454	413,177	189,428	-	793,146
At 31 December 2023	91,575	114,234	472,115	34,666	30,475	1,359,283	625,548	-	2,727,896
Carrying amount	14,025	249,146	803,244	5,334	86,811	3,743,780	1,334,084	745,715	6,982,139

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5. **Plant and equipment (Cont'd.)**

Audited	Computers and software RM	Factory equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Plant and Machinery - Work in progress RM	Total RM
31.12.2022									
Costs									
At 1 January 2022	89,718	199,344	880,370	165,560	58,541	2,533,203	1,549,421	-	5,476,157
Additions	9,403	85,503	340,929	-	13,226	373,238	298,174	647,200	1,767,673
Disposal	-	-	-	(125,560)	-	-	-	-	(125,560)
At 31 December 2022	99,121	284,847	1,221,299	40,000	71,767	2,906,441	1,847,595	647,200	7,118,270
Accumulated depreciation									
At 1 January 2022	58,363	56,984	243,563	92,317	13,285	671,299	278,693	-	1,414,504
Charge for the financial year	19,074	25,268	102,585	28,784	6,736	274,807	157,427	-	614,681
Disposal	-	-	-	(94,435)	-	-	-	-	(94,435)
At 31 December 2022	77,437	82,252	346,148	26,666	20,021	946,106	436,120	-	1,934,750
Carrying amount	21,684	202,595	875,151	13,334	51,746	1,960,335	1,411,475	647,200	5,183,520

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5. **Plant and equipment (Cont'd.)**

Audited	Computers and software RM	Factory equipment RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Plant and machinery RM	Renovation RM	Total RM
31.12.2021								
Costs								
At 1 January 2021	72,568	178,861	743,714	165,560	41,459	1,761,310	843,631	3,807,103
Additions	17,150	20,483	136,656	-	17,082	771,893	705,790	1,669,054
At 31 December 2021	89,718	199,344	880,370	165,560	58,541	2,533,203	1,549,421	5,476,157
Accumulated depreciation								
At 1 January 2021	38,910	37,909	163,865	59,206	8,376	454,135	181,109	943,510
Charge for the financial year	19,453	19,075	79,698	33,111	4,909	217,164	97,584	470,994
At 31 December 2021	58,363	56,984	243,563	92,317	13,285	671,299	278,693	1,414,504
Carrying amount	31,355	142,360	636,807	73,243	45,256	1,861,904	1,270,728	4,061,653

The costs of fully depreciated assets for computer and software is RM76,570 (31.12.2023 – RM45,346, 31.12.2022 – RM45,346, 31.12.2021 – RM35,138).

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6. Right-of-use assets

Audited	Leasehold land RM	Leasehold building RM	Motor vehicles RM	Factory RM	Total RM
31.05.2024					
Costs					
At 1 January 2024	5,204,112	4,326,280	3,550,118	1,463,720	14,544,230
Derecognised	-	-	-	(1,463,720)	(1,463,720)
At 31 May 2024	5,204,112	4,326,280	3,550,118	-	13,080,510
Accumulated depreciation					
At 1 January 2024	196,649	36,053	1,756,545	1,341,742	3,330,989
Charge for the financial period	24,691	36,052	270,438	121,978	453,159
Derecognised	-	-	-	(1,463,720)	(1,463,720)
At 31 May 2024	221,340	72,105	2,026,983	-	2,320,428
Carrying amount	4,982,772	4,254,175	1,523,135	-	10,760,082

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6. **Right-of-use assets (Cont'd.)**

Audited	Leasehold land RM	Leasehold building RM	Motor vehicles RM	Factory RM	Construction in progress RM	Total RM
31.12.2023						
Costs						
At 1 January 2023	16,873,869	-	3,305,056	1,463,720	4,307,200	25,949,845
Additions	-	-	412,782	-	19,080	431,862
Disposal	-	-	(167,720)	-	-	(167,720)
Reclassification	-	4,326,280	-	-	(4,326,280)	-
Transfer to asset held for sale	(11,669,757)	-	-	-	-	(11,669,757)
At 31 December 2023	5,204,112	4,326,280	3,550,118	1,463,720	-	14,544,230
Accumulated depreciation						
At 1 January 2023	305,207	-	1,238,472	609,882	-	2,153,561
Charge for the financial period	175,441	36,053	685,791	731,860	-	1,629,145
Disposal	-	-	(167,718)	-	-	(167,718)
Transfer to asset held for sale	(283,999)	-	-	-	-	(283,999)
At 31 December 2023	196,649	36,053	1,756,545	1,341,742	-	3,330,989
Carrying amount	5,007,463	4,290,227	1,793,573	121,978	-	11,213,241

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6. **Right-of-use assets (Cont'd.)**

Audited	Leasehold land RM	Motor vehicles RM	Factory RM	Construction in progress RM	Total RM
31.12.2022					
Costs					
At 1 January 2022	16,873,869	2,323,469	2,337,306	-	21,534,644
Additions	-	1,142,669	1,463,720	4,307,200	6,913,589
Disposal	-	(161,082)	-	-	(161,082)
Expired of lease contract	-	-	(2,337,306)	-	(2,337,306)
At 31 December 2022	16,873,869	3,305,056	1,463,720	4,307,200	25,949,845
Accumulated depreciation					
At 1 January 2022	91,039	729,876	1,769,145	-	2,590,060
Charge for the financial year	214,168	573,029	1,178,043	-	1,965,240
Disposal	-	(64,433)	-	-	(64,433)
Expired of lease contract	-	-	(2,337,306)	-	(2,337,306)
At 31 December 2022	305,207	1,238,472	609,882	-	2,153,561
Carrying amount	16,568,662	2,066,584	853,838	4,307,200	23,796,284

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6. **Right-of-use assets (Cont'd.)**

