12.2 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 18 October 2021 and our Group was formed upon completion of the acquisition of 100% equity interest on Fantastic Seafood by our Company on 27 June 2022.

Our historical combined financial statements for the Financial Periods Under Review have been prepared in accordance with the MFRS and IFRS without any audit qualification.

Our Group's historical combined financial information is prepared based on the combined financial statements of our Group for the Financial Periods Under Review as extracted from the Accountants' Report as set out in Section 13 of this Prospectus. The financial results of Ocean Champion have been demerged from our historical combined financial information for the Financial Periods Under Review as the 51.67% equity interest in Ocean Champion had been disposed of on 21 January 2022 pursuant to the Internal Restructuring. Accordingly, the financial information presented in the combined financial statements after effecting the Disposal of Ocean Champion may not correspond to the audited consolidated financial statements of our Group.

During the Financial Periods Under Review, the financial results of SBH Perak Agro, which was a 49%-owned joint venture company of our Group, have been reflected under "share of profit of a joint venture, net of tax". As such, its revenue, cost and expenses are not consolidated in our historical combined financial information for the Financial Periods Under Review as its results are equity accounted. Following the completion of the Acquisition of SBH Perak Agro where it has become our wholly-owned subsidiary, the results of SBH Perak Agro would be fully consolidated going forward (subject to any elimination adjustments on consolidation).

12.2.1 Historical Combined Statements of Profit or Loss and Other Comprehensive Income

The summary of our audited combined statements of profit or loss and comprehensive income for the Financial Periods Under Review is as follows:-

	Audited			**Unaudited**	**Audited**
	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FPE 2022 (RM'000)**	**FPE 2023 (RM'000)**
Revenue	140,581	192,006	194,426	140,089	144,212
Cost of sales	(123,659)	(166,180)	(167,801)	(121,081)	(120,891)
GP	16,922	25,826	26,625	19,008	23,321
Other income	704	2,583	1,990	2,383	1,146
Selling and distribution expenses	(3,118)	(7,598)	(7,894)	(6,340)	(3,936)
Administrative expenses	(6,459)	(8,124)	(8,317)	(6,630)	(6,514)
Net reversal of/(additional) impairment losses on trade and other receivables	192	1,453	-	-	(280)
Finance costs	(317)	(307)	(200)	(175)	(78)
Share of profit/(loss) of a joint venture, net of tax	3,504	1,601	3,501	2,488	(1,647)
PBT	**11,428**	**15,434**	**15,705**	**10,734**	**12,012**
Tax expense	(3,122)	(2,391)	(2,696)	(2,002)	(3,636)
Profit for the year/period	8,306	13,043	13,009	8,732	8,376
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	**8,306**	**13,043**	**13,009**	**8,732**	**8,376**
PAT attributable to:					
- owners of the Company	8,306	13,043	13,054	8,769	8,403
- non-controlling interests	-	-	(45)	(37)	(27)
	8,306	**13,043**	**13,009**	**8,732**	**8,376**

	Audited			Unaudited	Audited
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2022 (RM'000)	FPE 2023 (RM'000)
EBITDA (RM'000) (1)	12,455	16,637	17,165	11,751	13,024
GP margin (%) (2)	12.04	13.45	13.69	13.57	16.17
PBT margin (%) (3)	8.13	8.04	8.08	7.66	8.33
PAT margin (%) (4)	5.91	6.79	6.71	6.26	5.83
Basic EPS (sen) (5)	1.17	1.84	1.84	1.24	1.19
Diluted EPS (sen) (6)	0.94	1.47	1.47	0.99	0.95
Effective tax rate (%)	27.32	15.49	17.17	18.65	30.27
Dividends paid (RM'000)	-	17,040	5,600	3,600	4,000

Notes:-

(1) The table below sets forth a reconciliation of our PBT to EBITDA:-

	Audited			Unaudited	Audited
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2022 (RM'000)	FPE 2023 (RM'000)
PBT	11,428	15,434	15,705	10,734	12,012
Adjusted for:					
Finance costs	317	307	200	175	78
Depreciation	802	992	1,331	889	1,002
Interest income	(92)	(96)	(71)	(47)	(68)
EBITDA	**12,455**	**16,637**	**17,165**	**11,751**	**13,024**

(2) Computed based on GP divided by revenue.

(3) Computed based on PBT divided by revenue.

(4) Computed based on PAT divided by revenue.

(5) Basic EPS is computed based on PAT divided by the issued share capital of 708,000,000 Shares before the IPO.

(6) Diluted EPS is computed based on PAT divided by the issued share capital of 888,000,000 Shares after the IPO.

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12.2.2 Historical Combined Statements of Financial Position

The historical combined statements of financial position of our Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 are as follows:-

	Audited as at			
	31.12.2020 (RM'000)	31.12.2021 (RM'000)	31.12.2022 (RM'000)	30.9.2023 (RM'000)
ASSETS				
Non-Current Assets				
PPE	7,962	9,131	8,773	8,525
Right-of-use assets	439	1,379	2,418	2,020
Investment properties	5,481	-	-	-
Other investment	1,700	-	-	-
Investment in a joint venture	14,380	14,581	17,383	15,735
Deferred tax assets	7	7	7	7
Other receivables	11,292	-	-	-
Total non-current assets	**41,261**	**25,098**	**28,581**	**26,287**
Current Assets				
Inventories	22,689	14,085	17,763	24,031
Trade receivables	24,701	30,836	30,207	41,368
Other receivables	2,521	7,418	10,874	8,299
Current tax assets	79	126	248	289
Cash and bank balances	11,310	21,407	14,773	15,715
Total current assets	**61,300**	**73,872**	**73,865**	**89,702**
Asset classified as held for sale	-	1,700	-	-
TOTAL ASSETS	**102,561**	**100,670**	**102,446**	**115,989**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Invested capital #	24,000	24,000	-	-
Share capital	-	*	57,698	57,698
Reserves	53,331	49,507	23,263	23,666
	77,331	73,507	80,961	81,364
Non-controlling interests	-	427	382	355
TOTAL EQUITY	**77,331**	**73,934**	**81,343**	**81,719**
LIABILITIES				
Non-current liabilities				
Borrowings	4,184	3,582	467	311
Lease liabilities	162	634	840	593
Deferred tax liabilities	288	395	406	427
Total non-current liabilities	**4,634**	**4,611**	**1,713**	**1,331**
Current liabilities				
Trade payables	12,753	9,627	12,827	17,284
Other payables	3,983	9,046	5,640	12,791
Borrowings	2,708	2,048	202	779
Lease liabilities	163	488	668	571
Current tax liabilities	989	916	53	1,514
Total current liabilities	**20,596**	**22,125**	**19,390**	**32,939**
TOTAL LIABILITIES	**25,230**	**26,736**	**21,103**	**34,270**
TOTAL EQUITY AND LIABILITIES	**102,561**	**100,670**	**102,446**	**115,989**

* Represents RM1.00.

\# Deemed as invested equity based on number of shares on combined basis.

12.3 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 31 January 2024 after taking into consideration the effects of our Listing Scheme and the utilisation of proceeds from the Public Issue:-

		(I)	(II)
	Unaudited as at 31.01.2024 (RM'000)	**After the Listing Scheme (RM'000)**	**After (I) and utilisation of proceeds from the IPO (RM'000)**
Indebtedness			
Current			
Secured and Guaranteed			
Term loans	192	192	192
Banker's acceptance	2,159	2,159	2,159
Onshore foreign currency loans	1,056	1,056	1,056
Lease liabilities owing to financial institutions	409	409	409
Lease liabilities owing to non-financial institution (1)	26	26	26
Non-current			
Secured and Guaranteed			
Term loans	258	258	258
Lease liabilities owing to financial institutions	491	491	491
Total indebtedness	**4,591**	**4,591**	**4,591**
Capitalisation			
Equity	94,289	133,889	131,289
Total capitalisation	**94,289**	**133,889**	**131,289**
Total capitalisation and indebtedness	**98,880**	**138,480**	**135,880**
Gearing ratio (times) (2)	0.05	0.03	0.03

Notes:-

(1) Exclude lease liabilities relating to the rental of properties.

(2) Calculated based on total indebtedness divided by total capitalisation.

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

The following discussion and analysis on our Group's financial condition and results of operations for the Financial Periods Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus. There are no accounting policies which are peculiar to our Group in regards to the nature of the business or the industry which our Group is involved in.

The discussion contains data 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 projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the discussion on risk factors as set out in Section 9 of this Prospectus.

12.4.1 Review of Our Operations

Our Company is an investment holding company whilst our Group, through our subsidiaries, is principally involved in the following business segments:-

(a) processing and sale of frozen seafood products;

(b) merchant trading of frozen processed seafood products;

(c) aquaculture shrimp farming; and

(d) distribution and trading of aquaculture related products such as shrimp feed, post larvae, probiotics and test kits.

Please refer to Section 7 of this Prospectus for further information about our business activities and products.

(a) Revenue

(i) Revenue by business segment

The breakdown of our Group's revenue by business segment is as follows:-

	Audited						**Unaudited**		**Audited**	
	FYE 2020		**FYE 2021**		**FYE 2022**		**FPE 2022**		**FPE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Processing and sale of frozen seafood products	85,461	60.79	129,891	67.65	123,565	63.55	84,327	60.20	99,082	68.71
Merchant trading of frozen processed seafood products	45,689	32.50	50,345	26.22	59,279	30.49	48,222	34.42	37,329	25.88
Distribution and trading of aquaculture related products	9,431	6.71	11,770	6.13	11,582	5.96	7,540	5.38	7,801	5.41
Total	**140,581**	**100.00**	**192,006**	**100.00**	**194,426**	**100.00**	**140,089**	**100.00**	**144,212**	**100.00**

Our primary source of revenue is derived from the processing and sale of frozen seafood products at our Kurau Plant which contributed over 60% of our Group's revenue over the Financial Periods Under Review. The shrimps and cephalopods processed at our Kurau Plant are sourced from our Group's aquaculture shrimp farms as well as from external suppliers such as local fishermen, third party aquaculture shrimp farms and overseas suppliers.

Our business of merchant trading of frozen processed seafood products involves the shipment of frozen seafood (comprising frozen cephalopods and fish) sourced from PT Yasuriang in Indonesia for export directly to our customers in overseas markets.

Our revenue from the distribution and trading of aquaculture related products for Financial Periods Under Review is mainly generated from the supply of aquaculture related products (comprise of shrimp feed, post larvae, probiotics, chemicals, test kits, etc.) to SBH Perak Agro and a former subsidiary (namely Ocean Champion) as well as an external customer.

(ii) Revenue by type of products

The breakdown of our Group's revenue by type of products is as follows:-

	Audited						**Unaudited**		**Audited**	
	FYE 2020		**FYE 2021**		**FYE 2022**		**FPE 2022**		**FPE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Frozen shrimps	77,014	54.78	111,934	58.30	105,289	54.15	69,992	49.97	86,488	59.97
Frozen cephalopods	52,435	37.30	66,458	34.61	74,976	38.56	60,271	43.02	48,935	33.93
Frozen fish	1,701	1.21	1,844	0.96	2,579	1.33	2,286	1.63	988	0.69
Aquaculture related products	9,431	6.71	11,770	6.13	11,582	5.96	7,540	5.38	7,801	5.41
Total	**140,581**	**100.00**	**192,006**	**100.00**	**194,426**	**100.00**	**140,089**	**100.00**	**144,212**	**100.00**

Our Group's principal products are frozen shrimps which accounted for between 54.15% and 59.97% and frozen cephalopods which accounted for 33.93% and 38.56% of our Group's total revenue for the Financial Periods Under Review respectively. Aquaculture related products accounted for between 5.41% and 6.71% of our Group's total revenue for the Financial Periods Under Review.

(iii) **Revenue by geographical regions**

The breakdown of our Group's revenue by geographical regions is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Foreign countries										
Europe	67,387	47.94	78,010	40.63	74,453	38.29	57,833	41.28	49,674	34.44
Asia (excluding Malaysia)	58,877	41.88	63,550	33.10	60,576	31.16	38,959	27.81	62,793	43.54
Middle East	4,190	2.98	37,703	19.63	46,650	23.99	34,829	24.86	22,852	15.85
	130,454	**92.80**	**179,263**	**93.36**	**181,679**	**93.44**	**131,621**	**93.95**	**135,319**	**93.83**
Malaysia	10,127	7.20	12,743	6.64	12,747	6.56	8,468	6.05	8,893	6.17
Total	**140,581**	**100.00**	**192,006**	**100.00**	**194,426**	**100.00**	**140,089**	**100.00**	**144,212**	**100.00**

Our export sales accounted for between 92.80% and 93.83% of our Group's total revenue for the Financial Periods Under Review, whilst local sales accounted for between 6.17% and 7.20% of our Group's total revenue for the Financial Periods Under Review, comprising mainly sales of aquaculture related products.

Our sales are primarily denominated in RM, RMB, USD and SGD. The selling prices of our products are determined and negotiated on a customer-to-customer basis and may vary according to various factors such as material prices, customers' requirements, volume of order, delivery lead time, future prospects of new and recurring orders from the customers.

Commentaries on the revenue

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's total revenue improved by approximately RM51.43 million or 36.58% to RM192.01 million. The increase was primarily attributable to:-

(aa) higher sales from our processing and sale of frozen seafood products segment by RM44.43 million to RM129.89 million, mainly due to higher export sales of frozen shrimps to:-

- the Middle Eastern region which contributed an increase in revenue of RM33.51 million mainly due to significant orders from a new customer from Türkiye; and

- the European region which contributed an increase in revenue of RM5.66 million mainly due to higher demand from existing customers in France and Italy;

(bb) higher sales from our merchant trading segment by RM4.66 million to RM50.35 million, mainly due to higher export sales to Italy; and (cc) higher sales from our distribution and trading of aquaculture related products amounting to RM2.34 million due to higher demand for shrimp feed, post larvae, probiotics and test kits from our Group's aquaculture farming activities undertaken by our joint venture company (SBH Perak Agro) and our former subsidiary (Ocean Champion).

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's total revenue improved by approximately RM2.42 million or 1.26% to RM194.43 million. The increase was primarily attributable to:-

(aa) higher sales from our merchant trading segment by RM8.93 million to RM59.28 million, mainly due to higher demand for our frozen seafood products from our customers in Europe,

which was partially offset by the following:-

(bb) lower revenue from our processing and sale of frozen seafood products segment by RM6.33 million to RM123.57 million, mainly due to the effects of the shortage of foreign workers at our Kurau Plant which affected our productivity and production output especially in the first half of 2022 as were not able to bring in new foreign workers to replace those who had left in the first half of 2022, following the freeze on hiring of new foreign workers imposed by the Government since June 2020 due to the impact of the COVID-19 pandemic and the implementation of the MCO; and

(cc) lower revenue from our distribution and trading of aquaculture related products segment by RM0.19 million to RM11.58 million, mainly due to lower sales of aquaculture related products to SBH Perak Agro as a result of lower farming activities caused by the shortage of foreign workers at the Kurau Farm during the year.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's total revenue improved by approximately RM4.12 million or 2.94% from RM140.09 million to RM144.21 million. The increase was primarily attributable to:-

(aa) higher sales from our processing and sale of frozen seafood products segment by RM14.75 million, mainly due to higher export sales of frozen shrimps to the European region (mainly due to higher demand from our customers in France) amounting to RM4.46 million and the Asian region (mainly due to higher demand from our customers in Korea, China and Taiwan) amounting to RM22.10 million, which was partially offset by the decrease in export sales to the Middle Eastern region (mainly due to lower demand from our customers in Türkiye which could mainly be attributable to uncertainties during the country's elections in May 2023 as well as the weakening of the Turkish Lira against the USD throughout the FPE 2023) by RM11.98 million; and

(bb) higher revenue from our distribution and trading of aquaculture related products segment by RM0.26 million, mainly due to higher sales of aquaculture related products (mainly shrimp post larvae), which was partially offset by the following:-

(cc) lower sales from our merchant trading segment by RM10.89 million, mainly due to lower export sales of frozen cephalopods and frozen fish to the European Region (mainly due to lower demand from our customers in Italy and the Netherlands). The on-going Russian-Ukraine war conflict had to an extent caused economic slowdown in the European Region which in turn had affected the consumer sentiments in several countries including Italy and the Netherlands.

(b) Cost of Sales

(i) Cost of sales by business segment

The breakdown of our Group's cost of sales by business segment is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Processing and sale of frozen seafood products	71,575	57.88	108,953	65.56	101,777	60.65	69,215	57.17	80,636	66.70
Merchant trading of frozen processed seafood products	43,860	35.47	47,002	28.29	55,479	33.06	45,023	37.18	33,156	27.43
Distribution and trading of aquaculture related products	8,224	6.65	10,225	6.15	10,545	6.29	6,843	5.65	7,099	5.87
Total	**123,659**	**100.00**	**166,180**	**100.00**	**167,801**	**100.00**	**121,081**	**100.00**	**120,891**	**100.00**

(ii) Cost of sales by cost category

The breakdown of our Group's cost of sales by cost category is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs										
- Processing and sale of frozen seafood products	64,289	51.99	101,883	61.31	93,604	55.78	63,548	52.48	73,648	60.92
- Merchant trading of frozen processed seafood products	43,860	35.47	47,002	28.29	55,479	33.06	45,023	37.18	33,156	27.43
- Distribution and trading of aquaculture related products	8,224	6.65	10,225	6.15	10,545	6.29	6,843	5.65	7,099	5.87
	116,373	94.11	159,110	95.75	159,628	95.13	115,414	95.31	113,903	94.22
Labour costs	4,244	3.43	4,440	2.67	5,040	3.00	3,310	2.73	4,406	3.64
Production overheads	3,042	2.46	2,630	1.58	3,133	1.87	2,357	1.96	2,582	2.14
Total	**123,659**	**100.00**	**166,180**	**100.00**	**167,801**	**100.00**	**121,081**	**100.00**	**120,891**	**100.00**

Commentaries on the cost of sales

Our cost of sales comprises 3 main components, namely, material costs, labour costs and production overheads. Our cost of sales increased in tandem with our revenue during the Financial Periods Under Review.

(1) Material costs

Material costs represent the key component, accounting for more than 94% of our cost of sales for the Financial Periods Under Review and comprising:-

- seafood (comprising mainly live, chilled and frozen shrimps and cephalopods) sourced from local fishermen and aquaculture farms (including SBH Perak Agro) as well as our overseas suppliers;
- frozen processed seafood (comprising cephalopods and fish) sourced from our Indonesian supplier, namely, PT Yasuriang, for our merchant trading business;
- shrimp feed, post larvae, probiotics, test kits and others, which are sourced from both local and overseas suppliers for our distribution and trading of aquaculture related products business; and
- other materials used in our seafood processing activities at our Kurau Plant such as packing materials.

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our material costs increased by RM42.74 million or 36.72% to RM159.11 million mainly due to:-

(aa) higher material costs as a result of more raw materials (comprising mainly raw shrimps and cephalopods, packing materials and tube ice) used in the processing of our frozen seafood products by RM37.59 million in line with the higher sales of our frozen seafood products during the year and relatively higher purchase prices of raw shrimps and cephalopods procured from local aquaculture farms and local fishermen during the year;

(bb) higher purchases of frozen marine products by RM3.14 million in line with the improvement in merchant trading business segment during the year; and

(cc) increase in the purchase of aquaculture related products by RM2.00 million in line with the higher sales of aquaculture related products during the year (mainly comprising of shrimp feed, post larvae, probiotics and test kits).

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our material costs increased by RM0.52 million or 0.33% to RM159.63 million mainly due to:-

(dd) higher cost of purchases of frozen marine products by RM8.48 million in line with the improvement in our merchant trading business segment during the year; and

(ee) higher cost of purchases of aquaculture related products (comprising of shrimp feed, post larvae, probiotics and test kits) by RM0.32 million mainly due to the increase in prices, which was partially offset by:-

(ff) lower cost of materials used in our processing and sale of frozen seafood products segment by RM8.28 million as a result of lesser raw materials (comprising mainly shrimps and cephalopods) processed in line with the lower sales of the same segment during the year.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our material costs decreased by RM1.51 million or 1.31% to RM113.90 million mainly due to:-

(i) the decrease in the cost incurred for the purchase of frozen seafood products under our merchant trading business segment by RM11.87 million in line with the lower sales under this segment which resulted in lower purchases comprising mainly frozen cephalopods and frozen fish. The material cost of this segment was also reduced due to lower purchase price of the frozen cephalopods as we managed to negotiate for better pricing from our Indonesian supplier, PT Yasuriang,

which was partially offset by:-

(ii) the increase in cost of materials used in our processing and sale of frozen seafood products segment by RM10.10 million in line with the higher sales of frozen shrimps from this segment which resulted in the increase of purchases of shrimps for processing. The higher material cost was partially offset by lower purchase price of the shrimps during the financial period; and

(iii) the increase in the purchase of aquaculture related products by RM0.26 million in line with the higher sales from this segment, especially, shrimp post larvae.

(2) Labour costs

Labour costs consist of salaries, wages, allowances and other staff-related costs incurred in relation to our production workers at our Kurau Plant. Labour costs contributed between 2.67% and 3.64% of our total cost of sales over the Financial Periods Under Review.

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our labour costs increased by RM0.20 million or 4.62% to RM4.44 million mainly due to the increase in overtime payments made to our production workers by RM0.42 million, which was partially offset by lower salaries paid to the production workers by RM0.25 million due to the reduced number of foreign workers following the freeze on hiring of new foreign workers imposed by the Government since 2020 due to the impact of the COVID-19 pandemic and the implementation of the MCO. Our normal working hours for our production workers in FYE 2021 was 48 hours per week, from 8.00 a.m. to 5.00 p.m. with one hour lunch break. In order to meet our production schedules, we extended the production working hours, resulting in higher overtime allowances paid to our production workers amounting to RM1.08 million in the FYE 2021 as compared to RM0.66 million in the FYE 2020.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our labour costs increased by RM0.60 million or 13.51% to RM5.04 million mainly due to the increase in the number of production workers especially in the second half of FYE 2022, particularly the foreign workers, as well as increase in the basic salaries of our production workers in line with the minimum wage of RM1,500 per month since May 2022. The total number of foreign workers decreased from 75 as at 31 December 2021 to 66 in May 2022. Thereafter, we gradually brought in new foreign workers, reaching 165 by the end of 2022.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our labour costs increased by RM1.10 million or 33.11% to RM4.41 million, mainly due to the increase in the number of foreign production workers, from an average of 90 in the FPE 2022 to an average of 155 in the FPE 2023.

(3) Production overheads

Production overheads mainly consist of depreciation of factory premises, machinery and equipment used in our seafood processing activities, upkeep and maintenance costs, and utilities costs. Production overheads contributed between 1.58% and 2.46% of our total cost of sales over the Financial Periods Under Review.

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our production overheads decreased by RM0.41 million or 13.54% to RM2.63 million mainly due to:-

(aa) reduction in purchase of ice for our Kurau Plant by RM0.19 million. In the FYE 2020, ice were purchased from third party for use in our seafood processing operations as we were unable to repair our faulty ice flake machine due to the MCO restrictions imposed throughout the year. The purchase of ice ceased after our ice flake machine was successfully repaired in the FYE 2021; and

(bb) lower electricity costs at our Kurau Plant by RM0.17 million as a result of the discount allowed as part of the COVID-19 pandemic economic recovery package by the Government in FYE 2021, temporally closure of our Kurau Plant in August 2021 due to the COVID-19 pandemic for 8 days as mentioned in Section 7.22.4 of this Prospectus and rebate offered by TNB under the Imbalance Cost Pass-Through (ICPT) mechanism under the Incentive Based Regulation (IBR) framework which allows TNB to reflect the actual costs in tariff in the form of either rebates or surcharges to its customers due to the changes in fuel and other generation-related costs in the electricity tariff,

Comparison between the FYE 2021 and the FYE 2022

which was partially offset by:-

(cc) higher depreciation charges by RM0.08 million on right-of-use assets comprising new motor vehicles and the coldroom and refrigeration system acquired during the year.

For the FYE 2022, our production overheads increased by RM0.50 million or 19.13% to RM3.13 million which was mainly due to:-

(aa) higher electricity expenses by RM0.31 million to mainly due to cessation of ICPT rebate offered by TNB in early 2022 and additional ICPT surcharge in FYE 2022; and

(bb) higher upkeep expenses (including factory equipment, freezer and machinery) of our Kurau Plant during the year by RM0.34 million due to higher repair and maintenance costs relating to our machinery such as semi-contact freezers, flake ice making machine and compressors,

which was partially offset by:-

(cc) lower inward transport costs by RM0.12 million during the year.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our production overheads increased by RM0.23 million or 9.55% to RM2.58 million, mainly due to the following:-

(aa) higher electricity expenses by RM0.14 million mainly due to higher consumption of electricity in line with higher seafood processing activities of our Kurau Plant and higher ICPT surcharge; and

(bb) higher consumption of ice for our Kurau Plant by RM0.10 million as the ice making machines were out of service for repair and maintenance for a total period of 94 days during the financial period, which necessitated the higher purchase of ice from external suppliers.

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12. FINANCIAL INFORMATION

(c) GP and GP margin

Our Group's GP and GP margin by business activities are as follows:-

	Audited									Unaudited			Audited		
	FYE 2020			FYE 2021			FYE 2022			FPE 2022			FPE 2023		
	GP RM'000	%	% of GP Margin	GP RM'000	%	% of GP Margin	GP RM'000	%	% of GP Margin	GP RM'000	%	% of GP Margin	GP RM'000	%	% of GP Margin
Processing and sale of frozen seafood products	13,886	82.06	16.25	20,938	81.07	16.12	21,788	81.83	17.63	15,112	79.50	17.92	18,446	79.10	18.62
Merchant trading of frozen seafood products	1,829	10.81	4.00	3,343	12.94	6.64	3,800	14.27	6.41	3,199	16.83	6.63	4,173	17.89	11.18
Distribution and trading of aquaculture related products	1,207	7.13	12.80	1,545	5.99	13.13	1,037	3.90	8.95	697	3.67	9.24	702	3.01	9.00
Total	**16,922**	**100.00**	**12.04**	**25,826**	**100.00**	**13.45**	**26,625**	**100.00**	**13.69**	**19,008**	**100.00**	**13.57**	**23,321**	**100.00**	**16.17**

Commentaries on the GP and GP margin

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's overall GP increased by approximately RM8.90 million or 52.62% to RM25.83 million. The increase was primarily attributable to:-

(i) higher GP contribution from our processing and sale of frozen seafood products business segment amounting to RM7.05 million as a result of higher sales during the year. However, the GP margin has decreased slightly from 16.25% in the FYE 2020 to 16.12% in the FYE 2021 mainly due to the relatively higher input cost of seafood supplies in FYE 2021. This was mainly due to higher purchase prices of cephalopods such as octopus, squid and cuttlefish caused by lower availability of supplies as a result of the impact of the COVID-19 pandemic during the year;

(ii) higher GP contribution from our merchant trading business segment amounting to RM1.51 million as a result of higher sales and higher GP margin mainly due to overall increase in selling prices of frozen cephalopods; and

(iii) higher GP contribution from our distribution and trading of aquaculture related products business segment amounting to RM0.34 million and higher GP margin mainly as a result of greater discounts received from our suppliers as the result of a higher level of purchases in line with the increase in sales of aquaculture related products during the year.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, whilst our Group's GP increased slightly by approximately RM0.80 million or 3.09% to RM26.63 million. The increase in GP was primarily attributable to:-

(i) higher GP contribution from our processing and sale of frozen seafood products business segment by RM0.85 million despite lower revenue during the year. The GP margin also improved by 1.51% from 16.12% in the FYE 2021 to 17.63% in the FYE 2022 mainly due to higher selling prices of frozen shrimps, which was mainly due to increase in sales mix comprising bigger size tiger prawns which fetched higher selling prices, and further supported by the strengthening of USD against RM as over 90% of our exports sales were denominated in USD; and

(ii) higher GP contribution from our merchant trading business segment by RM0.46 million in line with the increase in the sales of the frozen marine products. However, the GP margin decreased by 0.23% mainly due to the increase in cost of purchases which we were unable to fully pass on to our customers,

which was partially offset by:-

(iii) lower GP contribution from our distribution and trading of aquaculture related products segment by RM0.51 million with lower GP margin by 4.18% mainly due to lower overall sales and higher purchase price, especially for shrimp feeds. Shrimp feeds prices are dependent on prices quoted by the feed mills and the ingredients used in producing shrimp feeds which include soybean meal and wheat flour are subject to the vagaries of global commodity prices.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's overall GP increased by approximately RM4.31 million or 22.69% to RM23.32 million. The increase was primarily attributable to:-

(i) higher GP contribution from our processing and sale of frozen seafood products business segment by RM3.33 million during the financial period, with an improvement in GP margin by 0.7% to 18.62%, mainly due to lower purchase price of the shrimps during the financial period; and

(ii) higher GP contribution from our merchant trading business segment by RM0.97 million despite registering lower revenue during the financial period. The GP margin also improved by 4.55% to 11.18% mainly due to lower purchase price of frozen cephalopods as we managed to negotiate for better pricing from our Indonesian supplier, PT Yasuriang.

Our GP contribution from our distribution and trading of aquaculture related products segment remained at the same level at RM0.70 million for FPE 2023, despite registering higher revenue during the financial period, mainly due to lower GP margin which decreased by 0.24% to 9.00% as a result of lower discount received from our suppliers of shrimp feed.

(d) Other income

The breakdown of our other income for the Financial Periods Under Review is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dividend income from other investment	173	24.57	720	27.87	-	-	-	-	-	-
Realised gain on foreign exchange	17	2.42	1,279	49.52	1,343	67.49	1,576	66.14	316	27.58
Unrealised gain on foreign exchange	44	6.25	306	11.85	-	-	226	9.48	756	65.97
Gain on disposal of PPE	50	7.10	17	0.66	150	7.54	108	4.53	-	-
Gain on disposal of right-of-use asset	-	-	-	-	21	1.05	21	0.88	-	-
Gain on disposal of investment property	-	-	81	3.13	-	-	-	-	-	-
Gain on disposal of other investment	-	-	-	-	400	20.10	400	16.79	-	-
Management fees	60	8.52	60	2.32	-	-	-	-	-	-
Rental income	12	1.71	-	-	-	-	-	-	-	-
Interest income	92	13.07	96	3.72	71	3.57	47	1.97	68	5.93
Transport charges received	40	5.68	-	-	-	-	-	-	-	-
Wages subsidy	197	27.98	-	-	-	-	-	-	-	-
Others	19	2.70	24	0.93	5	0.25	5	0.21	6	0.52
Total	**704**	**100.00**	**2,583**	**100.00**	**1,990**	**100.00**	**2,383**	**100.00**	**1,146**	**100.00**

Commentaries on other income

<u>*Comparison between the FYE 2020 and the FYE 2021*</u>

For the FYE 2021, our Group's other income increased by approximately RM1.88 million or 266.90% to RM2.58 million. The increase was primarily attributable to:-

(i) the increase in realised foreign exchange gain of RM1.26 million as a result of the settlement of sales/purchases when the exchange rates were favourable to us, in particular, the USD;

(ii) the increase in unrealised foreign exchange gain amounting to RM0.26 million as a result of the translation of foreign-denominated cash holdings and accounts receivables mainly due to the strengthening of USD against RM during the year; and

(iii) higher dividend income from our other investment/former subsidiary, namely, Ocean Champion, by RM0.55 million,

which was partially offset by the absence of wage subsidy from PERKESO in FYE 2021. In FYE 2020, the Group had received a wage subsidy of RM0.20 million.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's other income decreased by approximately RM0.59 million or 22.96% to RM1.99 million. The decrease was primarily attributable to:-

(i) the absence of unrealised foreign exchange gain in FYE 2022 as compared to RM0.31 million recorded in FYE 2021;

(ii) the absence of dividend income from our other investment/former subsidiary, namely, Ocean Champion following the Disposal of Ocean Champion in January 2022; and

(iii) the absence of gain on disposal of investment property,

which was partially offset by:-

(iv) the gain on disposal amounting to RM0.40 million arising from the Disposal of Ocean Champion which was completed in January 2022; and

(vi) the increase in gain on disposal of PPE by RM0.13 million.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's other income decreased by approximately RM1.24 million or 51.91% to RM1.15 million. The decrease was primarily attributable to:-

(i) the lower realised foreign exchange gain by RM1.26 million as a result of the lower volatility of USD against RM during the period between the date of invoicing to the date of collection/payment of our receivables/payables which are denominated in USD;

(ii) the absence of gain on disposal of other investment in the FPE 2023 as compared to the gain on disposal of other investment of RM0.40 million recorded in the FPE 2022 upon the Disposal of Ocean Champion which was completed on 21 January 2022; and

(iii) the absence of gain on disposal of PPE in the FPE 2023 as compared to a gain on disposal of PPE of RM0.11 million recorded in the FPE 2022;

which was partially offset by higher unrealised foreign exchange gain in the FPE 2023 by RM0.53 million as compared to that in the FPE 2022.