Audited	Leasehold land RM	Motor vehicles RM	Factory RM	Total RM
31.12.2021				
Costs				
At 1 January 2021	4,972,112	2,005,969	1,441,182	8,419,263
Additions	11,901,757	317,500	896,124	13,115,381
At 31 December 2021	16,873,869	2,323,469	2,337,306	21,534,644
Accumulated depreciation				
At 1 January 2021	18,870	309,608	600,492	928,970
Charge for the financial year	72,169	420,268	1,168,653	1,661,090
At 31 December 2021	91,039	729,876	1,769,145	2,590,060
Carrying amount	16,782,830	1,593,593	568,161	18,944,584

a) The leasehold land has unexpired lease periods of 99 years expiring on year 2097 and 2108 respectively. The leasehold land at carrying amount RM4,982,772 (31.12.2023 – RM5,007,463, 31.12.2022 – RM16,568,662, 31.12.2021 – RM16,782,830) has been pledged to licensed banks as securities for credit facilities granted as disclosed in Note 16 to the combined financial statements.

b) The Group has leased 21 (31.12.2023 – 20, 31.12.2022 – 20, 31.12.2021 – 15) motor vehicles under hire purchase arrangements with lease terms of 5 years (31.12.2023 – 5 years, 31.12.2022 – 5 years, 31.12.2021 – 5 years, 31.12.2020 – 5 years).

c) In the previous financial year, the Group has leased 1 unit (31.12.2022 – 1 unit, 31.12.2021 – 2 units) of factory for business operations. The lease periods typically run for a period of 2 years, with an option to renew the lease up to 29 February 2024. The lease payment is based on prevailing market rental rate.

7. **Inventories**

	<——— Audited			———>
	31.05.2024 RM	31.12.2023 RM	31.12.2022 RM	31.12.2021 RM
At costs				
Raw materials	**12,894,344**	14,581,260	20,169,781	11,922,641
Work-in-progress	**1,215,957**	3,532,624	4,373,598	739,001
Packaging materials	**800,136**	726,107	819,471	836,450
Finished goods	**1,977,390**	2,516,587	2,382,342	803,390
	16,887,827	21,356,578	27,745,192	14,301,482
Recognised in profit or loss				
- Inventories recognised as cost of sales	**50,133,965**	114,312,145	146,671,212	82,308,631

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8. Trade receivables

	<---------- Audited			---------->
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Trade receivables	**24,637,618**	16,575,198	18,114,874	13,336,582
Less: Impairment losses (Note 35(b)(i))	-	-	(21,250)	-
	24,637,618	16,575,198	18,093,624	13,336,582

The normal credit terms of trade receivables range from immediate payment to 90 days (31.12.2023 – immediate payment to 90 days, 31.12.2022 – immediate payment to 90 days, 31.12.2021 – immediate payment to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables consists of : -

a) amount due from a company amounted to RM13,005 (31.12.2023 – RM19,936, 31.12.2022 – RM34,813, 31.12.2021 – RM25,943) in which certain directors of the company have interest;

b) amount due from a person connected to the directors of the Company amounted to RM20,675 (31.12.2023 – RM20,700, 31.12.2022 – RM3,050, 31.12.2021 – RM26,000); and

c) amount due from certain companies in which a shareholder of the Company has interest amounted to RM2,566,720 (31.12.2023 – NIL, 31.12.2022 – RM3,325,180, 31.12.2021 – RM157,400).

9. Other receivables, deposits and prepayments

	<---------- Audited			---------->
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Other receivables	-	-	2,835,718	2,567,039
Deposits	**1,354,341**	134,623	156,432	89,510
Prepayments	**5,196,224**	5,294,084	523,592	1,772,123
	6,550,565	5,428,707	3,515,742	4,428,672

10. Short-term deposit with a licensed bank

The short-term deposit with a licensed bank of the Group has maturity period of 5 days – 12 months (31.12.2023 – 12 months, 31.12.2022 – 12 months, 31.12.2021 – NIL).

The effective interest rate of short-term deposit with a licensed bank during the financial period/year is 1.85% – 2.15% (31.12.2023 – 1.85%, 31.12.2022 – 1.85%, 31.12.2021 – NIL) per annum.

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11. **Asset held for sale**

	<------------ Audited		------------>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Leasehold land	**11,385,758**	11,385,758	-	-

On 24 October 2023, the Group entered into a Sales and Purchase Agreement ("SPA") to dispose a piece of leasehold land held under title bearing H.S.(D) 164202 for PT 152624, Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 51, Jalan Sungai Chandong 27/KS11, Kawasan Perindustrian Pulau Indah (Phase 3 Pulau Indah), 42920 Pelabuhan Klang, Selangor Darul Ehsan at total disposal price of RM11,400,000.

12. **Share capital and invested equity**

a) Share capital

	<------------ Audited		------------>	
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	Unit	Unit	Unit	Unit
Issued and fully paid				
Ordinary shares with no par value : -				
At date of incorporation	**100**	100	-	-
Issuance during the financial period/year	**-**	-	-	-
At end of the financial period/year	**100**	100	-	-

	<------------ Audited		------------>	
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Issued and fully paid				
Ordinary shares with no par value : -				
At date of incorporation	**100**	100	-	-
Issuance during the financial period/year	**-**	-	-	-
At end of the financial period/year	**100**	100	-	-

On 11 September 2023, the Company was incorporated with an issued and paid-up share capital of RM100, comprising 100 ordinary shares. The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank pari passu with regard to the Group's residual assets.

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12. **Share capital and invested equity (Cont'd.)**

b) Invested equity

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	Unit	Unit	Unit	Unit
Issued and fully paid				
Ordinary shares with no par value : -				
At beginning/end of the financial period/year	**2,500,000**	2,500,000	2,500,000	2,500,000

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Issued and fully paid				
Ordinary shares with no par value : -				
At beginning/end of the financial period/year	**2,500,000**	2,500,000	2,500,000	2,500,000

For the purpose of preparing the combined financial statements, the invested equity throughout the relevant reporting periods is the share capital of the Company's combining entity, Cropmate Fertilizer Sdn. Bhd.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank pari passu with regard to the Group's residual assets.

13. **Retained profits**

The Group may distribute dividends out of its retained profits under the single tier system which are tax exempt in the hands of shareholders.