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(e) Selling and distribution expenses

The breakdown of our selling and distribution expenses for the Financial Periods Under Review is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Forwarding and carriage charges	1,467	47.05	5,662	74.52	5,850	74.11	4,691	73.99	2,277	57.85
Agent handling charges	1,221	39.16	1,498	19.72	1,557	19.72	1,305	20.58	1,236	31.40
Travelling and accommodation expenses	206	6.61	202	2.66	200	2.53	139	2.19	194	4.93
Upkeep and rental of motor vehicles expenses	140	4.49	153	2.01	158	2.00	106	1.67	116	2.95
Insurance and road tax expenses	48	1.54	55	0.72	89	1.13	69	1.09	65	1.65
Entertainment, marketing and business development expenses	36	1.15	28	0.37	40	0.51	30	0.48	48	1.22
Total	**3,118**	**100.00**	**7,598**	**100.00**	**7,894**	**100.00**	**6,340**	**100.00**	**3,936**	**100.00**

Commentaries on the selling and distribution expenses

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's selling and distribution expenses increased by approximately RM4.48 million or 143.68% to RM7.60 million. The increase was primarily attributable to:-

(i) increase in forwarding and outward carriage charges by RM4.19 million as result of the increase in export sales as well as the increase in global freight costs for the export sales due to shortage of shipping containers caused by the COVID-19 pandemic; and

(ii) higher agent handling charges for managing export sales to certain countries in the European market by RM0.28 million in line with higher export volume to such markets in FYE 2021.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's selling and distributive expenses increased by approximately RM0.30 million or 3.90% to RM7.89 million. The increase was primarily attributable to:-

(i) the increase in forwarding and outward carriage charges by RM0.19 million as result of the increased global freight costs for the export sales;

(ii) higher agent handling charges for managing export sales to certain countries in the European market by RM0.06 million in line with higher export volume to such markets in FYE 2021; and

(iii) higher payment for insurance and road tax expenses by RM0.03 million.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's selling and distribution expenses decreased by approximately RM2.40 million or 37.92% to RM3.94 million. The decrease was primarily attributable to:-

(i) lower forwarding and outward carriage charges by RM2.41 million as a result of the gradual normalisation of global freight costs for export sales which had heightened during the COVID-19 pandemic period since 2020 due to logistical disruptions.

(f) Administrative expenses

The breakdown of our administrative expenses for the Financial Periods Under Review is as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts written off	47	0.73	274	3.37	-	-	-	-	-	-
Bank charges	121	1.87	120	1.48	97	1.17	67	1.01	61	0.94
COVID-19 expenses	52	0.81	164	2.02	88	1.06	74	1.12	60	0.92
Depreciation expenses	315	4.88	459	5.65	815	9.80	511	7.70	636	9.76
Directors' remuneration	3,274	50.69	3,602	44.34	3,374	40.57	2,180	32.88	2,192	33.65
Freight charges	-	-	26	0.32	31	0.37	31	0.47	14	0.22
Insurance expenses	50	0.77	66	0.81	48	0.58	49	0.74	98	1.50
Laboratory testing expenses	50	0.77	18	0.22	18	0.22	13	0.20	7	0.11
Licensing and regulatory expenses	18	0.28	47	0.58	48	0.58	36	0.54	133	2.04
Office related expenses	77	1.19	90	1.11	101	1.21	72	1.09	83	1.27
Penalty and fine	174	2.69	24	0.30	6	0.07	7	0.11	2	0.03
PPE written off	*	*	14	0.17	9	0.11	10	0.15	2	0.03
Professional fees	136	2.11	676	8.32	973	11.70	795	11.99	545	8.37
Realised loss on foreign exchange	255	3.95	425	5.23	134	1.61	1	0.02	4	0.06
Rental expenses	200	3.10	178	2.19	-	-	2	0.03	45	0.69
Sales and service tax	7	0.11	8	0.10	50	0.60	34	0.51	39	0.60
Staff costs	1,553	24.04	1,852	22.80	2,368	28.47	2,622	39.55	2,479	38.06
Upkeep and maintenance costs	50	0.77	3	0.04	1	0.01	1	0.01	1	0.02
Utilities costs	40	0.62	30	0.37	33	0.40	25	0.38	27	0.41
Other general and sundry expenses	40	0.62	48	0.58	123	1.47	100	1.50	86	1.32
Total	**6,459**	**100.00**	**8,124**	**100.00**	**8,317**	**100.00**	**6,630**	**100.00**	**6,514**	**100.00**

Note:-

* Represent figures below RM1,000

Commentaries on the administrative expenses

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's administrative expenses increased by approximately RM1.67 million or 25.78% to RM8.12 million. The increase was primarily attributable to:-

(i) increase in staff cost by RM0.30 million mainly due to annual increments, higher salary and bonus paid out in the FYE 2021;

(ii) higher Directors' remuneration by RM0.33 million due to higher bonus paid to our Directors in line with better financial results for the FYE 2021;

(iii) higher depreciation charges by RM0.14 million mainly due to purchase of new motor vehicles and equipment and electrical installation relating to the New Cold Room which was completed during the year, despite not in operation yet;

(iv) higher professional fees by RM0.54 million mainly incurred in connection with our Listing;

(v) higher bad debts written off by RM0.23 million due to a trade receivable amounting to RM0.27 million which was agreed to be written off by us in respect of the delay in delivery of our products to one of our major customers in Europe in the FYE 2021 caused by the global logistics disruption during the COVID-19 pandemic;

(vi) higher COVID-19 related expenses by RM0.11 million; and

(vii) increase in realised loss of foreign exchanges amounting to RM0.17 million due to unfavourable exchange rate upon settlement of our sales and purchases which were denominated in USD,

which was partially offset by the lower penalty and fine in FYE 2021 by RM0.15 million. In the FYE 2020, the total penalty and fine amounted to RM0.17 million (FYE 2021 : RM0.02 million) mainly relating to a tax penalty of RM0.17 million imposed by the Inland Revenue Board of Malaysia ("**IRB**"), in respect of allowances for increased exports incentive previously claimed by Fantastic Seafood for the years of assessment 2015 to 2018 which were subsequently disallowed by the IRB in 2020. Upon filing a notice of appeal, Fantastic Seafood had on 15 May 2023 entered into a settlement agreement with the IRB, which resulted in a reduction in the tax penalty from RM0.17 million to RM0.09 million, the reduction in tax penalty of RM0.08 million of which will be recognised in the FYE 2023.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's administrative expenses increased by approximately RM0.19 million or 2.38% to RM8.32 million. The increase was primarily attributable to:-

(i) increase in staff cost by RM0.52 million as a result of the group-wide staff annual increment and the increase in overtime allowances paid during the year;

(ii) higher professional fees by RM0.30 million mainly relating the IPO and the tax compliance; and

(iii) higher depreciation charges by RM0.36 million mainly due to purchase of new motor vehicles, tools and implements,

which was partially offset by the following:-

(iv) the absence of bad debts written off during the year as the result of better collection of trade receivables;

(v) lower directors' remuneration by RM0.23 million mainly due to lower bonus paid to our Directors;

(vi) lower realised foreign exchanges loss by RM0.29 million upon settlement of sales and purchases due to fluctuation in foreign exchange rates; and

(vii) absence of rental expenses paid for third-party cold room facilities in FYE 2022.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's administrative expenses decreased by approximately RM0.12 million or 1.75% to RM6.51 million. The decrease was primarily attributable to:-

(i) lower professional fees incurred during the financial period by RM0.25 million, which are mainly relating to our IPO;

(ii) lower staff cost by RM0.14 million which was mainly due to lower bonus provision made during the financial period;

which was partially offset by the following:-

(iii) higher depreciation charges by RM0.13 million mainly due to the purchase of new motor vehicles during the FYE 2022;

(iv) regulatory fees paid during the financial period amounting to RM0.10 million in relation to our listing exercise; and

(v) higher insurance expenses by RM0.05 million mainly due to higher fire insurance premium incurred during the financial period.

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(g) Net reversal of/(additional) impairment losses on trade and other receivables

The movements in the impairment losses on trade and other receivables (amount owing by SBH Perak Agro) that give rise to the net reversal of/(additional) impairment losses on trade and other receivables for the Financial Periods Under Review are as follows:-

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables					
Balance as at 1 January	-	-	-	-	-
Provision of impairment losses	-	-	-	-	280
Balance as at 31 December / 30 September	**-**	**-**	**-**	**-**	**280**
Other receivables (amount owing by SBH Perak Agro)					
Balance as at 1 January	**1,900**	**1,708**	**255**	**255**	**255**
Provision of impairment losses	-	255	-	-	-
Reversal of impairment losses	(192)	(1,708)	-	-	-
Net reversal of impairment losses	(192)	(1,453)	-	-	-
Balance as at 31 December / 30 September	**1,708**	**255**	**255**	**255**	**255**

Our Group assesses at the end of each of the reporting periods for impairment in compliance with MFRS 9 in respect of trade and other receivables (amount owing by SBH Perak Agro) during the Financial Periods Under Review.

The Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 using the forward-looking expected credit losses ("**ECL**") model and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition. During the FPE 2023, we have recognised an allowance for impairment loss for trade receivables amounting to RM0.28 million due to certain outstanding trade receivables. Please refer to Section 12.5.8(a) of this Prospectus for further details of the outstanding trade receivables as at 30 September 2023.

Impairment allowance on the amount owing by SBH Perak Agro is recognised based on the general approach within MFRS 9. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. Since the initial recognition of financial asset in respect of the amount owing by SBH Perak Agro computed as at 1 January 2019, we have at the end of each reporting period, assessed if there has been a significant increase in credit risk by comparing the risk to default occurring over the expected life with the risk of default since initial recognition. As the level of credit risk assessed was lower at each of the reporting period, we have accordingly recognised reversals of impairment losses in the FYE 2020 and FYE 2021.

For the FYE 2021, the net reversal of impairment losses on other receivables was higher by RM1.26 million (FYE 2021: RM1.45 million, FYE 2020: RM0.19 million) mainly due to additional repayment of the amount owing by SBH Perak Agro to our Group during the year.

For the FYE 2022, FPE 2022 and FPE 2023, no impairment losses nor reversal of impairment losses on other receivables were recognised in respect of the amount owing by SBH Perak Agro to our Group.

(h) Finance Costs

Our finance costs for the Financial Periods Under Review are as follows:-

	Audited						Unaudited		Audited	
	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:										
Onshore foreign currency loan	17	5.36	4	1.30	20	10.00	18	10.29	8	10.26
Term loans	285	89.91	261	85.02	120	60.00	114	65.14	16	20.51
Lease liabilities	15	4.73	42	13.68	60	30.00	43	24.57	54	69.23
Others	*	*	-	-	-	-	-	-	-	-
Total	**317**	**100.00**	**307**	**100.00**	**200**	**100.00**	**175**	**100.00**	**78**	**100.00**

Note:-

* Represents a figure below RM1,000

Commentaries on the finance cost

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's finance cost decreased by approximately RM0.01 million or 3.15% to RM0.31 million. The decrease was primarily attributable to:-

(i) lower utilisation of onshore foreign currency loan due to stronger cash flows position of the Group during the year; and

(ii) lower interest paid on term loans due to repayment of term loans during the year.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's finance cost decreased by approximately RM0.11 million or 34.85% to RM0.20 million. The decrease was primarily attributable to:-

(i) lower interest paid on term loans due to repayment of term loans during the year,

which was partially offset by:-

(ii) higher interest expenses on lease liabilities due to additional purchases of motor vehicles during the year; and

(iii) higher interest expense paid for higher utilisation of onshore foreign currency loan to pay our overseas suppliers.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's finance cost decreased by approximately RM0.10 million or 55.43% to RM0.08 million. The decrease was primarily attributable to:-

(i) lower term loan interest following the settlement of a term loan in the FPE 2022 pursuant to the disposal of a vacant land by SBH Marine; and

(ii) lower term loan balances as we service our monthly term loan instalments.

(i) Share of profit/(loss) of a joint venture, net of tax

The breakdown of our share of profit/(loss) of a joint venture, net of tax, for the Financial Periods Under Review is as follows:-

	Audited			**Unaudited**	**Audited**
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	17,301	18,220	20,700	15,126	11,763
GP/(Gross loss)	5,063	4,927	6,459	4,754	(246)
Profit/(Loss) before taxation	5,051	2,588	4,821	3,320	(2,472)
Profit/(Loss) after taxation	5,006	2,287	5,044	3,555	(2,425)
Our Group's share of profit/(loss) of a joint venture, net of tax	**3,504**	**1,601**	**3,501**	**2,488**	**(1,647)**

Commentaries on the share of profit/(loss) of a joint venture, net of tax

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's share of profit of a joint venture (namely SBH Perak Agro) decreased by RM1.90 million or 54.31% to RM1.60 million in line with the lower after-tax profit of SBH Perak Agro by RM2.72 million or 54.31% mainly due to SBH Perak Agro having:-

(i) lower gross profit for the year by RM0.14 million mainly as a result cost of development of the new ponds in the Selinsing Farm;

(ii) lower other income by RM1.08 million, mainly due to absence of fair value gain on biological assets (comprising shrimps under cultivation) in FYE 2021;

(iii) higher administrative expenses by RM1.20 million mainly due to recognition of fair value loss on biological assets (comprising shrimps) amounting to RM0.44 million, higher depreciation charges by RM0.26 million, higher professional fees by RM0.25 million and increase in staff related cost during the year amounting to RM0.21 million as a result of increase of recruitment of farm workers; and

(iv) higher tax expense of RM0.26 million in FYE 2021.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's share of profit of a joint venture (namely SBH Perak Agro) increased by RM1.90 million or 118.68% to RM3.50 million in line with the higher after-tax profit of SBH Perak Agro by RM2.76 million or 120.55% mainly due to SBH Perak Agro having:-

(i) higher gross profit for the year by RM1.53 million mainly due to higher sales during the year;

(ii) higher other income by RM0.46 million, mainly due to gain on lease modification of RM0.42 relating to the lease of Selinsing Farm from PPPNP;

(iii) lower administrative expenses by RM0.29 million mainly due to absence of fair value loss on biological assets (comprising shrimps) in FYE 2022, which was partially offset by increase in employee related costs by RM0.18 million; and

(iv) lower tax expense by RM0.52 million mainly due to tax credit of RM0.22 million for the FYE 2022 as a result of over-provision of income tax in the FYE 2021.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group had recognised a share of loss of a joint venture (namely SBH Perak Agro) of RM1.65 million as compared to a share of profit of RM2.49 million in the FPE 2022. The loss of SBH Perak Agro for the FPE 2023 was mainly due to the following:-

(i) gross loss in the FPE 2023 of RM0.25 million as compared to a gross profit in the FPE 2022 of RM4.75 million, which was mainly attributable to;

(aa) the decrease in SBH Perak Agro's revenue by RM3.37 million from RM15.13 million in the FPE 2022 to RM11.76 million in the FPE 2023, mainly due to lower shrimp harvest output from our Kurau Farm as the management had undertaken maintenance works on the shrimp ponds in Kurau Farm from March 2023 to October 2023 which had resulted in the temporary cessation of shrimp cultivation activity. This is the first time maintenance works are being carried out at our Kurau Farm since the shrimp cultivating operations began in 2011. The maintenance works involved, amongst others, soil conditioning works, removal of surface layer soil which contains excessive residue sludge and contaminants that had built up over the years, as well as replacement of damaged liners and equipment upkeep/servicing. Due to unfavourable weather conditions, the maintenance works were affected, thus resulting in the delay in resumption of shrimp cultivation which in turn affected the shrimp harvest output.

During the FPE 2023, there is no material adverse impact to our seafood processing operations at our Kurau Plant as we had resorted to purchasing shrimps from external suppliers during the period to supplement our raw materials supply; and (bb) The increase in cost of sales by RM1.64 million incurred by SBH Perak Agro, mainly due to the higher cost of shrimps under cultivation incurred amounting to RM1.55 million as well as higher farm overheads by RM0.09 million as a result of higher upkeep and maintenance expenses by RM0.52 million which was partially offset by the lower electricity expenses by RM0.50 million.

At the beginning of FPE 2023, SBH Perak Agro had an inventory of shrimps under cultivation which was estimated to be valued at RM3.31 million (FPE 2022: RM1.82 million). The value of the inventory of shrimps under cultivation at the beginning of FPE 2023 was higher than that for FPE 2022 as the company had been incurring cost on stocking the shrimp ponds with shrimp post-larvae as well as purchasing shrimp feed, chemicals and probiotics in the months prior to the FPE 2023.

During the FPE 2023, it had further incurred the following costs:-

- RM1.10 million on stocking the shrimp ponds by purchasing additional shrimp post larvae for cultivation (FPE 2022: RM1.18 million);

- RM4.00 million on cost of shrimp feed consumed (FPE 2022: RM4.96 million); and

- RM0.45 million on cost of chemicals and probiotics (FPE 2022: RM0.45 million).

The lower costs of purchases of shrimp post-larvae and shrimp feed consumed in FPE 2023 as compared to FPE 2022 were mainly due to the temporary closure of the shrimp ponds at the Kurau Farm progressively for maintenance works between March and October 2023.

As a result of the poor growth rate of the shrimps which was experienced at the Kurau Farm, the amount of shrimps under cultivation had declined which resulted in the losses in value of shrimps under cultivation. This has led to the management's decision to undertake the maintenance works as explained in sub-paragraph (i)(aa) above. As a result, the estimated value of the inventory of shrimps under cultivation as of the end of FPE 2023 has dropped to RM1.21 million (FPE 2022: RM2.30 million). Accordingly, SBH Perak Agro had to charge out a higher cost of shrimps under cultivation for FPE 2023 amounting to RM7.65 million, which was higher than that in FPE 2022 of RM6.10 million, by RM1.55 million;

(ii) higher administrative and other expenses by RM0.65 million as a result of recognition of a fair value revaluation loss on biological assets (mainly comprise of shrimps) arising from lower level of shrimps under cultivation as at the 30 September 2023; and

(iii) lower other income by RM0.11 million as a result of absence of gain on disposal of PPE during FPE 2023.

(j) Tax expense

The breakdown of our tax expense for the Financial Periods Under Review is as follows:-

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax					
Current year provision	2,677	2,987	2,801	2,100	3,078
Under/(Over) provision in prior year	428	(703)	(129)	(130)	537
Deferred tax					
Relating to origination and reversal of temporary differences	(4)	86	(28)	(20)	27
Under/(Over) provision in prior year	21	21	38	38	(6)
Real property gain tax	-	-	14	14	-
Overall tax expense	**3,122**	**2,391**	**2,696**	**2,002**	**3,636**
Effective tax rate (%)	**27.32**	**15.49**	**17.17**	**18.65**	**30.27**

FYE 2020

For the FYE 2020, our Group's tax expense stood at RM3.12 million. Our effective tax rate of 27.32% was higher than the statutory tax rate applicable in Malaysia of 24.00%. This was primarily attributable to:-

(i) expenses incurred that were not tax deductible amounting to RM1.24 million mainly comprising restricted interest on term loans and unrealised foreign exchange loss;

(ii) the tax provision for the single-tier dividend received by Fantastic Seafood amounting to RM2.10 million, which was subsequently reversed in FYE 2021; and

(iii) under-provision of income tax expenses of RM0.43 million in respect of prior years mainly due to additional tax imposed by Inland Revenue Board for the years of assessment 2015 to 2018 in respect of claims for increase in export allowance which were disallowed,

which were partially offset by the following:-

(iv) inclusion of share of net profit of SBH Perak Agro amounting RM3.50 million which is not further subject to income tax as it is stated net of tax; and

(v) single-tier dividend received from our other investment, namely Ocean Champion, amounting to RM0.17 million which was not subject to tax.

FYE 2021

For the FYE 2021, our Group's tax expense decreased by approximately RM0.73 million or 23.41%. Our effective tax rate of 15.49% was lower than the statutory tax rate applicable in Malaysia of 24.00%. This was primarily attributable to:-

(i) reversal of impairment losses on other receivables owing by SBH Perak Agro amounting to RM1.71 million which is not taxable;

(ii) inclusion of share of net profit of SBH Perak Agro amounting RM1.60 million which is not further subject to income tax as it is stated net of tax;

(iii) non-taxable income amounting to RM0.48 million mainly comprising unrealised foreign exchange gain and gain on disposal of PPE;

(iv) single-tier dividend received from our other investment, namely Ocean Champion, amounting to RM0.72 million which was not subject to tax; and

(v) reversal of over provision of income tax expenses of RM0.70 million for the FYE 2020 upon the finalisation of tax return,

which was partially offset by expenses incurred that were not tax deductible amounting to RM2.83 million mainly comprising of impairment of losses on other receivables owing by SBH Perak Agro, restricted interest on term loans and professional fees incurred by the Group in respect of the Listing.

FYE 2022

For the FYE 2022, our Group's tax expense increased by approximately RM0.31 million or 12.76%. Our effective tax rate of 17.17% was lower than the statutory tax rate applicable in Malaysia of 24.00%. This was primarily attributable to:-

(i) inclusion of share of net profit of SBH Perak Agro amounting RM3.50 million which is not further subject to income tax as it is stated net of tax;

(ii) gains on disposal of PPE and right-of-use asset amounting to RM0.17 million which was not-taxable;

(iii) claim of capital allowance on PPE in excess of depreciation charges during FYE 2022 amounting to RM0.89 million; and

(iv) over provision of income tax expenses of RM0.13 million in respect of prior year upon the finalisation of tax return,

which was partially offset by expenses incurred amounting to RM1.37 million mainly comprising of professional fees incurred by the Group in respect of the Listing and restricted interest on term loans that were not tax deductible.

FPE 2023

For the FPE 2023, our Group's tax expense was higher than the tax expense for the FPE 2022 by RM1.64 million or 81.62%. The effective tax rate for the FPE 2023 of 30.27% was also higher than the effective tax rate for the FPE 2022 of 18.65% and the statutory tax rate applicable in Malaysia of 24.00%. This was primarily attributable to:-

(i) recognition of the share of net loss of SBH Perak Agro in the FPE 2023 amounting RM1.65 million, which is not available as tax credit to set off against the chargeable income of the Group, as compared to the share of profit in the FPE 2022 amounting to RM2.49 million.

(ii) under provision of income tax expenses in respect of prior years upon the finalisation and submission of income tax returns which was provided in the FPE 2023 amounting to RM0.54 million; and

which was partially offset by the following:-

(iii) non-taxable income amounting to RM0.69 million mainly comprising unrealised gain on foreign exchange.

(k) PBT, PBT margin, PAT and PAT margin

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	11,428	15,434	15,705	10,734	12,012
PBT margin (%)	8.13	8.04	8.08	7.66	8.33
PAT	8,306	13,043	13,054	8,769	8,403
PAT margin (%)	5.91	6.79	6.71	6.26	5.83

Commentaries on the PBT, PBT margin, PAT and PAT margin

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's PBT increased by approximately RM4.01 million or 35.05% to RM15.43 million mainly due to:-

(i) higher gross profit achieved during the year by RM8.90 million compared to the previous year as explained in Section 12.4.1(c) of this Prospectus;

(ii) higher other income during the year by RM1.88 million as explained in Section 12.4.1(d) of this Prospectus; and

(iii) higher net reversal of impairment losses on other receivables by RM1.26 million mainly due to additional repayment of the amounts owing by SBH Perak Agro to our Group during the year as explained in Section 12.4.1(g) of this Prospectus, which was partially offset by the following:-

(iv) higher selling and distribution expenses by RM4.48 million mainly due to higher forwarding and outward carriage costs and handling charges in tandem with higher export sales as well as the increase in global freight costs for the export sales due to shortage of shipping containers caused by the COVID-19 pandemic as explained in Section 12.4.1(e) of this Prospectus;

(v) higher administrative expenses by RM1.67 million mainly due to higher Directors' remuneration and staff costs in line with higher Group profits achieved during the year as explained in Section 12.4.1(f) of this Prospectus; and

(vi) lower share of profit of a joint venture by RM1.90 million in line with the lower PAT of SBH Perak Agro as explained in Section 12.4.1(i) of this Prospectus.

Our PBT margin decreased slightly from 8.13% in FYE 2020 to 8.04% in FYE 2021 on the back of a higher Group revenue despite achieving better gross margin during the year mainly due to higher selling and distribution expenses, higher administrative expenses and lower share of profit of joint venture as explained above.

In line with the higher Group PBT, our Group's PAT for FYE 2021 increased by approximately RM4.74 million or 57.03% to RM13.04 million. The increase was primarily attributable to:-

(i) higher PBT achieved during the year; and

(ii) lower tax expenses in FYE 2021 as compared to FYE 2020.

Our PAT margin improved from 5.91% in FYE 2020 to 6.79% in FYE 2021 despite registering lower PBT margin mainly due to lower tax expenses in FYE 2021 as compared to FYE 2020.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's PBT increased by approximately RM0.27 million or 1.76% to RM15.71 million, mainly due to:-

(i) higher gross profit achieved during the year by RM0.80 million compared to the previous year as explained in Section 12.4.1(c) of this Prospectus;

(ii) higher share of profit of joint venture by RM1.90 million in line with the higher PAT of SBH Perak Agro as explained in Section 12.4.1(i) of this Prospectus; and

(iii) lower finance cost by RM0.11 million as explained in Section 12.4.1(h) of this Prospectus,

which was partially offset by:-

(iv) lower other income during the year by RM0.59 million as explained in Section 12.4.1(d) of this Prospectus;

(v) higher selling and distribution expenses by RM0.30 million mainly due to higher forwarding outward carriage charges and agent handling charges as explained in Section 12.4.1(e) of this Prospectus;

(vi) higher administrative expenses by RM0.19 million mainly due to higher professional expenses, depreciation charges and staff costs as explained in Section 12.4.1(f) of this Prospectus; and

(vii) absence of the net reversal of impairment losses on other receivables in the FYE 2022 as explained in Section 12.4.1(g) of this Prospectus.

Our PBT margin increased slightly from 8.04% in the FYE 2021 to 8.08% in FYE 2022 on the back of a higher Group revenue mainly due to higher GP as well as higher share of profit of joint venture as explained above.

Our Group's PAT for the FYE 2022 increased slightly by approximately RM0.01 million or 0.08% to RM13.05 million whilst the PAT margin decreased marginally from 6.79% to 6.71% on the back of higher tax expenses for the year.

Comparison between the FPE 2022 and the FPE 2023

For the FPE 2023, our Group's PBT increased by approximately RM1.28 million or 11.91% to RM12.01 million, mainly due to:-

(i) higher gross profit achieved during the FPE 2023 by RM4.31 million as compared to the previous financial period as explained in Section 12.4.1(c) of this Prospectus;

(ii) lower selling and distribution expenses by RM2.40 million as compared to the previous financial period as explained in Section 12.4.1(e) of this Prospectus;

(iii) lower administrative expenses by RM0.12 million as compared to the previous financial period as explained in Section 12.4.1(f) of this Prospectus;

(iv) lower finance cost by RM0.10 million as compared to the previous financial period as explained in Section 12.4.1(h) of this Prospectus;

which was partially offset by:-

(v) share of loss of a joint venture (SBH Perak Agro) of RM1.65 million in the FPE 2023 as compared to share of profit of RM2.49 million in the FPE 2022 as explained in Section 12.4.1(i) of this Prospectus; and

(vi) lower other income by RM1.24 million as compared to the previous financial period as explained in Section 12.4.1(d) of this Prospectus.

Our PBT margin increased by 0.67% to 8.33% in FPE 2023 on the back of a higher Group revenue mainly due to better GP margin, lower selling and distribution expenses and administrative expenses, which was partially offset by lower other income and the share of loss of a joint venture (SBH Perak Agro) as explained above.

Our Group's PAT for the FPE 2023 decreased by RM0.37 million or 4.17% to RM8.40 million whilst the PAT margin decreased from 6.26% to 5.83% mainly due to higher effective tax for the financial period as explained in Section 12.4.1(j) of this Prospectus.

12.4.2 Significant Factors Affecting Our Financial Condition and Results of Operations

Our Group's operations and financial performance have been and will continue to be affected by factors including, but not limited to the following:-

(a) Dependency on certain major customers

During the Financial Periods Under Review, we are dependent on certain major customers, namely, Customers A, B, C, F and G which have contributed more than 10% of our total revenue during the Financial Periods Under Review (please refer to Section 7.17 of this Prospectus).

Typically, we do not enter into any long-term supply agreement with our customers. Our sales are based on purchase orders that we receive from our customers from time to time. As a result, our Group's future financial performance, to a certain extent, depends on our ability to secure repeat orders from these major customers or new orders from prospective customers. Additionally, the loss of any customers or reduction in orders, if not replaced in a timely manner with new customers or orders of similar quantum, may adversely affect the Group's business operations and financial performance.

(b) Dependency on certain major suppliers

We are dependent on certain external major suppliers, namely, PT Yasuriang and Blue Archipelago Berhad (and its wholly-owned subsidiary, iSharp Sdn Bhd) which have contributed more than 10% of our total purchases during the Financial Periods Under Review (please refer to Section 7.18 of this Prospectus).

Save for the Supplies and Marketing Agreement entered into with PT Yasuriang, we have not entered into any long-term agreements with Blue Archipelago Berhad or any other suppliers for the supply of seafood or materials/products to our Group.

Notwithstanding the Supplies and Marketing Agreement and our long term business relationship with PT Yasuriang, there can be no assurance that PT Yasuriang will continue to supply us with the necessary amount of frozen seafood to meet our demand. The Supplies and Marketing Agreement may also be terminated prior to its expiry or not be renewed after its expiry. While we have developed a good relationship with Blue Archipelago Berhad over the years, there can be no assurance that they will continue supplying our Group with farmed shrimps or provide us with necessary amount to meet our demand.

In the event that we are unable to source supplies from PT Yasuriang and Blue Archipelago Berhad and we are unable to find alternative suppliers in a timely manner, our Group's business operations and financial performance may be adversely affected.

(c) Fluctuations in foreign currency exchange rates

Our export sales are mainly denominated in RMB, USD and SGD whereas our imports are mainly denominated in RMB and USD. In this respect, fluctuations in the foreign currency exchange rate between the foreign currencies and our functional currency (in RM) may have a material effect on our reported revenue and cost of sales as they are required to be stated in RM in our financial statements.

In order to manage our foreign currency risks, we take up foreign exchange contracts to hedge against fluctuations of foreign exchange rates upon the receipt of our trade receivables in foreign currencies from our overseas customers. We also maintain foreign currency bank accounts to receive proceeds of our sales and used for payments for our purchases in USD and SGD, which provide a natural hedge against fluctuations of the USD/SGD.