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14. Borrowings

	< Audited			>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Non-Current Liabilities				
Secured				
Term loans	**18,268,565**	18,474,881	18,429,729	15,666,173
Current Liabilities				
Secured				
Banker's acceptances	**3,214,457**	11,987,905	17,934,873	7,649,309
Term loans	**945,096**	895,645	731,158	633,616
	4,159,553	12,883,550	18,666,031	8,282,925
Total Borrowings				
Secured				
Banker's acceptances (Note 15)	**3,214,457**	11,987,905	17,934,873	7,649,309
Term loans (Note 16)	**19,213,661**	19,370,526	19,160,887	16,299,789
	22,428,118	31,358,431	37,095,760	23,949,098

The effective interest rates for the Group is as follows : -

	< Audited			>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	%	%	%	%
Banker's acceptances	**4.31 – 4.64**	4.30 – 4.72	3.25 – 4.53	3.06 – 3.10
Term loans	**3.70 – 7.30**	3.64 – 5.13	4.25 – 4.94	3.50 – 6.82

15. Banker's acceptances

The banker's acceptances are secured by the followings : -

a) facilities agreement; and

b) a joint and several guarantee by certain directors of the Group.

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16. **Term loans**

	<------ Audited			------>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Secured				
Term loan 1	**3,227,936**	3,314,576	3,515,129	3,731,260
Term loan 2	**3,793,983**	3,855,656	3,995,306	4,137,502
Term loan 3	**7,845,510**	7,959,104	8,218,216	8,431,027
Term loan 4	**3,259,558**	3,329,112	3,432,236	-
Term loan 5	**632,020**	688,637	-	-
Term loan 6	**454,654**	223,441	-	-
	19,213,661	19,370,526	19,160,887	16,299,789
Repayable as follows : -				
Non-Current Liabilities				
Later than one year not and later than two years	**1,035,252**	940,605	766,412	660,088
Later than two years and not later than five years	**3,170,167**	3,066,833	2,528,233	2,928,322
Later than five years	**14,063,146**	14,467,443	15,135,084	12,077,763
	18,268,565	18,474,881	18,429,729	15,666,173
Current Liabilities				
Not later than one year	**945,096**	895,645	731,158	633,616
	19,213,661	19,370,526	19,160,887	16,299,789

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16. **Term loans (Cont'd.)**

Term loan 1, 2, 3 and 4

The term loan 1, 2, 3 and 4 are secured by the followings : -

a) facilities agreement;

b) legal charged over the Group's leasehold land as disclosed in Note 6 and 11 to the combined financial statements;

c) jointly and severally guarantee by all directors of the Group;

d) fixed and floating charge over all the present and future assets of the Group to secure the payment of principal sum of RM11,000,000; and

e) letter of subordination for the subordination of the directors' advances of not less than RM2,000,000 for the entire tenure of the banking facilities. During the financial year ended 31 December 2022, the banks had agreed to waived/remove the subordination clause.

Term Loan 5

The term loan 5 is secured by the followings : -

a) letter of offer;

b) master facility agreement;

c) asset sale agreement for RM974,547 over Shariah compliant commodities;

d) Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Berhad's guarantee under ADF-i for RM582,400;

e) specific debenture over the scrubber and dust collector machine; and

f) jointly and severally guaranteed by the directors of the Group.

Term loan 6

The term loan 6 is secured by the followings : -

a) legal charged over the Group's leasehold land as disclosed in Note 6 and 11 to the combined financial statements; and

b) jointly and severally guaranteed by the directors of the Group.

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17. **Lease liabilities**

Audited	Factory rental RM	Hire purchase RM	Total RM
31.05.2024			
Minimum lease payments : -			
- not later than one year	-	**603,582**	**603,582**
- later than one year and not later than two years	-	**458,341**	**458,341**
- later than two years and not later than five years	-	**482,169**	**482,169**
	-	**1,544,092**	**1,544,092**
Less: Future interest charges	-	**(112,827)**	**(112,827)**
Present value of lease liabilities	-	**1,431,265**	**1,431,265**
Repayable as follows : -			
Non-Current Liabilities			
- later than one year and not later than two years	-	**424,498**	**424,498**
- later than two years and not later than five years	-	**463,244**	**463,244**
	-	**887,742**	**887,742**
Current liabilities			
- not later than one year	-	**543,523**	**543,523**
	-	**1,431,265**	**1,431,265**
31.12.2023			
Minimum lease payments : -			
- not later than one year	132,000	642,693	774,693
- later than one year and not later than two years	-	550,453	550,453
- later than two years and not later than five years	-	634,916	634,916
	132,000	1,828,062	1,960,062
Less: Future interest charges	(1,260)	(146,062)	(147,322)
Present value of lease liabilities	130,740	1,682,000	1,812,740

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17. **Lease liabilities (Cont'd.)**

Audited	Factory rental RM	Hire purchase RM	Total RM
31.12.2023			
Repayable as follows : -			
Non-Current Liabilities			
- later than one year and not later than two years	-	506,272	506,272
- later than two years and not later than five years	-	604,570	604,570
	-	1,110,842	1,110,842
Current liabilities			
- not later than one year	130,740	571,158	701,898
	130,740	1,682,000	1,812,740

Audited	Factory rental RM	Hire purchase RM	Total RM
31.12.2022			
Minimum lease payments : -			
- not later than one year	792,000	667,823	1,459,823
- later than one year and not later than two years	132,000	550,881	682,881
- later than two years and not later than five years	-	862,190	862,190
	924,000	2,080,894	3,004,894
Less: Future interest charges	(42,986)	(172,792)	(215,778)
Present value of lease liabilities	881,014	1,908,102	2,789,116
Repayable as follows : -			
Non-Current Liabilities			
- later than one year and not later than two years	130,741	500,062	630,803
- later than two years and not later than five years	-	814,022	814,022
	130,741	1,314,084	1,444,825
Current liabilities			
- not later than one year	750,273	594,018	1,344,291
	881,014	1,908,102	2,789,116

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17. **Lease liabilities (Cont'd.)**

Audited	Factory rental RM	Hire purchase RM	Total RM
31.12.2021			
Minimum lease payments : -			
- not later than one year	600,000	535,464	1,135,464
- later than one year and not later than two years	-	470,902	470,902
- later than two years and not later than five years	-	587,689	587,689
- later than five years	-	4,400	4,400
	600,000	1,598,455	2,198,455
Less: Future interest charges	(17,973)	(134,659)	(152,632)
Present value of lease liabilities	582,027	1,463,796	2,045,823
Repayable as follows : -			
Non-Current Liabilities			
- later than one year and not later than two years	-	431,523	431,523
- later than two years and not later than five years	-	555,837	555,837
- later than five years	-	3,964	3,964
	-	991,324	991,324
Current liabilities			
- not later than one year	582,027	472,472	1,054,499
	582,027	1,463,796	2,045,823