The following table summarises the impact of foreign exchange fluctuations on our financial performance during the Financial Periods Under Review:-

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised gain on foreign exchange	17	1,279	1,343	1,576	316
Unrealised gain on foreign exchange	44	306	-	226	756
Realised loss on foreign exchange	(255)	(425)	(134)	(1)	(4)
Net (loss)/gain on foreign exchange	**(194)**	**1,160**	**1,209**	**1,801**	**1,068**
As a percentage of PAT (%)	(2.34)	8.89	9.26	20.54	12.71

Based on the above, we are exposed to foreign exchange gains or losses during the conversion of foreign currency into RM, mainly arising from the timing differences between the date of billings/invoices and the actual date of receipts/payments from our foreign customers/suppliers.

(d) Impact of interest rates fluctuation

Our Group's financial performance for the Financial Periods Under Review has not been materially affected by fluctuations in interest rates as our Group is not heavily reliant on borrowings as we maintained net cash position throughout the Financial Periods Under Review. A significant hike in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse impact on our Group's future financial performance if in the event our Group takes up additional borrowings to finance our operations and capital expenditure in the future.

(e) Implications of inflation

Our Group's financial performance for the Financial Periods Under Review has not been materially affected by the impacts of inflation save for the increase in input costs for seafood produce and the increase in freight and carriage charges as disclosed in Sections 12.4.1(b) and 12.4.1(e) of this Prospectus respectively. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(f) Changes in Government, economic, fiscal, monetary policies, regulatory risk and occurrence of force majeure events

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia or countries where our overseas customers are based. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our business operations and financial performance.

(g) Disruptions in business operations due to COVID-19 pandemic

The outbreak of pandemics of infectious diseases or other health epidemics such as the recent COVID-19 pandemic may create economic uncertainty and global instability, which may adversely affect business operations, consumer spending and lead to a decline in overall economic activities globally. In Malaysia, the enforcement of different phases of MCO by the Malaysian Government had led to travel restrictions, border closure and various businesses being closed for a short period of time in 2020 and 2021 and are later allowed to operate under strict operating procedures. There can be no assurance that restrictions and/or prohibitions, including the temporary business closures will not be re-imposed in the future with periodic surges of COVID-19 cases in Malaysia or countries to which we export our products, or if there is a pandemic or outbreak of other infectious diseases or other health epidemics.

12.4.3 Significant Changes on the Financial Position and Results

Saved as disclosed in this Prospectus, there is no significant change that has occurred, which may have a material effect on our financial position and results since 30 September 2023 and up to the LPD.

12.5 LIQUIDITY AND CAPITAL RESOURCES

12.5.1 Working Capital

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise cash generated from our operating activities, while our external sources of funds are mainly credit terms extended by our suppliers as well as various credit facilities extended to us by the financial institutions.

Our working capital comprising internal and external sources of funds as at 30 September 2023 are as follows:-

Sources of funds	**As at 30.9.2023 RM'000**
(a) Cash and bank balances	15,715
(b) Working capital	
- Current assets (excluding cash and bank balances)	73,987
- Current liabilities	(32,939)
	41,048
(c) Unutilised short-term credit facilities (comprising trade facilities and bank overdraft)	3,858
Total sources of funds	**60,621**

In addition, as at the LPD, we have bank overdraft and trade facilities totalling RM4.43 million, of which RM2.27 million have yet to be utilised, as well as cash and bank balances amounting to RM4.25 million.

Based on the above sources of funds and the expected cash flow to be generated from our business operations as well as proceeds to be raised from the Public Issue, our Board is of the opinion that our Group has adequate working capital to meet our present and foreseeable future working capital requirements for a period of 12 months from the date of this Prospectus.

12.5.2 Cash and cash equivalents

The table below sets out the summary of our cash and cash equivalents for the Financial Period Under Review and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus:-

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	7,210	22,622	2,719	5,204
Net cash (used in)/from investing activities	(1,603)	5,835	1,985	(96)
Net cash used in financing activities	(474)	(18,383)	(11,338)	(4,195)
Net increase/(decrease) in cash and cash equivalents	5,133	10,074	(6,634)	913
Effects of exchange differences	(28)	23	-	29
Cash and cash equivalents at beginning of the financial year/period	6,205	11,310	21,407	14,773
Cash and cash equivalents at end of the financial year/period	11,310	21,407	14,773	15,715
Details of the cash and cash equivalents:				
- Cash and bank balances	11,310	21,407	14,773	15,715

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

(a) Net cash from operating activities

<u>FYE 2020</u>

Our net cash from operating activities for the FYE 2020 was RM7.21 million, which comprised our PBT of RM11.43 million, adjusted downward for non-cash and other non-operating items amounting to RM2.89 million, adjusted upward for working capital changes amounting to RM0.91 million and net tax payments amounting to RM2.24 million. The working capital changes were mainly due to:-

(i) decrease in our trade and other receivables amounting to RM4.45 million and increase in our trade and other payables amounting to RM4.58 million in line with our prudent working capital management in view of the economic slowdown caused by the COVID-19 pandemic,

which was partially offset by:-

(ii) increase in our inventories balance amounting to RM8.12 million as we stocked up on our finished goods as the shipment schedules and global supply chain were significantly disrupted by various lockdowns imposed in many countries and requests by some customers to hold back shipments due to the COVID-19 pandemic.

FYE 2021

Our net cash from operating activities for the FYE 2021 was RM22.62 million, which comprised our PBT of RM15.43 million, adjusted downward for non-cash and other non-operating items amounting to RM2.69 million, adjusted upward for working capital changes amounting to RM12.28 million and less tax payments amounting to RM2.40 million. The working capital changes were mainly due to:-

(i) decrease in our inventories amounting to RM8.60 million primarily due to the gradual recovery of overall global shipment schedules particularly towards the end of 2021 which facilitated more shipments of our products to our overseas customers;

(ii) decrease in our trade and other receivables (under current and non-current assets) amounting to RM1.79 million mainly due to the net repayment amount owing by SBH Perak Agro of RM7.50 million and partially offset by the increase of trade receivables by RM6.06 million in line with the higher sales in the last quarter of 2021; and

(iii) increase in our trade and other payables amounting to RM1.89 million primarily attributable to net increase in advance payments received from overseas customers for the purchase of frozen seafood products, amounting to RM5.51 million. This was partially offset by reduction in trade payables by RM3.17 million (after adjusting for non-cash item) due to prompt payment by the Group and reduction in accrual for general and administrative expenses of RM0.45 million.

FYE 2022

Our net cash from operating activities for the FYE 2022 was RM2.72 million, which comprised our PBT of RM15.71 million, adjusted downward for non-cash and other non-operating items amounting to RM2.60 million, adjusted downward for working capital changes amounting to RM6.71 million and tax payments amounting to RM3.67 million. The working capital changes were mainly due to:-

(i) increase in our inventories amounting to RM3.68 million mainly due to the higher level of finished goods comprising mainly frozen shrimps in the fourth quarter of 2022 pending shipment to our overseas customers;

(ii) increase in our trade and other receivables amounting to RM2.83 million primarily attributable to increase in net advances to SBH Perak Agro by RM2.50 million for continuing development of the Selinsing Farm and the advance payment to certain overseas-based suppliers amounting to RM0.75 million. This was partially offset by the decrease in trade receivables by RM0.63 million; and

(iii) decrease in our trade and other payables amounting to RM0.21 million mainly due to decrease in other payables to third parties by RM4.06 million, which included net reduction in advance payment received from overseas customers for the purchase of frozen seafood products amounting to RM3.69 million. This was partially offset by the increase in trade payables of RM3.20 million mainly for the purchase of shrimps and higher accruals of general and administrative expenses by RM0.69 million.

FPE 2023

Our net cash from operating activities for the FPE 2023 was RM5.20 million, which comprised our PBT of RM12.01 million, adjusted upwards for non-cash and other non-operating items amounting to RM2.18 million, adjusted downward for working capital changes amounting to RM6.80 million and tax payments amounting to RM2.19 million. The working capital changes were mainly due to:-

(i) increase in inventories amounting to RM6.27 million mainly due to the higher level of finished goods comprising mainly frozen shrimps as at the end of FPE 2023 which are pending shipment to our overseas customers; and

(ii) increase in our trade and other receivables amounting to RM8.02 million primarily attributable to increase in trade receivables by RM10.60 million. This was partially offset by the net repayment of advances by SBH Perak Agro amounting to RM2.70 million,

which was partially offset by:-

(iii) increase in our trade and other payables amounting to RM7.49 million mainly due to higher trade payables by RM4.34 million, higher other payables by RM2.60 million and higher accruals of general and administrative expenses by RM0.56 million.

(b) Net cash (used in)/from investing activities

FYE 2020

For the FYE 2020, we recorded a net cash flow used in investing activities amounting to RM1.60 million, mainly comprising:-

(i) proceeds used for the purchase of PPE amounting to RM3.18 million, mainly for purchase of assets and renovation costs of our Hatchery Centre (RM0.41 million), plant, machinery, and tools and equipment (RM0.71 million), a shophouse used as workers' accommodation (RM0.69 million) and construction cost of the New Cold Room (RM1.14 million); and

(ii) proceeds used for the purchase of right-of-use assets comprising motor vehicles on hire purchase amounting to RM0.15 million,

which was partially offset by:-

(iii) dividend amounting to RM1.40 million received from our joint venture, namely SBH Perak Agro;

(iv) dividend amounting to RM0.17 million received from our other investment, namely Ocean Champion;

(v) interest earned from our deposits with licensed bank amounting to RM0.09 million;

(vi) proceeds received from the disposal of motor vehicle, plant and machinery amounting to RM0.07 million.

FYE 2021

For the FYE 2021, we recorded a net cash flow generated from investing activities amounting to RM5.83 million, mainly comprising:-

(i) dividend amounting to RM1.40 million received from our joint venture, namely SBH Perak Agro;

(ii) proceeds received from the disposal of a vacant land amounting to RM5.56 million and disposal of motor vehicles amounting to RM0.02 million;

(iii) dividend amounting to RM0.72 million received from our other investment, namely Ocean Champion; and

(iv) interest earned from our deposits with licensed bank amounting to RM0.10 million,

which was partially offset by:-

(v) RM1.72 million in proceeds used for the purchase of PPE mainly comprising of motor vehicles (RM0.09 million), electrical installation (RM0.14 million), plant, machinery, and tools and equipment (RM0.94 million) and construction costs of the New Cold Room (RM0.42 million); and

(vi) RM0.25 million in proceeds used for the purchase of right-of-use asset comprising motor vehicles on hire purchase amounting to RM0.15 million and coldroom and refrigeration system amounting to RM0.10 million.

FYE 2022

For the FYE 2022, we recorded a net cash flow generated from investing activities amounting to RM1.98 million, mainly comprising:-

(i) proceeds from the Disposal of Ocean Champion amounting to RM2.10 million;

(ii) dividend amounting to RM0.70 million received from our joint venture, namely SBH Perak Agro;

(iii) proceeds from disposal of PPE and right-of-use assets amounting to RM0.24 million; and

(iv) interest earned from our deposits with licensed bank amounting to RM0.07 million,

which was partially offset by:-

(v) proceeds used for the purchases of PPE amounting to RM0.26 million, mainly comprising of computer and software (RM0.05 million), plant and machinery (RM0.08 million) and renovation of existing facilities in the Kurau Plant (RM0.05 million); and

(vi) proceeds used for the purchase of right-of-use assets comprising motor vehicles under hire purchase amounting to RM0.87 million.

FPE 2023

For the FPE 2023, we recorded a net cash flow used in investing activities amounting to RM0.10 million, mainly for the purchase of PPE amounting to RM0.16 million comprising motor vehicles (RM0.03 million), plant, machinery (RM0.10 million), computer software, tools and equipment (RM0.03 million). This was partially offset by interest earned from our deposits with licensed bank amounting to RM0.07 million.

(c) Net cash used in financing activities

FYE 2020

For the FYE 2020, we recorded a net cash flow used in financing activities of RM0.47 million, mainly comprising:-

(i) funds used for the repayment of onshore foreign currency loans amounting to RM0.60 million;

(ii) funds used for the payments of lease liabilities amounting to RM0.19 million;

(iii) funds used for the repayment of term loans amounting to RM0.40 million; and

(iv) funds used for payment of interests on our term loans and onshore foreign currency loans amounting to RM0.30 million,

which was partially offset by:-

(v) proceeds from drawdown of term loans mainly used for working capital purposes amounting to RM1.02 million.

FYE 2021

For the FYE 2021, we recorded a net cash flow used in financing activities of RM18.38 million, mainly comprising:-

(i) dividends paid to shareholders of our Group during the year amounting to RM17.04 million;

(ii) funds used for the repayment of onshore foreign currency loans amounting to RM0.68 million and repayment of term loan amounting to RM0.60 million;

(iii) funds used for the payments of lease liabilities amounting to RM0.40 million; and

(iv) funds used for payment of interests on our term loans and onshore foreign currency loans amounting to RM0.26 million,

which was partially offset by:-

(v) proceeds from the issuance of new shares representing 30% equity interest in Top Grade to the Top Grade Vendors amounting to RM0.60 million.

FYE 2022

For the FYE 2022, we recorded a net cash flow used in financing activities of RM11.34 million, mainly comprising:-

(i) dividends paid to shareholders of our Group during the year amounting to RM5.60 million;

(ii) funds used for the repayment of term loans amounting to RM3.51 million;

(iii) funds used for the repayment of onshore foreign currency loans amounting to RM1.45 million;

(iv) funds used for the payments of lease liabilities amounting to RM0.64 million; and

(v) funds used for payment of interests on our term loans and onshore foreign currency loans amounting to RM0.14 million.

FPE 2023

For the FPE 2023, we recorded a net cash flow used in financing activities of RM4.20 million, mainly comprising:-

(i) dividends paid to shareholders of our Company during the period amounting to RM4.00 million;

(ii) funds used for the payments of lease liabilities amounting to RM0.60 million;

(iii) funds used for the repayment of term loan amounting to RM0.15 million; and

which was partially offset by:-

(iv) funds from the drawdown of onshore foreign currency loan (net of repayment) mainly used for working capital purposes amounting to RM0.57 million.

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12.5.3 Borrowings

Our Group's total outstanding interest-bearing borrowings including lease liabilities as at 30 September 2023 amounted to RM2.08 million, details of which are as set out in the information below:-

Type	Purpose	Tenure	Interest/ profit rate per annum (%)	As at 30 September 2023 Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)
Islamic term loan	For working capital purposes	5.5 years	3.50	207	311	518
Onshore foreign currency loan	For working capital purposes	54 days	5.90	572	-	572
Lease liabilities	Purchase of motor vehicles and equipment	3 - 5 years	1.88 - 3.06	526	464	990
Total				**1,305**	**775**	**2,080**
Gearing ratio (times) *						0.03

Note:-

* Computed based on interest bearing borrowings divided by the total equity of the Group as at 30 September 2023.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency, save for the onshore foreign currency loan which is denominated in USD as disclosed above and lease liabilities relating to the rental of properties.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings including lease liabilities of our Group throughout the Financial Periods Under Review and the subsequent financial period up to the LPD.

As at the LPD, our Group was not in breach of any terms and conditions or covenants associated with the credit arrangements of our bank borrowings and lease liabilities which can materially affect our financial position and results or business operations or the investments by the holders of our Shares.

12.5.4 Financial Instruments, Treasury Policies and Objectives

For the Financial Periods Under Review, save for our bank facilities and leases as set out in Section 12.5.3 of this Prospectus and trade facilities offered by licensed financial institutions, including foreign exchange contracts and onshore foreign currency loans, we have not utilised any other financial instruments. We maintain foreign currency bank accounts to receive proceeds of our sales and to make payments for our purchases which are denominated in USD and SGD.

Our main treasury policy is to maintain sufficient working capital to finance our business and operations, coupled with adequate banking facilities to meet our commitments for operating and capital expenditure. Our combination of internal and external sources of funds include cash generated from operations, bank borrowings and lease liabilities. The primary objective is to have sustainable shareholders' equity and working capital to ensure we have the ability to continue as a going concern and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.5.5 Material Capital Commitment

As at the LPD, we do not have any material capital commitments for capital expenditure contracted or known to be contracted, which may have a material adverse effect on the financial position of our Group, save for the planned capital expenditure as mentioned in Section 7.19 of this Prospectus.