The lease liabilities comprise leases on factory and lease facilities to finance their purchase of motor vehicles.

a) Factory

In the previous financial years, the rental tenure was for 2 years with the option for renewal of one term of 2 years up to 29 February 2024 (31.12.2022 – 29 February 2024, 31.12.2021 – 28 February 2022 and 31 December 2022). The Group applied the incremental borrowing rate of the lease liabilities of 7.70% (31.12.2022 – 7.70%, 31.12.2021 – 6.70%) per annum.

b) Obligation under finance lease

The Group's obligation under finance lease bore interest rates ranging from 1.95% to 4.08% (31.12.2023 – 1.95% to 4.08%, 31.12.2022 – 1.95% to 3.60%, 31.12.2021 – 2.09% to 3.60%) per annum.

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18. **Deferred tax liabilities**

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Deferred tax liabilities	**422,170**	422,170	422,170	507,844

The movement on the net deferred tax liabilities is as follows : -

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
At beginning of financial period/year	**422,170**	422,170	507,844	262,000
Transfer from profit or loss (Note 28)	**-**	-	(85,674)	245,844
At end of financial period/year	**422,170**	422,170	422,170	507,844

The components of deferred tax liabilities during the financial year are as follows : -

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Deferred tax liabilities				
Plant and equipment and right-of-use assets	**422,170**	422,170	422,170	507,844

19. **Trade payables**

The normal credit terms of trade payables granted to the Group ranged from immediate payment to 90 days (31.12.2023 – immediate payment to 90 days, 31.12.2022 – immediate payment to 90 days, 31.12.2021 – immediate payment to 90 days). However, the term may vary upon negotiation with the trade payables.

20. **Other payables and accruals**

	<	Audited		>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Other payables				
- amount due to a shareholder	**-**	-	-	500,000
- third parties	**1,812,954**	1,306,757	2,125,882	3,455,954
- related parties	**570,000**	689,000	106,080	169,636
	2,382,954	1,995,757	2,231,962	4,125,590
Accruals	**2,795,721**	2,633,463	3,749,727	2,861,021
	5,178,675	4,629,220	5,981,689	6,986,611

Amount due to a shareholder is unsecured, bears interest at rate of NIL (2023 – NIL, 2022 – NIL, 2021 – 3.50%) per annum and repayable on demand by cash and cash equivalents.

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21. **Amount due to directors**

Amount due to directors is unsecured, bears interest at rate of NIL (31.12.2023 – NIL, 31.12.2022 – NIL, 31.12.2021 – 3.50%) per annum and repayable on demand by cash and cash equivalents.

22. **Revenue**

	Audited	Unaudited	<-------	Audited	------->
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Sales of goods	**67,310,708**	73,192,645	151,547,376	188,296,326	108,778,807
Timing of revenue : -					
- at point in time	**67,310,708**	73,192,645	151,547,376	188,296,326	108,778,807
Geographical market : -					
- Malaysia	**66,713,898**	73,067,222	150,499,479	186,609,228	108,004,078
- Cambodia	**133,995**	125,423	592,774	1,687,098	774,729
- Singapore	**88,130**	-	157,477	-	-
- Sri Lanka	**272,668**	-	297,646	-	-
- Papua New Guinea	**102,017**	-	-	-	-
	67,310,708	73,192,645	151,547,376	188,296,326	108,778,807

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23. Other income

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Interest income	**14,102**	9,501	28,265	22,003	22,629
Gain on foreign exchange					
- realised	**61,869**	173,664	292,508	359,175	118,085
- unrealised	**-**	-	-	3,839	5,739
Other income	**-**	6,220	6,220	704,885	27,031
	75,971	189,385	326,993	1,089,902	173,484

24. Finance costs

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Banker's acceptances	**76,469**	199,662	448,309	496,926	172,241
Lease liabilities interest	**34,495**	63,196	131,475	183,743	148,501
Other loan interest	**250**	240	1,865	178,046	195,396
Term loans interest	**393,832**	375,577	941,144	818,085	266,242
	505,046	638,675	1,522,793	1,676,800	782,380

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25. **Profit before taxation**

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
This is arrived after charging : -					
Auditors' remuneration					
- statutory	**33,000**	30,000	55,000	45,000	45,000
Depreciation of plant and equipment	**382,838**	291,609	793,146	614,681	470,994
Depreciation of right-of-use assets	**453,159**	677,016	1,629,145	1,965,240	1,661,090
Employee benefits expenses (Note 26)	**3,484,668**	3,235,769	6,798,092	8,497,508	6,564,315
Expenses relating to short-term leases *	**398,000**	200,000	480,000	-	-
Expenses relating to lease of low value assets : -					
- rental of tractor	**4,350**	9,010	19,950	7,790	36,973
- hostel rental	**35,300**	6,570	42,900	14,760	5,800
Finance costs (Note 24)	**505,046**	638,675	1,522,793	1,676,800	782,380
Impairment loss on trade receivables	**-**	-	-	21,250	-
Loss on disposal of plant and equipment	**-**	-	-	7,769	-
Loss on disposal of right-of-use assets	**-**	-	2	26,649	-
Loss on foreign exchange : -					
- realised	**84,784**	176,481	345,580	360,936	151,159
- unrealised	**1,848**	479	4,273	-	-
and crediting : -					
Interest income	**(14,102)**	(9,501)	(28,265)	(22,003)	(22,629)
Gain on foreign exchange					
- realised	**(61,869)**	(173,664)	(292,508)	(359,175)	(118,085)
- unrealised	**-**	-	-	(3,839)	(5,739)

* The Group leases factory with contract term of 1 year and it is short term lease.

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26. Employee benefits expense

	Audited	Unaudited	<------	Audited	------>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Salaries, wages and bonus	**3,070,592**	2,681,963	5,692,211	7,361,876	5,597,840
Employee provident fund	**208,392**	226,889	456,109	489,346	305,344
Employment insurance system	**1,213**	1,139	2,872	2,354	1,740
Social security costs	**22,562**	15,009	39,770	26,140	18,723
Commission	**181,909**	310,768	607,130	617,792	640,668
	3,484,668	3,235,769	6,798,092	8,497,508	6,564,315

Employee benefits expense included directors' remuneration (exclude benefits-in-kind) amounting to RM1,157,000 (31.12.2023 – RM1,623,130, 31.12.2022 – RM3,407,152, 31.12.2021 – RM2,121,323) as disclosed in Note 27 to the combined financial statements.

27. Directors' remuneration

	Audited	Unaudited	<------	Audited	------>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Salaries, bonus and other emoluments	**1,074,269**	934,779	1,481,305	3,186,944	2,022,478
Employee provident fund	**81,456**	95,674	138,766	218,345	96,998
Employment insurance system	**99**	99	2,822	206	190
Social security costs	**1,176**	1,176	237	1,657	1,657
	1,157,000	1,031,728	1,623,130	3,407,152	2,121,323

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28. Income tax expense

	Audited	Unaudited	<——	Audited	——>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Malaysian income tax					
- current period/year	1,772,079	1,703,999	3,221,241	5,100,000	2,904,000
- under/(over) provision in prior years	-	-	108,757	(363,131)	(747)
	1,772,079	1,703,999	3,329,998	4,736,869	2,903,253
Deferred tax (Note 18)					
- relating to origination and reversal of temporary differences	-	-	-	(85,674)	245,844
	1,772,079	1,703,999	3,329,998	4,651,195	3,149,097

Income tax is calculated at the Malaysian statutory tax rates of 24% (31.12.2023 – 24%, 31.12.2022 – 24%, 31.12.2021 – 24%) of the estimated assessable profit for the financial period/years.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows : -

	Audited	Unaudited	<——	Audited	——>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Applicable tax rate	24	24	24	24	24
Non-allowance expenses	*	*	1	2	4
Origination and reversal of timing differences	*	*	*	*	1
Under/(over) provision of taxation in prior years	-	*	*	(2)	*
	24	24	25	24	29

* *Less than 1%*

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29. **Earnings per share**

Basic : -

Basic earnings per share is calculated by dividing the profit for the financial years attributable to equity holders of the Group by the number of ordinary shares in issue during the financial period/years.

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Profit for the financial year attributable to ordinary equity holders of the Company	**5,577,973**	5,395,961	10,053,879	14,615,652	7,625,335
Number of ordinary shares in issue (Unit)	**2,500,100**	2,500,000	2,500,100	2,500,000	2,500,000
Basic earnings per share (RM)	**2.23**	2.16	4.02	5.85	3.05

Diluted : -

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary share.

30. **Dividend paid**

The dividend paid in respect of financial period ended 31 May 2024 are as follows : -

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Final single tier ordinary dividend of : -					
- RM1.60 per ordinary shares	**4,000,000**	4,000,000	4,000,000	-	-

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31. **Additions on right-of-use assets**

During the financial period, the Group made the following cash payments on the addition of right-of-use asset as follows : -

	Audited	Unaudited	<	Audited	>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Additions of right-of-use assets (Note 6)	-	-	431,862	6,913,589	13,115,381
Acquire under lease arrangements	-	-	(414,030)	(2,549,620)	(1,213,624)
Cash payments	-	-	17,832	4,363,969	11,901,757

32. **Changes in liabilities arising from financing activities**

a) The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : -

Audited	At beginning of the financial period/year RM	Net change from financing cash flow RM	Acquisition of new lease RM	At end of the financial period/year RM
31.05.2024				
Banker's acceptances	**11,987,905**	**(8,773,448)**	-	**3,214,457**
Term loans	**19,370,526**	**(156,865)**	-	**19,213,661**
Lease liabilities	**1,812,740**	**(381,475)**	-	**1,431,265**
	33,171,171	**(9,311,788)**	-	**23,859,383**
Audited				
31.12.2023				
Banker's acceptances	17,934,873	(5,946,968)	-	11,987,905
Term loans	19,160,887	209,639	-	19,370,526
Lease liabilities	2,789,116	(1,390,406)	414,030	1,812,740
	39,884,876	(7,127,735)	414,030	33,171,171
Audited				
31.12.2022				
Banker's acceptances	7,649,309	10,285,564	-	17,934,873
Term loans	16,299,789	2,861,098	-	19,160,887
Lease liabilities	2,045,823	(1,806,327)	2,549,620	2,789,116
	25,994,921	11,340,335	2,549,620	39,884,876

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32. **Changes in liabilities arising from financing activities (Cont'd.)**

a) The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : - (Cont'd.)

Audited	At beginning of the financial period/year RM	Net change from financing cash flow RM	Acquisition of new lease RM	At end of the financial period/year RM
31.12.2021				
Banker's acceptances	-	7,649,309	-	7,649,309
Term loans	3,952,343	12,347,446	-	16,299,789
Lease liabilities	2,337,960	(1,505,761)	1,213,624	2,045,823
	6,290,303	18,490,994	1,213,624	25,994,921

b) Cash outflows for leases as a lessee

	Audited	Unaudited	<------	Audited ------>	
	01.01.2024 to 31.05.2024 RM	01.01.2023 to 31.05.2023 RM	01.01.2023 to 31.12.2023 RM	01.01.2022 to 31.12.2022 RM	01.01.2021 to 31.12.2021 RM
Included in net cash from operating activities					
Payment relating to low value assets	**39,650**	15,580	62,850	22,550	42,773
Interest paid in relation to lease liabilities	**34,495**	63,196	131,475	183,743	148,501
Included in net cash from financing activities					
Repayment of lease liabilities	**381,475**	307,320	1,390,406	1,806,327	1,505,761
	455,620	386,096	1,584,731	2,012,620	1,697,035

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33. **Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following amounts : -

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Cash and bank balances	**2,859,199**	6,928,273	7,986,976	9,335,638	6,245,875
Short-term deposits with a licensed bank	**1,620,000**	20,000	20,000	20,000	-
	4,479,199	6,948,273	8,006,976	9,355,638	6,245,875

34. **Segmental information**

Business segments

The management determines the business segments based on the reports reviewed and used by the directors for strategic decisions making and resources allocation.

The Group has only one reportable business segment of manufacturing which relates principally to fertilizer, agrochemical products and other related products. No business segmental information is presented.