12.5.6 Material Litigation, Claims or Arbitration

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on our financial position or business and our Directors do not know of any proceeding pending and threatened, and of any fact likely to give rise to any proceeding which might materially and adversely affect our business and financial position.

12.5.7 Contingent Liabilities

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

12.5.8 Key Financial Ratios

Our key financial ratios are as follows:-

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
Trade receivables turnover period (days)	69	53	57	68
Trade payables turnover period (days)	34	25	24	34
Inventories turnover period (days)	85	56	52	65
Current ratio (times)	2.98	3.34	3.81	2.72
Gearing ratio (times)	0.09	0.09	0.03	0.03

Commentaries on key financial ratio

(a) Trade receivables turnover

A summary of our trade receivables for the Financial Periods Under Review is set out as follows:-

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables at the beginning of the financial year/period	28,196	24,701	30,836	30,207
Trade receivables at the end of the financial year/period	24,701	30,836	30,207	41,368
Average trade receivables	26,449	27,769	30,522	35,788
Revenue for the financial year/period	140,581	192,006	194,426	144,212
Trade receivables turnover period (days)	**69** (1)	**53** (1)	**57** (1)	68 (2)

Notes:-

(1) Computed based on the average of the trade receivables balance (net of allowance for impairment losses) at the beginning and end of the respective financial year/period divided by the revenue of the respective financial years/period, multiplied by 365 days.

(2) Computed based on the average of the trade receivables balance (net of allowance for impairment losses) at the beginning and end of the financial period divided by the revenue of the financial period, multiplied by 273 days.

The normal credit period granted to our customers ranges from cash on delivery to credit period granted by our Group ranging from 30 to 90 days which are mainly assessed and approved on a case-to-case basis taking into consideration various factors such as relationships with customers, customers' payment history, credit worthiness, transaction volume, financial background, market reputation as well as customers' ability to pay.

Our trade receivables turnover period for the Financial Periods Under Review stood at 69 days, 53 days, 57 days and 68 days respectively which fell within the normal credit term granted to our customers.

Comparison between the FYE 2020 and the FYE 2021

Our Group's trade receivables turnover period decreased from 69 days in the FYE 2020 to 53 days in the FYE 2021 which was mainly due to better collections from our customers and shorter credit periods given to new customers.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's trade receivable turnover period increased to 57 days (FYE 2021: 53 days) mainly due to the request by some of our overseas customers for a longer settlement period as the result of the sharp appreciation of the USD against RM especially during the second half of the year.

Comparison between the FYE 2022 and the FPE 2023

For the FPE 2023, our Group's trade receivable turnover period increased to 68 days (FYE 2022: 57 days) mainly due to slow payment from one of our major customers, namely Customer G.

The following information sets out the ageing analysis of our Group's trade receivables as at 30 September 2023:-

	Within credit period	Exceeding credit period			Total
		1 – 30 days	31 – 60 days	> 60 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 September 2023					
Trade receivables	30,128	2,381	3,082	6,057	41,648
Impairment losses	(147)	(30)	(38)	(65)	(280)
Net trade receivables	29,981	2,351	3,044	5,992	41,368
% of net trade receivables (%)	72.47	5.68	7.36	14.49	100.00
As at the LPD					
Less:					
Trade receivables collected	(19,587)	(662)	(2,777)	(6,057)	(29,083)
% of net trade receivables (%)	(47.35)	(1.60)	(6.71)	(14.64)	(70.30)
Net trade receivables outstanding as at the LPD	**10,394**	**1,689**	**267**	*****	**12,285**
% of net trade receivables (%)	25.13	4.08	0.65	*	29.70

Note:-

* The gross trade receivables exceeding 60 days have been fully collected as at the LPD, hence no net trade receivables was presented.

Our Group's net trade receivables as at 30 September 2023 stood at RM41.37 million, of which approximately RM11.39 million or 27.53% had exceeded our normal credit periods granted to our customers.

As at the LPD, we have collected approximately RM29.08 million or 70.30% of our net trade receivables (net of impairment losses) outstanding as at 30 September 2023. The balance outstanding of RM12.29 million is mainly owing by one of our major customers, namely Customer G, with an outstanding trade receivables of RM10.30 million, of which RM1.96 million had exceeded credit period. After considering the long term business relationship, we have granted an indulgence to Customer G where it has agreed in writing to settle the outstanding sum on a staggered basis by the third quarter of 2024. Customer G has been facing cashflow constraints as it has been adversely affected by lower demand for seafood in South Korea following the decision of Japan to release treated water from the Fukushima nuclear power plant in August 2023 which have reduced seafood consumption due to radiation concerns. Our Board is of the opinion that the remaining outstanding trade receivables (including the amount owing by Customer G) are recoverable, after taking into consideration the customers' historical payment trend and the fact that our customers have not defaulted on payment throughout the Financial Periods Under Review and up to the LPD.

We have not experienced any significant bad debts for the Financial Periods Under Review, save for the amounts written off in FYE 2020 and FYE 2021 as disclosed in Section 12.4.1(f) of this Prospectus. We assess the collectability of trade receivables on an individual customer basis and provide for any impairment loss on receivables as follows:-

(i) simplified approach using an allowance matrix to estimate lifetime expected credit loss in accordance with MFRS 9 – Financial Instruments; and

(ii) specific allowance for impairment on overdue balances where recoverability is ascertained to be uncertain based on our dealings with the customer.

For the FPE 2023, we have provided for an allowance for impairment losses amounting to RM0.28 million representing 0.67% of our trade receivables outstanding as at 30 September 2023.

(b) Trade payables turnover

A summary of our trade payables for the Financial Periods Under Review is set out as follows:-

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables as at the beginning of the financial year/period	10,236	12,753	9,627	12,827
Trade payables as at the end of the financial year/period	12,753	9,627	12,827	17,284
Average trade payables balance	11,495	11,190	11,227	15,056
Cost of sales for the financial year/period	123,659	166,180	167,801	120,891
Trade payables turnover period (days)	**34** (1)	**25** (1)	**24** (1)	**34** (2)

Notes:-

(1) Computed based on the average of the trade payables balance at the beginning and end of the respective financial year/period divided by the cost of sales of the respective financial years/period, multiplied by 365 days.

(2) Computed based on the average of the trade payables balance at the beginning and end of the financial period divided by the cost of sales of the financial period, multiplied by 273 days.

The normal credit period granted to our Group by our suppliers ranges from cash on delivery to credit period granted by our Group ranging from 30 days to 90 days. Our trade payables turnover period for the Financial Periods Under Review stood at 34 days, 25 days and 24 days respectively, which fell within the normal credit periods granted by our suppliers. It is our practice to make prompt payments to our suppliers in order to foster good business relationships with them to safeguard the continuity of supplies at competitive pricing to us.

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's trade payables turnover period decreased from 34 days to 25 days. The lower trade payables turnover period of 25 days in the FYE 2021 reflects the improvement in cash flow position during the year and our commitment to pay our trade creditors on a timely basis, including some earlier payments to some of our suppliers in order to secure supply raw materials.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's trade payables turnover period decreased slightly from 25 days to 24 days. The lower trade payables turnover period in FYE 2022 was primarily due to the early payments to some of our suppliers in order to secure priority supply to us.

Comparison between the FYE 2022 and the FPE 2023

For the FPE 2023, our Group's trade payables turnover period increased from 24 days to 34 days, which was mainly due to our prudent fund management in view of the longer collection period of our trade receivables for the financial period.

The following information sets out the ageing analysis of our Group's trade payables as at 30 September 2023:-

	Within credit period	Exceeding credit period			Total
		1 – 30 days	31 – 60 days	> 60 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 September 2023					
Trade payables	17,284	-	-	-	17,284
% of total trade payables (%)	100.00	-	-	-	100.00
As at the LPD					
Less:					
Trade payables settled	(17,284)	-	-	-	(17,284)
% of total trade payables (%)	(100.00)	-	-	-	(100.00)
Trade payables outstanding as at the LPD	**-**	**-**	**-**	**-**	**-**
% of total trade payables (%)	-	-	-	-	-

Our Group's total trade payables (excluding advance payments to trade creditors) stood at RM17.28 million as at 30 September 2023, all of which were within the normal credit periods granted by our trade creditors to us.

As at the LPD, we have fully settled all of our trade payables outstanding as at 30 September 2023.

(c) Inventories turnover period

The breakdown of our inventories for the Financial Periods Under Review are as follows:-

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Inventories as at the beginning of the financial year/period	14,566	22,689	14,085	17,763
Inventories as at the end of the financial year/period	22,689	14,085	17,763	24,031
Average inventories balances	18,628	18,387	15,924	20,897
Cost of sales for the financial year/period (excluding merchant trading)	79,799	119,178	112,322	87,735
Inventories turnover period (days)	**85** (1)	**56** (1)	**52** (1)	**65** (2)

Notes:-

(1) Computed based on the average of inventories balance at the beginning and end of the respective financial year divided by the cost of sales of the respective financial years (excluding merchant trading), multiplied by 365 days.

(2) Computed based on the average of inventories balance at the beginning and end of the financial period divided by the cost of sales of the financial period (excluding merchant trading), multiplied by 273 days.

Our inventories mainly comprise the following:-

(i) Finished goods such as frozen processed seafood products which are stored pending delivery to the customers; and

(ii) Others which include mainly aquaculture related products such as probiotics and chemicals, as well as packing materials (used for our frozen seafood products).

Comparison between the FYE 2020 and the FYE 2021

For the FYE 2021, our Group's inventories turnover period decreased from 85 days to 56 days. The lower inventories turnover period of 56 days in the FYE 2021 was primarily due to a more efficient inventory turnaround time to cater to the higher sales of our frozen seafood products as the inventory holding period was generally shorter before our finished goods are being shipped out to our customers due to the gradual recovery of overall global shipment schedules particularly towards the end of 2021.

Comparison between the FYE 2021 and the FYE 2022

For the FYE 2022, our Group's inventories turnover period further decreased from 56 days to 52 days. The lower inventories turnover period of 52 days in the FYE 2022 was primarily due a more efficient inventory turnaround time despite lower sales of our frozen seafood products processed at our Kurau Plant as the inventory holding period continue to improve due to the availability of shipments throughout FYE 2022 which facilitated more deliveries of our products to our overseas customers.

Comparison between the FYE 2022 and the FPE 2023

For the FPE 2023, our Group's inventories turnover period increased from 52 days for the FYE 2022 to 65 days, mainly due to higher stock level of frozen processed seafood products in anticipation of more shipments to our overseas customers during the last quarter of FYE 2023. We also produced and stocked up more frozen white-leg shrimps to take advantage of the prevailing lower market prices of whiteleg shrimps from our suppliers during the FPE 2023.

(d) Current ratio

The summary of our Group's current ratio for the Financial Periods Under Review is as follows:-

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Current assets as at the end of the financial year/period	61,300	73,872	73,865	89,702
Current liabilities as at the end of the financial year/period	20,596	22,125	19,390	32,939
Net current assets as at the end of the financial year/period	40,704	51,747	54,475	56,763
Current ratio (times) *	**2.98**	**3.34**	**3.81**	**2.72**

Note:-

* Computed based on the current assets divided by the current liabilities of the Group as at the end of the respective financial years/period.

Our current ratios for the Financial Periods Under Review was maintained between 2.72 times and 3.81 times, indicating that our Group is capable of meeting our current obligations as our current assets such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances are enough to meet our short terms current liabilities.

Comparison between the FYE 2020 and the FYE 2021

As at 31 December 2021, our current ratio stood at 3.34 times compared to 2.98 times as at 31 December 2020. The increase in current ratio was mainly due to the following:-

(i) increase in trade receivables as a result of increase in revenue, in line with the increase in demand for our frozen seafood products during the year;

(ii) increase in cash and bank balances as a result of proceeds received from disposal of a vacant land previously held for investment purpose which was completed in 2021; and

(iii) reduction in loan and borrowings due to repayments of term loan and lower utilisation of onshore foreign currency loan during the year;

Comparison between the FYE 2021 and the FYE 2022

As at 31 December 2022, our current ratio stood at 3.81 times compared to 3.34 times as at 31 December 2021. The increase in current ratio was mainly due to the following:-

(i) decrease in loan and borrowings mainly due to repayments of term loan and lower utilisation of onshore foreign currency loan during the year; and

(ii) decrease in current tax liabilities by RM0.86 million during the year.

Comparison between the FYE 2022 and the FPE 2023

As at 30 September 2023, our current ratio stood at 2.72 times compared to 3.81 times as at 31 December 2022. The lower current ratio was mainly due to the following:-

(i) increase in current liabilities by RM13.55 million comprising higher trade payables and other payables by RM4.46 million and RM7.15 million respectively mainly due to longer payment period in settlement of these payables during the financial period as compared to the previous financial year. The other payables in FPE 2023 was higher than that in FPE 2022 mainly due to higher advance payments paid by Customer F for purchase of frozen seafood products from our Group by RM2.38 million, dividends payable to shareholders of the Company amounting to RM4.00 million and accrued salary and wages for the month of September 2023 amounting to RM0.72 million (which have been subsequently paid in October 2023).

(e) Gearing ratio

The summary of our Group's gearing ratio for the Financial Periods Under Review is as follows:-

	Audited			
	FYE 2020	**FYE 2021**	**FYE 2022**	**FPE 2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total interest-bearing borrowings as at the end of the financial year/period [(1)]	7,193	6,738	2,162	2,080
Total equity as at the end of the financial year/period	77,331	73,507	80,961	81,364
Gearing ratio (times) [(2)]	**0.09**	**0.09**	**0.03**	**0.03**

Notes:-

(1) Total interest-bearing borrowings are the aggregate value of the borrowings and lease liabilities (excluding lease liabilities relating to the rental of properties).

(2) Computed based on the total interest-bearing borrowings divided by the total equity of the Group (excluding non-controlling interests) as at the end of the respective financial years/period.

Our gearing ratios have remained relatively low throughout the Financial Periods Under Review, being 0.09 times as at 31 December 2020 and 31 December 2021 and 0.03 times as at 31 December 2022 and 30 September 2023. Our Group is not heavily reliance on borrowings as we maintained a net cash position throughout the Financial Periods Under Review.

12.6 TREND INFORMATION

As at the LPD, our Board confirms that there are no:-

(a) 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 and operations, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(b) material commitments for capital expenditure;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group operations, other than those discussed in Sections 7, 9 and 12 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits, other than those disclosed in this Section 12, the information on our Group as set out in Sections 6 and 7 of this Prospectus and our future plans and strategies as set out in Section 7.19 of this Prospectus;

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

(f) known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

12.7 ORDER BOOK

As at the LPD, we have secured purchase orders from our customers amounting to approximately RM45.42 million, all of which are expected to be fulfilled and billed in the FYE 2024.

12.8 DIVIDEND POLICY

It is our Company's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy. Our ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as actual profits registered for the year and the availability of funds in excess of working capital requirements for our businesses.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

The dividends declared and paid by our Company and our subsidiary, Fantastic Seafood, during the Financial Periods Under Review are as follows:-

	FYE 2020 (RM'000)	**FYE 2021 (RM'000)**	**FYE 2022 (RM'000)**	**FPE 2023 (RM'000)**
Dividends declared	-	(1) 20,640	(2) 6,000	(3) 4,000
Dividends paid	-	(1) 17,040	(2) 5,600	(2) 4,000
PAT	8,306	13,043	13,054	8,403
Dividend payout ratio (%) (4)	-	158.2%	46.0%	(3) 47.6%

Notes:-

(1) Dividends declared by Fantastic Seafood in respect of the FYE 2021, of which RM17.04 million was paid out in 2021 and balance of RM3.60 million was paid out in 2022.

(2) Dividends declared by our Company in respect of FYE 2022, of which RM2.0 million was paid out in 2022 and the balance RM4.0 million was paid out in FPE 2023.

(3) Dividends declared by our Company in respect of FPE 2023, all of which were paid out in December 2023.