Geographical segments

Revenue information based on the geographical location of the customers are disclosed in Note 22 to the combined financial statements.

Location of assets

The Group's non-current assets are maintained entirely in Malaysia.

Information of major customers

The following are major customers from the Group's manufacturing segment with revenue equal to or more than 10% of the Group's total revenue for the relevant reporting periods : -

	Audited	Unaudited	<————	Audited	————>
	01.01.2024 to 31.05.2024	01.01.2023 to 31.05.2023	01.01.2023 to 31.12.2023	01.01.2022 to 31.12.2022	01.01.2021 to 31.12.2021
	RM	RM	RM	RM	RM
Customer A	*	*	*	*	*

** Less than 10% of the Group's total revenue*

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35. **Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows : -

i) Financial assets measured at amortised cost ("FAAC"); and
ii) Financial liabilities measured at amortised cost ("FLAC")

Audited	Carrying Amount RM	FAAC RM	FLAC RM
31.05.2024			
Financial assets			
Trade receivables	**24,637,618**	**24,637,618**	**-**
Other deposits	**1,354,341**	**1,354,341**	**-**
Short-term deposit with a licensed bank	**1,620,000**	**1,620,000**	**-**
Cash and bank balances	**2,859,199**	**2,859,199**	**-**
	30,471,158	**30,471,158**	**-**
Financial liabilities			
Trade payables	**(12,288,505)**	**-**	**(12,288,505)**
Other payables and accruals	**(5,178,675)**	**-**	**(5,181,675)**
Borrowings	**(22,428,118)**	**-**	**(22,428,118)**
Lease liabilities	**(1,431,265)**	**-**	**(1,431,265)**
	(41,326,563)	**-**	**(41,329,563)**

Audited	Carrying Amount RM	FAAC RM	FLAC RM
31.12.2023			
Financial assets			
Trade receivables	16,575,198	16,575,198	-
Other deposits	134,623	134,623	-
Short-term deposit with a licensed bank	20,000	20,000	-
Cash and bank balances	7,986,976	7,986,976	-
	24,716,797	24,716,797	-
Financial liabilities			
Trade payables	(5,101,051)	-	(5,101,051)
Other payables and accruals	(4,629,220)	-	(4,629,220)
Borrowings	(31,358,431)	-	(31,358,431)
Lease liabilities	(1,812,740)	-	(1,812,740)
	(42,901,442)	-	(42,901,442)

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35. **Financial instruments (Cont'd.)**

a) Categories of financial instruments (Cont'd.)

Audited	Carrying Amount RM	FAAC RM	FLAC RM
31.12.2022			
Financial assets			
Trade receivables	18,093,624	18,093,624	-
Other receivables and deposits	2,992,150	2,992,150	-
Short-term deposit with a licensed bank	20,000	20,000	-
Cash and bank balances	9,335,638	9,335,638	-
	30,441,412	30,441,412	-
Financial liabilities			
Trade payables	(8,820,544)	-	(8,820,544)
Other payables and accruals	(5,981,689)	-	(5,981,689)
Borrowings	(37,095,760)	-	(37,095,760)
Lease liabilities	(2,789,116)	-	(2,789,116)
	(54,687,109)	-	(54,687,109)

Audited	Carrying Amount RM	FAAC RM	FLAC RM
31.12.2021			
Financial assets			
Trade receivables	13,336,582	13,336,582	-
Other receivables and deposits	2,656,549	2,656,549	-
Cash and bank balances	6,245,875	6,245,875	-
	22,239,006	22,239,006	-
Financial liabilities			
Trade payables	(4,905,119)	-	(4,905,119)
Other payables and accruals	(6,986,611)	-	(6,986,611)
Amount due to directors	(5,175,000)	-	(5,175,000)
Borrowings	(23,949,098)	-	(23,949,098)
Lease liabilities	(2,045,823)	-	(2,045,823)
	(43,061,651)	-	(43,061,651)

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35. **Financial instruments (Cont'd.)**

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments : -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

i) 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.

Trade 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. Normally financial guarantees given by shareholders or directors of customers are obtained, and credit valuations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Concentration of credit risk

The following shows the total amount due from top five receivables as at the reporting date which represents approximately 33.12% (31.12.2023 – 30.46%, 31.12.2022 – 50.14%, 31.12.2021 – 18.30%) of the total trade receivables.

	<———— Audited			————>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Trade receivables	**8,160,966**	5,048,992	9,072,567	2,441,084

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable value. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the expected credit losses ("ECL") of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The following tables provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature : -

	<------ Audited ------>		
Audited	Gross RM	Less: Allowance RM	Net RM
31.05.2024			
Not past due	**20,490,412**	**-**	**20,490,412**
1 – 30 days past due	**2,735,532**	**-**	**2,735,532**
More than 30 days past due	**1,411,674**	**-**	**1,411,674**
	24,637,618	**-**	**24,637,618**
Audited			
31.12.2023			
Not past due	14,168,397	-	14,168,397
1 – 30 days past due	1,029,549	-	1,029,549
More than 30 days past due	1,377,252	-	1,377,252
	16,575,198	-	16,575,198
Audited			
31.12.2022			
Not past due	17,378,283	-	17,378,283
1 – 30 days past due	233,193	-	233,193
More than 30 days past due	503,398	(21,250)	482,148
	18,114,874	(21,250)	18,093,624

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

The following tables provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature : - (Cont'd.)

Audited	Gross RM	Less: Allowance RM	Net RM
31.12.2021			
Not past due	12,803,973	-	12,803,973
1 – 30 days past due	247,568	-	247,568
More than 30 days past due	285,041	-	285,041
	13,336,582	-	13,336,582

The movements in the allowance for impairment in respect of trade receivables during the financial year is as follows : -

	<————	Audited	————>
Audited	Lifetime ECL RM	Credit impaired RM	Total RM
31.12.2023			
At 1 January 2023	-	21,250	21,250
Written off	-	(21,250)	(21,250)
31 December 2023	-	-	-
Audited			
31.12.2022			
At 1 January 2022	-	-	-
Additions	-	21,250	21,250
At 31 December 2022	-	21,250	21,250

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

Recognition and measurement of impairment losses (Cont'd.)