(4) Computed based on dividends declared divided by the PAT.

The dividends paid were funded entirely via our Group's internally generated funds.

Save as disclosed above, the Group has no intention to declare or pay any further dividend prior to the completion of the Listing. Our Board do not foresee that the dividend paid subsequent to FPE 2023 would affect the execution and implementation of our future plans or strategies moving forward.

Investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Directors or the Company to do so. The level of dividends previously declared or paid should not be treated as an indication of our Company's future dividend policy. There can be no assurance that the Company will be in the position to declare and pay consistent dividends in the future nor can there be any certainty on timing of any dividend payments in the future.

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The Board of Directors
SBH Marine Holdings Berhad
(Formerly known as Fantastic Holdings Berhad)
39, Irving Road
10400 Georgetown
Penang, Malaysia

Date: 19 FEB 2024
Our ref: KTH/WXJ/ROYX

Dear Sirs

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report ("this report") of SBH Marine Holdings Berhad (formerly known as Fantastic Holdings Berhad) ("SBH Holdings" or "the Company")

Opinion

We have audited the combined financial statements of SBH Holdings and its combining entities (collectively referred to as the "Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 of the Group, 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 the financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and notes to the combined financial statements, including a summary of significant accounting policies as set out in Note 4 to the combined financial statements.

This historical combined financial statements have been prepared for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing of and quotation for the enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is given for the purposes of complying with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and of their financial performance and their cash flows for each of the financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). 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 that 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.

Directors' Responsibility for the Combined Financial Statements

The Directors of the Company ("the Directors") are responsible for the preparation of the combined financial statements that gives a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the Directors are responsible for assessing the ability of the Group 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 the 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 a 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks 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;

(b) 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 internal control of the Group;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(d) 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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;

(e) 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; and

(f) Obtain sufficient appropriate audit evidence regarding the financial information 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 communicate 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 identify 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, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 30 September 2022 has not been audited.

This report has been prepared solely to comply with the Listing Requirements and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2025 J
Chartered Accountant

Penang
Dated: 19 FEB 2024

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
ASSETS					
Non-current assets					
Property, plant and equipment	6	7,962,265	9,131,442	8,772,878	8,524,513
Right-of-use assets	7	439,360	1,378,395	2,417,893	2,020,207
Investment properties	8	5,480,780	-	-	-
Other investment	9	1,700,000	-	-	-
Investment in a joint venture	10	14,380,068	14,581,237	17,382,651	15,735,404
Deferred tax assets	11	7,000	7,000	7,000	7,000
Other receivables	13	11,291,461	-	-	-
		41,260,934	25,098,074	28,580,422	26,287,124
Current assets					
Inventories	12	22,689,221	14,084,531	17,763,218	24,031,176
Trade and other receivables	13	27,222,577	38,253,671	41,081,318	49,667,225
Current tax assets		78,540	126,044	247,544	288,637
Cash and bank balances	14	11,309,875	21,407,443	14,773,110	15,714,516
		61,300,213	73,871,689	73,865,190	89,701,554
Asset classified as held for sale	9	-	1,700,000	-	-
TOTAL ASSETS		102,561,147	100,669,763	102,445,612	115,988,678
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Invested equity*		24,000,000	24,000,000	-	-
Share capital	15	-	1	57,698,161	57,698,161
Reserves	16	53,331,105	49,507,353	23,262,867	23,665,717
		77,331,105	73,507,354	80,961,028	81,363,878
Non-controlling interests	17	-	426,638	381,659	354,640
TOTAL EQUITY		77,331,105	73,933,992	81,342,687	81,718,518
**Deemed as invested equity based on number of shares on combined basis*		24,000,000	24,000,000	-	-

COMBINED STATEMENTS OF FINANCIAL POSITION (continued)

	Note	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
LIABILITIES					
Non-current liabilities					
Borrowings	18	4,183,958	3,582,065	467,033	311,072
Lease liabilities	7	162,021	633,797	840,271	592,843
Deferred tax liabilities	11	287,600	395,100	405,900	426,500
		4,633,579	4,610,962	1,713,204	1,330,415
Current liabilities					
Borrowings	18	2,707,891	2,048,265	201,854	778,856
Lease liabilities	7	163,539	487,508	668,464	571,260
Trade and other payables	19	16,735,913	18,673,216	18,466,570	30,074,971
Current tax liabilities		989,120	915,820	52,833	1,514,658
		20,596,463	22,124,809	19,389,721	32,939,745
TOTAL LIABILITIES		25,230,042	26,735,771	21,102,925	34,270,160
TOTAL EQUITY AND LIABILITIES		102,561,147	100,669,763	102,445,612	115,988,678

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19 FEB 2024
BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants
Penang

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Revenue	20	140,580,608	192,006,486	194,425,848	144,212,418	140,089,364
Cost of sales		(123,658,217)	(166,180,022)	(167,800,715)	(120,891,575)	(121,081,172)
Gross profit		16,922,391	25,826,464	26,625,133	23,320,843	19,008,192
Other income	21	703,925	2,582,313	1,989,817	1,145,709	2,383,249
Selling and distribution expenses		(3,117,763)	(7,597,990)	(7,893,695)	(3,936,060)	(6,340,549)
Administrative expenses		(6,459,384)	(8,124,100)	(8,317,487)	(6,513,792)	(6,630,244)
Net reversal of/(additional) impairment losses on trade and other receivables		191,722	1,453,393	-	(280,160)	-
Finance costs	23	(316,660)	(306,789)	(200,487)	(77,664)	(175,079)
Share of profit/(loss) of a joint venture, net of tax	10(c)	3,504,211	1,601,169	3,501,414	(1,647,247)	2,488,273
Profit before tax		11,428,442	15,434,460	15,704,695	12,011,629	10,733,842
Tax expense	24	(3,122,457)	(2,391,574)	(2,696,000)	(3,635,798)	(2,001,478)
Profit for the financial year/period		8,305,985	13,042,886	13,008,695	8,375,831	8,732,364
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		8,305,985	13,042,886	13,008,695	8,375,831	8,732,364

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Note	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Profit for the financial year/period attributable to:						
Owners of the Company		8,305,985	13,042,886	13,053,674	8,402,850	8,769,501
Non-controlling interests		-	-	(44,979)	(27,019)	(37,137)
		8,305,985	13,042,886	13,008,695	8,375,831	8,732,364
Total comprehensive income attributable to:						
Owners of the Company		8,305,985	13,042,886	13,053,674	8,402,850	8,769,501
Non-controlling interests		-	-	(44,979)	(27,019)	(37,137)
		8,305,985	13,042,886	13,008,695	8,375,831	8,732,364
Earnings per ordinary share attributable to owners of the Company:						
Basic and diluted (sen)						
Before completion of the listing	27	1.17	1.84	1.84	1.19	1.24
After completion of the listing	27	0.94	1.47	1.47	0.95	0.99

COMBINED STATEMENTS OF CHANGES IN EQUITY

Audited	**Share capital RM**	**Invested equity RM**	**Merger reserve RM**	**Retained earnings RM**	**Total attributable to owners of the Company RM**	**Non-controlling interests RM**	**Total equity RM**
Balance at 1 January 2020	-	24,000,000	(3,213,558)	48,238,678	69,025,120	-	69,025,120
Profit for the financial year	-	-	-	8,305,985	8,305,985	-	8,305,985
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	8,305,985	8,305,985	-	8,305,985
Balance as at 31 December 2020	-	24,000,000	(3,213,558)	56,544,663	77,331,105	-	77,331,105

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COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Audited	Note	Share capital RM	Invested equity RM	Merger reserve RM	Retained earnings RM	Total attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2021		-	24,000,000	(3,213,558)	56,544,663	77,331,105	-	77,331,105
Profit for the financial year		-	-	-	13,042,886	13,042,886	-	13,042,886
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	13,042,886	13,042,886	-	13,042,886
Transactions with owners of the Company								
Issuance of share capital as at date of incorporation	15	1	-	-	-	1	-	1
Dividends paid	25	-	-	-	(17,040,000)	(17,040,000)	-	(17,040,000)
Subscription of ordinary shares by non-controlling interests in a combining entity	17	-	-	-	173,362	173,362	426,638	600,000
Total transactions with owners of the Company		1	-	-	(16,866,638)	(16,866,637)	426,638	(16,439,999)
Balance as at 31 December 2021		1	24,000,000	(3,213,558)	52,720,911	73,507,354	426,638	73,933,992

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Audited	**Note**	**Share capital RM**	**Invested equity RM**	**Merger reserve RM**	**Retained earnings RM**	**Total attributable to owners of the Company RM**	**Non-controlling interests RM**	**Total equity RM**
Balance as at 1 January 2022		1	24,000,000	(3,213,558)	52,720,911	73,507,354	426,638	73,933,992
Profit for the financial year		-	-	-	13,053,674	13,053,674	(44,979)	13,008,695
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	13,053,674	13,053,674	(44,979)	13,008,695
Transactions with owners of the Company								
Dividends paid	25	-	-	-	(5,600,000)	(5,600,000)	-	(5,600,000)
Acquisitions of subsidiaries in business combinations under common control	15(a)	57,698,160	(24,000,000)	(33,698,160)	-	-	-	-
Total transactions with owners of the Company		57,698,160	(24,000,000)	(33,698,160)	(5,600,000)	(5,600,000)	-	(5,600,000)
Balance as at 31 December 2022		57,698,161	-	(36,911,718)	60,174,585	80,961,028	381,659	81,342,687

13. ACCOUNTANTS' REPORT *(cont'd)*

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Audited	**Note**	**Share capital RM**	**Invested equity RM**	**Merger reserve RM**	**Retained earnings RM**	**Total attributable to owners of the Company RM**	**Non-controlling interests RM**	**Total equity RM**
Balance as at 1 January 2023		57,698,161	-	(36,911,718)	60,174,585	80,961,028	381,659	81,342,687
Profit for the financial period		-	-	-	8,402,850	8,402,850	(27,019)	8,375,831
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	8,402,850	8,402,850	(27,019)	8,375,831
Transactions with owners of the Company								
Dividends paid	25	-	-	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Total transactions with owners of the Company		-	-	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Balance as at 30 September 2023		57,698,161	-	(36,911,718)	60,577,435	81,363,878	354,640	81,718,518

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

Unaudited	Note	Share capital RM	Invested equity RM	Merger reserve RM	Retained earnings RM	Total attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2022		1	24,000,000	(3,213,558)	52,720,911	73,507,354	426,638	73,933,992
Profit for the financial period		-	-	-	8,769,501	8,769,501	(37,137)	8,732,364
Other comprehensive income, net of tax		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	8,769,501	8,769,501	(37,137)	8,732,364
Transactions with owners of the Company								
Dividends paid	25	-	-	-	(3,600,000)	(3,600,000)	-	(3,600,000)
Acquisitions of subsidiaries in business combinations under common control	15(a)	57,698,160	(24,000,000)	(33,698,160)	-	-	-	-
Total transactions with owners of the Company		57,698,160	(24,000,000)	(33,698,160)	(3,600,000)	(3,600,000)	-	(3,600,000)
Balance as at 30 September 2022		57,698,161	-	(36,911,718)	57,890,412	78,676,855	389,501	79,066,356

COMBINED STATEMENTS OF CASH FLOWS

	Note	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		11,428,442	15,434,460	15,704,695	12,011,629	10,733,842
Adjustments for:						
Impairment loss on trade receivables	13(f)	-	-	-	280,160	-
Bad debt written off		46,636	274,332	-	-	-
Depreciation of:						
- property, plant and equipment	6	646,140	553,391	610,542	438,106	445,933
- right-of-use assets	7	156,213	438,879	720,799	564,031	442,783
Dividend income	21	(172,714)	(719,643)	-	-	-
Gain on disposal of:						
- property, plant and equipment	21	(49,690)	(17,116)	(149,697)	-	(107,698)
- right-of-use assets	21	-	-	(21,241)	-	(21,241)
- investment property	21	-	(81,273)	-	-	-
- other investment	21	-	-	(400,000)	-	(400,000)
Reversal of impairment losses on other receivables	13(h)	(191,722)	(1,453,393)	-	-	-
Property, plant and equipment written off	6	317	14,406	8,556	1,500	8,556
Interest expense	23	316,660	306,789	200,487	77,664	175,079
Interest income	21	(91,717)	(95,997)	(71,366)	(67,532)	(47,273)
Share of (profit)/loss of a joint venture	10(c)	(3,504,211)	(1,601,169)	(3,501,414)	1,647,247	(2,488,273)
Unrealised gain on foreign exchange	21	(44,248)	(306,149)	-	(756,215)	(225,795)
Operating profit before changes in working capital		8,540,106	12,747,517	13,101,361	14,196,590	8,515,913
Changes in working capital:						
Inventories		(8,122,767)	8,604,690	(3,678,687)	(6,267,958)	(4,488,963)
Trade and other receivables		4,453,827	1,787,764	(2,827,647)	(8,024,207)	(5,201,025)
Trade and other payables		4,580,808	1,887,121	(206,646)	7,493,636	(2,814,623)
Cash generated from/(used in) operations		9,451,974	25,027,092	6,388,381	7,398,061	(3,988,698)

COMBINED STATEMENTS OF CASH FLOWS (continued)

	Note	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
CASH FLOWS FROM OPERATING ACTIVITIES (continued)						
Cash generated from/(used in) operations		9,451,974	25,027,092	6,388,381	7,398,061	(3,988,698)
Tax refunded		46,140	-	-	-	-
Tax paid		(2,288,152)	(2,404,878)	(3,669,687)	(2,194,466)	(2,371,405)
Net cash from/(used in) operating activities		7,209,962	22,622,214	2,718,694	5,203,595	(6,360,103)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		91,717	95,997	71,366	67,532	47,273
Dividends received from:						
- other investment		172,714	719,643	-	-	-
- a joint venture	10(c)	1,400,000	1,400,000	700,000	-	-
Proceeds from disposal of:						
- property, plant and equipment		66,563	23,841	149,700	-	107,700
- right-of-use assets		-	-	95,000	-	95,000
- investment property	8(c)	-	5,562,053	-	-	-
- other investment		-	-	2,100,000	-	2,100,000
Purchase of:						
- property, plant and equipment	6	(3,183,828)	(1,717,383)	(260,536)	(163,327)	(224,720)
- right-of-use assets	7(d)	(150,087)	(249,230)	(870,781)	-	(817,676)
Net cash (used in)/from investing activities		(1,602,921)	5,834,921	1,984,749	(95,795)	1,307,577

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BDO PLT
(201906000013 (LLP0018825-LCA) & AF 0206)
Chartered Accountants
Penang

COMBINED STATEMENTS OF CASH FLOWS (continued)

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of term loans	1,015,682	-	-	-	-
Drawdown of onshore foreign currency loans	-	-	-	1,354,632	283,957
Dividends paid	-	(17,040,000)	(5,600,000)	(4,000,000)	(3,600,000)
Repayment of onshore foreign currency loans	(595,440)	(679,583)	(1,448,431)	(782,699)	-
Repayment of term loans	(404,022)	(597,008)	(3,513,012)	(150,892)	(3,463,652)
Payment of lease liabilities	(188,322)	(400,918)	(636,510)	(593,314)	(456,549)
Proceeds from issuance of share capital	-	1	-	-	-
Proceeds from issuance of shares by a combining entity to non-controlling interests	-	600,000	-	-	-
Interest paid	(302,025)	(265,126)	(139,823)	(23,241)	(131,659)
Net cash used in financing activities	(474,127)	(18,382,634)	(11,337,776)	(4,195,514)	(7,367,903)
Net increase/(decrease) in cash and cash equivalents	5,132,914	10,074,501	(6,634,333)	912,286	(12,420,429)
Effects of exchange rate changes on cash and cash equivalents	(28,179)	23,067	-	29,120	-
Cash and cash equivalents at beginning of financial year/period	6,205,140	11,309,875	21,407,443	14,773,110	21,407,443
Cash and cash equivalents at end of financial year/period	11,309,875	21,407,443	14,773,110	15,714,516	8,987,014

COMBINED STATEMENTS OF CASH FLOWS (continued)

Reconciliation of Liabilities Arising from Financing Activities

	Borrowings (Note 18) RM	Lease liabilities (Note 7) RM
Audited		
Balance as at 1 January 2020	6,839,976	246,474
Cash flows	16,220	(188,322)
Non-cash flows:		
- Addition of lease liabilities	-	252,773
- Unwinding of interest	-	14,635
- Effect of foreign exchange	35,653	-
Balance as at 31 December 2020	6,891,849	325,560
Balance as at 1 January 2021	6,891,849	325,560
Cash flows	(1,276,591)	(400,918)
Non-cash flows:		
- Addition of lease liabilities	-	1,155,000
- Unwinding of interest	-	41,663
- Effect of foreign exchange	15,072	-
Balance as at 31 December 2021	5,630,330	1,121,305
Balance as at 1 January 2022	5,630,330	1,121,305
Cash flows	(4,961,443)	(636,510)
Non-cash flows:		
- Addition of lease liabilities	-	963,276
- Unwinding of interest	-	60,664
Balance as at 31 December 2022	668,887	1,508,735
Balance as at 1 January 2023	668,887	1,508,735
Cash flows	421,041	(593,314)
Non-cash flows:		
- Addition of lease liabilities	-	194,259
- Unwinding of interest	-	54,423
Balance as at 30 September 2023	1,089,928	1,164,103
Unaudited		
Balance as at 1 January 2022	5,630,330	1,121,305
Cash flows	(3,179,695)	(456,549)
Non-cash flows:		
- Addition of lease liabilities	-	883,275
- Unwinding of interest	-	43,420
Balance as at 30 September 2022	2,450,635	1,591,451

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 18 October 2021 as a private limited liability company under the name Fantastic Holdings Sdn. Bhd. ("the Company"). On 17 August 2022, the Company converted its legal form from a private limited liability company to a public limited liability company. Subsequently on 8 March 2023, the Company changed its name to SBH Marine Holdings Berhad.