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are either past due nor impaired have been renegotiated during the financial period/year.

Trade receivables that are past due but not impaired are due to the management is of the view that these debts will be collected in due course and the probability of default by these trade receivables were negligible.

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment loss as there was no indication that the other receivables are not recoverable.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities 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.

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

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 contractual undiscounted cash flow : -

Audited	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.05.2024							
Non-derivative financial liabilities							
Trade payables	**12,288,505**	-	**12,288,505**	**12,288,505**	-	-	-
Other payables and accruals	**5,178,675**	-	**5,178,675**	**5,178,675**	-	-	-
Borrowings	**22,428,118**	**3.70 – 7.30**	**31,027,679**	**5,088,917**	**1,943,028**	**5,502,708**	**18,493,026**
Lease liabilities	**1,431,265**	**1.95 – 4.08**	**1,544,092**	**607,480**	**458,341**	**478,271**	-
	41,326,563		**50,038,951**	**23,163,577**	**2,401,369**	**5,980,979**	**18,493,026**

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Liquidity risk (Cont'd.)

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 contractual undiscounted cash flow : - (Cont'd.)

Audited	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.12.2023							
Non-derivative financial liabilities							
Trade payables	5,101,051	-	5,101,051	5,101,051	-	-	-
Other payables and accruals	4,629,220	-	4,629,220	4,629,220	-	-	-
Borrowings	31,358,431	3.64 – 5.13	40,582,152	13,862,365	1,874,460	5,569,748	19,275,579
Lease liabilities	1,812,740	1.95 – 4.08	1,960,062	774,693	550,453	634,916	-
	42,901,442		52,272,485	24,367,329	2,424,913	6,204,664	19,275,579

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35. **Financial instruments** (Cont'd.)

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : - (Cont'd.)

Audited	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.12.2022							
Non-derivative financial liabilities							
Trade payables	8,820,544	-	8,820,544	8,820,544	-	-	-
Other payables and accruals	5,981,689	-	5,981,689	5,981,689	-	-	-
Borrowings	37,095,760	3.25 – 4.94	46,239,100	19,550,193	1,615,320	4,845,960	20,227,627
Lease liabilities	2,789,116	1.95 – 3.60	3,004,894	1,459,823	682,881	862,190	-
	54,687,109		64,046,227	35,812,249	2,298,201	5,708,150	20,227,627

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : - (Cont'd.)

Audited	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.12.2021							
Non-derivative financial liabilities							
Trade payables	4,905,119	-	4,905,119	4,905,119	-	-	-
Other payables and accruals	6,986,611	3.50	6,986,611	6,986,611	-	-	-
Amount due to directors	5,175,000	3.50	5,175,000	5,175,000	-	-	-
Borrowings	23,949,098	3.06 – 6.82	30,627,335	8,926,793	1,277,484	5,109,936	15,313,122
Lease liabilities	2,045,823	2.09 – 3.60	2,198,455	1,135,464	470,902	587,689	4,400
	43,061,651		49,892,520	27,128,987	1,748,386	5,697,625	15,317,522

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is primarily US Dollar ("USD") and Chinese Yuan ("CNY").

Risk management objectives, policies and processes for managing the risk

The Group is closely monitoring the foreign currency risk on an ongoing basis to ensure that the net exposure is at acceptable level. In occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group) risk, based on carrying amounts as at the end of each reporting period was : -

	<---------- Audited	---------->		
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Denominated in USD				
Trade receivables	**178,047**	187,615	102,701	246,124
Other receivables	**-**	-	2,816,887	2,563,679
Cash and bank balances	**1,132**	23,648	22,113	9,801
Trade payables	**(1,218,268)**	(35,288)	(4,109,863)	-
Other payables	**-**	-	-	(1,444,577)
Denominated in CNY				
Cash and bank balances	**635**	633	-	-
	(1,038,454)	176,608	(1,168,162)	1,375,027

A 5% (31.12.2023 – 5%, 31.12.2022 – 5%, 31.12.2021 – 5%) strengthening of the RM against the above currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss 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. The analysis assumes that all other variables, in particular interest rates, remained constant.

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk (Cont'd.)

Exposure to foreign currency risk (Cont'd.)

	<—— Audited			——>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Changes in equity	**(39,461)**	6,711	(44,390)	(52,251)
Changes in post-tax profit	**(39,461)**	6,711	(44,390)	(52,251)

A 5% (31.12.2023 – 5%, 31.12.2022 – 5%, 31.12.2021 – 5%) weakening of RM against the above currencies 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.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term investments such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

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 are as follows : -

	<—— Audited	——>
Audited	RM	Interest rate %
31.05.2024		
Fixed rate instruments		
Lease liabilities	**1,431,265**	**1.95 – 4.08**
Floating rate instruments		
Banker's acceptances	**3,214,457**	**4.31 – 4.64**
Term loans	**19,213,661**	**3.70 – 7.30**

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Exposure to interest rate risk (Cont'd.)

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 are as follows : -

	<——— Audited	———>
		Interest rate
Audited	RM	%
31.12.2023		
Fixed rate instruments		
Lease liabilities	1,812,740	1.95 – 4.08
Floating rate instruments		
Banker's acceptances	11,987,905	4.30 – 4.72
Term loans	19,370,526	3.64 – 5.13
Audited		
31.12.2022		
Fixed rate instruments		
Lease liabilities	2,789,116	1.95 – 3.60
Floating rate instruments		
Banker's acceptances	17,934,873	3.25 – 4.53
Term loans	19,160,887	4.25 – 4.94
Audited		
31.12.2021		
Fixed rate instruments		
Lease liabilities	2,045,823	2.09 – 3.60
Floating rate instruments		
Banker's acceptance	7,649,309	3.06 – 3.10
Term loans	16,299,789	3.50 – 6.82

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35. **Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rate had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM170,454 (31.12.2023 – RM281,324, 31.12.2022 – RM281,928; 31.12.2021 – RM182,013) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

iv) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risk associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue on ongoing process of identifying, assessing and managing key business areas, overall operational and financial risk faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

c) Fair value information

The carrying amounts of the Group's financial assets and financial liabilities as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of the lease liabilities are reasonable approximation of their fair value due to the insignificant impact of discounting.

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36. Capital management

The Group manages its capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

	<---------- Audited			---------->
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
Borrowings (RM) (Note 14)	**22,428,118**	31,358,431	37,095,760	23,949,098
Lease liabilities (RM) (Note 17)	**1,431,265**	1,812,740	2,789,116	2,045,823
Total borrowings (RM)	**23,859,383**	33,171,171	39,884,876	25,994,921
Total equity (RM)	**38,648,383**	37,070,410	31,016,431	16,400,779
Debt-to-equity ratio (times)	**0.62**	0.89	1.29	1.58

37. Related parties

Identity of related parties

For the purpose of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to 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 or common significant influence. 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 the senior management of the Group.

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37. **Related parties (Cont'd.)**

Significant related party transactions

a) Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Group are shown below. The related party balances are shown in Note 8, 20 and 21 to the combined financial statements.

	<------	Audited	------	------>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Transactions with individuals/ companies in which the directors of the Group/person connected to the Group directors have interest : -				
- Sales of goods	**40,587**	188,611	183,028	253,643
- Handling charges	**-**	-	(1,353,813)	(1,191,638)
- Lease liabilities/rental paid in relating to factory	**(330,000)**	(792,000)	(780,000)	(720,000)
- Purchase of plant and equipment	**-**	(201,000)	(18,580)	(448,160)
- Addition of right-of-use assets (construction work-in-progress)	**-**	-	(4,000,000)	-
Transactions with the directors of the Group : -				
- Interest expense	**-**	-	(160,137)	(175,000)
- Lease liabilities/rental paid in relating to factory	**(200,000)**	(480,000)	(480,000)	(480,000)
Transactions with the shareholders of the Group : -				
- Interest expense	**-**	-	(16,014)	(20,396)
Transaction with companies in which a shareholder of the Company has interest : -				
- Sales of goods	**3,359,220**	1,159,600	11,344,255	1,980,564

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37. **Related parties (Cont'd.)**

Significant related party transactions (Cont'd.)

b) Compensation of key management personnel

The remuneration paid by the Group to key management personnel during the financial period/year are disclosed in Note 27 in the combined financial statements.

38. **Capital commitments**

	< Audited			>
	31.05.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Approved and contracted for				
- property, plant and equipment	**27,078,900**	27,405,135	161,800	-

39. **Significant events**

i) The Malaysian Government had re-introduced the MCO and Conditional MCO ("CMCO") in several states from 13 January 2021 to 11 May 2021, nationwide MCO from 12 May 2021 to 31 May 2021, Full MCO ("FMCO") from 1 June 2021 to 28 June 2021, Enhanced MCO ("EMCO") in several stated from 3 July 2021 to 17 July 2021. Besides, the Malaysia King declared state of emergency for the country until 1 August 2021 to curb the spread of COVID-19 on 12 January 2021. In addition, the Malaysian Government had announced a four phase National Recovery Plan ("NRP") on 15 June 2021 to transition Malaysia out of the COVID-19. In March 2022, the Malaysia Government announced that the country will enter into the "Transaction to Endemic" phase starting 1 April 2022, which include the opening of national borders for tourism and the abolishment of limitation to capacity and operating hours of business premises.

The COVID-19 pandemic has significantly disrupted many business operations around the world. The Group has performed an assessment of the overall impact of the situation on the Group's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there are no material adverse effects on the combined financial statements for the financial years under review.

ii) On 3 April 2023, the Group declared a single-tier final dividend of RM1.60 per ordinary share, amounted to RM4,000,000 in respect financial year ended 31 December 2022 which was paid on 17 April 2023. The final dividend was declared based on 2,500,000 number of ordinary shares in issue on 10 April 2023.

iii) On 24 October 2023, the Group entered into a Sales and Purchase Agreement ("SPA") to acquire a piece of freehold industrial land held under title bearing GM 23073 for Lot 179010 (formerly known as H.S.(M) 53644 for Lot 8949), Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 8949, Jalan Telok Gong KS/10, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan for a total consideration of RM16,300,000.

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39. **Significant events (Cont'd.)**

iv) On 24 October 2023, the Group entered into a SPA to acquire a piece of leasehold land held under H.S.(M) 58011 for PT 152572 (formerly known as Lot 8950), Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 8950, Jalan Telok Gong KS/10, Telok Gong, 42000 Pelabuhan Klang, Selangor Darul Ehsan for a total of RM13,500,000.

v) On 24 October 2023, the Group entered into a SPA to dispose a piece of leasehold land held under title bearing H.S.(D) 164202 for PT 152624, Mukim and District of Klang, State of Selangor Darul Ehsan with postal address of Lot 51, Jalan Sungai Chandong 26/KS11, Kawasan Perindustrian Pulau Indah (Phase 3 Pulau Indah), 42920 Pelabuhan Klang, Selangor Darul Ehsan at total disposal price of RM11,400,000.

vi) On 30 October 2023, the Group entered into a Conditional Share Sale Agreement to acquire the entire equity interest of Cropmate Fertilizer Sdn. Bhd. comprising of 2,500,000 ordinary shares for a total purchase consideration of RM32,399,994.

vii) On 23 February 2024, the Group declared a final single-tier dividend of RM1.60 per ordinary share, amounted to RM4,000,000 in respect of financial year ended 31 December 2023 which was paid on 4 March 2024. The final dividend was declared based on 2,500,000 number of ordinary shares of Cropmate Fertilizer Sdn. Bhd. in issue on 29 February 2024.

viii) On 8 March 2024, the Group entered into a Supplemental Share Sale Agreement with Cropmate Fertilizer Sdn. Bhd. to alter the purchase consideration for the acquisition of the entire equity interest of Cropmate Fertilizer Sdn. Bhd. based on the adjusted net assets of the Cropmate Fertilizer Sdn. Bhd. as at 31 December 2023.

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STATEMENT BY DIRECTORS

We, Lee Cheng Seng and Lee Cheng Fei, being the two directors of Cropmate Berhad, do hereby state that in our opinion, the combined financial statements set out on pages 4 to 72 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Equity issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 May 2024 and of the financial performance and cash flows for the relevant reporting years/period ended on those dates.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors

Lee Cheng Seng

Lee Cheng Fei

Kuala Lumpur,
Date: 23 October 2024