The registered office of the Company is located at 39, Irving Road, 10400 Georgetown, Penang.

The principal place of business of the Company is located at Lot 1744, Batu 13, Jalan Pantai, 34350 Kuala Kurau, Perak.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Group.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of investment holdings and provision of management services. The principal activities of the combining entities are set out in Note 32 to the combined financial statements.

3. BASIS OF PREPARATION

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and based on the Guidance Note on *Combined Financial Statements* issued by the Malaysian Institute of the Accountants, pursuant to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

The combined financial statements of the Group consist of the combined financial statements of the Company and its combining entities as disclosed in Note 32 to the combined financial statements, which are under common control throughout the reporting periods. The common control of the combining entities has been established by virtue of Mr. Tan Boo Nam, Mr. Tan Yuak Ming and Mr. Tan Yuak Kwang, being the promoters, substantial shareholders and Executive Directors of the Company.

For the purpose of this Accountants' Report, the Company had prepared the combined financial statements instead of consolidated financial statements as the Group has demerged insignificant part of its economic activities, which is contributed by Ocean Champion Sdn. Bhd. ("Ocean Champion") and aimed to present the financial information for its remaining economic activities.

The financial information presented in the combined financial statements may not correspond to the consolidated financial statements of the Company and its subsidiaries, after effecting the relevant adjustments arising from the disposal of Ocean Champion. Such financial information from the combined financial statements does not purport to predict the consolidated financial positions, results of operation and cash flows of the Company and its subsidiaries.

These are the first combined financial statements of the Group prepared in accordance with MFRSs and IFRSs, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the separate financial statements of the respective combining entities were prepared in accordance with Malaysian Private Entities Reporting Standard.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

3. BASIS OF PREPARATION (continued)

The Group has consistently applied the same accounting policies in its opening MFRS combined statements of financial position as at 1 January 2020 and throughout all financial years/period presented, as if these policies had always been in effect.

The historical combined financial statements of the Group are prepared using the audited financial statements of the Company for the financial period ended 31 December 2022 and 30 September 2023 and the respective combining entities for the relevant financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023. There were no audited financial statements for the Company for the financial years ended 31 December 2020 and 31 December 2021 as the Company was only incorporated on 18 October 2021.

The audited financial statements of all the combining entities for the relevant financial period/years reported above were not subject to any qualification, modification or disclaimer.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The combined financial statements have been prepared under the historical cost convention except as otherwise stated in combined financial statements.

The preparation of the combined financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. The Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from these estimates.

4.2 Basis of combination and business combinations

The combined financial statements incorporate the financial statements of the Company and all its combining entities as disclosed in Note 32 to the combined financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of combination and business combinations (continued)

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the combining entities are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, adjustments were made to the accounting policies of the combining entities to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in combining entities that are not attributable, directly or indirectly, to the owners of the Company, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The combining entities are accounted for in the combined financial statements from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a combining entity acquired or disposed of during the financial year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the combining entity.

Changes in the Company' owners ownership interest in a combining entity that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

If the Group loses control of a combining entity, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the combining entity and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the combining entity are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former combining entity at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of combination and business combination (continued)

4.2.1 Business combinations under common control

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the merger entities are reflected at their carrying amounts reported in the individual financial statements.

In a business combination under common control, any differences between the cost of the merger and the share capital of the 'acquired' entity are reflected within equity as merger reserve.

The combined statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full financial year and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

Entities under common control are entities which are ultimately controlled by the same parties and that 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 that 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.

4.2.2 Business combinations not under common control

Business combinations not under common control are accounted for applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Right-of-use assets and lease liabilities are recognised and measured in accordance with MFRS 16 *Leases*;

(c) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(d) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of combination and business combination (continued)

4.2.2 Business combinations not under common control (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

(a) Contingent consideration classified as equity shall not be re-measured and its subsequent settlement shall be accounted for within equity.

(b) Other contingent consideration that:

(i) Is within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or in accordance with MFRS 9 for the relevant period.

(ii) Is not within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment and depreciation (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation rates used are as follows:

Buildings	2% - 5%
Air conditioner	10%
Computer and software	10% - 20%
Electrical installation	10%
Furniture and fittings	10%
Hostel and warehouse equipment	20%
Motor vehicles	20%
Office equipment	10% - 20%
Plant and machinery	20%
Renovation	2% - 20%
Signboard	10%
Tools and implements	10% - 20%

Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress represents building under construction. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the combined financial statements on impairment of non-financial assets).

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Leases

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

The Group as lessee (continued)

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) Period covered by an option to the extend the lease if the lease is reasonably certain to exercise that options; and

(b) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create economic incentive for the lessee to exercise the option to extend the lease, not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use assets are initially recorded at cost, which comprises:

(i) The amount of the initial measurement of the lease liability;

(ii) Any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(iii) Any initial direct costs incurred by the Group; and

(iv) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use asset is 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. The lease terms of right-of-use assets are as follows:

Land	3 to 5 years
Motor vehicles	5 years
Cold room and refrigeration system	3 years
Hostel	3 years

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Leases (continued)

The Group as lessee (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Group as lessor

The Group classified its leases as either operating leases or finance leases. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

4.5 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, which includes transaction costs, less any accumulated amortisation and any impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the investment properties are acquired, if applicable.

After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and is not depreciated.

At the end of each reporting period, the carrying amount of an investment property is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the combined financial statements on impairment of non-financial assets).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investment properties (continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

4.6 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on combined, is stated in the separate financial statements of the Company at cost less impairment loss, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.7 Investment in joint venture

Joint ventures are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns and the Group has rights only to the net assets of the arrangements.

The Group accounts for its interest in the joint ventures using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and joint venture), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of non-financial assets (continued)

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' 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.

Such reversals are recognised as income immediately in profit or loss.

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. Cost of raw materials comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets

A financial asset is classified into the following three (3) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

(ii) Financial assets at fair value through other comprehensive income ("FVOCI")

Financial assets that are debt instruments are measured at FVOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms of financial assets which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets measured at FVOCI are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

(iii) Financial assets at fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss in the period which it arises.

A financial asset or part of It is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity, is recognised in profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(b) Financial liabilities

A financial liability is any liability with contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Group's significant financial liabilities include trade and other payables and borrowings which are initially measured at fair value and subsequently measured at amortised cost.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when financial liabilities are either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Equity investments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of equity investments at FVOCI are recognised in the profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

4.11 Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets (continued)

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets other than trade receivables by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.13 Non-current assets held for sale

Non-current assets are classified as held for sale when:

(a) They are available for immediate sale;

(b) Management is committed to a plan to sell;

(c) It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

(d) An active programme to locate a buyer has been initiated;

(e) The asset is being marketed at a reasonable price in relation to its fair value; and

(f) A sale is expected to complete within twelve (12) months from the date of classification.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Non-current assets held for sale (continued)

Non-current assets classified as held for sale are measured at the lower of:

(a) Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

(b) Fair value less costs of disposal.

Following their classification as held for sale, non-current assets held for sale are not depreciated.

4.14 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the combined statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.

4.15 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.16 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.18 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Group.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Revenue recognition

(a) Sale of goods

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue at the point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

(b) Other income

(i) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as on a time proportion basis that reflects the effective yield on assets.

(iv) Management fees

Management fee income is recognised upon services rendered.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Operating segments

Operating segments are defined as components of the Group:

(a) That are engaged in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and inter-segment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

(i) The combined reported profit of all operating segments that did not report a loss; and

(ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earnings per share

(a) Basic

Basic earnings per share for the financial year/period is calculated by dividing the profit for the financial year/period attributable to owners of the Company by the expected number of ordinary shares of the Company before completion of the listing and upon completion of the Listing.

(b) Diluted

Diluted earnings per share for the financial year/period is calculated by dividing the profit for the financial year/period attributable to owners of the Company by the expected number of ordinary shares of the Company before completion of the listing and upon completion of the Listing, adjusted for the effects of dilutive potential ordinary shares.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Fair value measurements

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Change in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

There are no significant judgements made by the management in the process of applying the accounting policies of the Group that have a significant effect on the amounts recognised in the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

5.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Impairment of trade and other receivables</u>

The impairment allowances for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, the existing market conditions including forward looking estimates i.e. consumer price index, gross domestic product, inflation rate, producer price index, unemployment rate and annual gross domestic product, at end of the reporting period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

Audited	Balance as at 1.1.2020 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Transfer from right-of-use assets (Note 7) RM	Transfer from investment properties (Note 8) RM	Reclassi-fication RM	Balance as at 31.12.2020 RM
Carrying amount									
Freehold land	552,010	192,000	-	-	-	-	727,317	-	1,471,327
Buildings	2,993,860	766,322	-	-	(101,180)	-	-	-	3,659,002
Air conditioner	10,966	6,291	(316)	-	(2,458)	-	-	-	14,483
Computer and software	11,918	21,520	(1)	-	(10,319)	-	-	-	23,118
Electrical installation	25,872	45,044	-	-	(10,654)	-	-	-	60,262
Furniture and fittings	8,956	7,890	-	-	(2,585)	-	-	-	14,261
Motor vehicles	57,882	75,000	-	(16,867)	(83,855)	105,784	-	-	137,944
Office equipment	15,734	10,552	-	-	(5,419)	-	-	-	20,867
Plant and machinery	346,420	286,463	-	(6)	(321,966)	-	-	-	310,911
Renovation	252,976	168,180	-	-	(17,173)	-	-	113,123	517,106
Signboard	2,671	-	-	-	(667)	-	-	-	2,004
Tools and implements	255,188	428,390	-	-	(89,864)	-	-	-	593,714
Capital work-in-progress	74,213	1,176,176	-	-	-	-	-	(113,123)	1,137,266
	4,608,666	3,183,828	(317)	(16,873)	(646,140)	105,784	727,317	-	7,962,265

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited [-------------- Balance as at 31.12.2020 --------------]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	1,471,327	-	1,471,327
Buildings	4,614,488	(955,486)	3,659,002
Air conditioner	42,347	(27,864)	14,483
Computer and software	135,110	(111,992)	23,118
Electrical installation	593,127	(532,865)	60,262
Furniture and fittings	110,060	(95,799)	14,261
Motor vehicles	1,478,194	(1,340,250)	137,944
Office equipment	74,284	(53,417)	20,867
Plant and machinery	5,454,739	(5,143,828)	310,911
Renovation	551,627	(34,521)	517,106
Signboard	19,026	(17,022)	2,004
Tools and implements	1,353,158	(759,444)	593,714
Capital work-in-progress	1,137,266	-	1,137,266
	17,034,753	(9,072,488)	7,962,265

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited	Balance as at 1.1.2021 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Transfer from right-of-use assets (Note 7) RM	Reclassi-fication RM	Balance as at 31.12.2021 RM
Carrying amount								
Freehold land	1,471,327	-	-	-	-	-	-	1,471,327
Buildings	3,659,002	-	-	-	(101,180)	-	-	3,557,822
Air conditioner	14,483	4,432	(274)	(98)	(2,668)	-	-	15,875
Computer and software	23,118	46,194	(24)	-	(17,354)	-	-	51,934
Electrical installation	60,262	137,400	-	-	(23,347)	-	3,823	178,138
Furniture and fittings	14,261	7,250	(1)	(2)	(2,520)	-	-	18,988
Hostel and warehouse equipment	-	9,900	-	-	(1,980)	-	-	7,920
Motor vehicles	137,944	94,300	-	(6,401)	(92,750)	26,316	-	159,409
Office equipment	20,867	42,934	(1)	-	(8,094)	-	-	55,706
Plant and machinery	310,911	563,699	(6,027)	-	(196,977)	-	-	671,606
Renovation	517,106	11,520	-	-	(17,404)	-	-	511,222
Signboard	2,004	-	-	-	(667)	-	-	1,337
Tools and implements	593,714	47,769	(8,079)	(224)	(88,450)	-	330,000	874,730
Capital work-in-progress	1,137,266	751,985	-	-	-	-	(333,823)	1,555,428
	7,962,265	1,717,383	(14,406)	(6,725)	(553,391)	26,316	-	9,131,442

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited [--- Balance as at 31.12.2021 ---		]
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	1,471,327	-	1,471,327
Buildings	4,614,488	(1,056,666)	3,557,822
Air conditioner	35,408	(19,533)	15,875
Computer and software	120,518	(68,584)	51,934
Electrical installation	734,350	(556,212)	178,138
Furniture and fittings	97,287	(78,299)	18,988
Hostel and warehouse equipment	9,900	(1,980)	7,920
Motor vehicles	1,300,153	(1,140,744)	159,409
Office equipment	115,168	(59,462)	55,706
Plant and machinery	5,835,716	(5,164,110)	671,606
Renovation	563,147	(51,925)	511,222
Signboard	19,026	(17,689)	1,337
Tools and implements	1,606,675	(731,945)	874,730
Capital work-in-progress	1,555,428	-	1,555,428
	18,078,591	(8,947,149)	9,131,442

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited	Balance as at 1.1.2022 RM	Additions RM	Written off RM	Disposals RM	Depreciation charge for the financial year RM	Transfer from right-of-use assets (Note 7) RM	Balance as at 31.12.2022 RM
Carrying amount							
Freehold land	1,471,327	-	-	-	-	-	1,471,327
Buildings	3,557,822	-	-	-	(101,180)	-	3,456,642
Air conditioner	15,875	1,380	-	-	(2,811)	-	14,444
Computer and software	51,934	47,340	(821)	-	(24,439)	-	74,014
Electrical installation	178,138	-	-	-	(22,895)	-	155,243
Furniture and fittings	18,988	15,447	-	-	(4,710)	-	29,725
Hostel and warehouse equipment	7,920	-	-	-	(1,980)	-	5,940
Motor vehicles	159,409	22,500	(583)	(3)	(73,409)	1	107,915
Office equipment	55,706	4,850	-	-	(11,360)	-	49,196
Plant and machinery	671,606	75,229	(7,152)	-	(194,591)	-	545,092
Renovation	511,222	49,195	-	-	(21,964)	-	538,453
Signboard	1,337	-	-	-	(669)	-	668
Tools and implements	874,730	25,057	-	-	(150,534)	-	749,253
Capital work-in-progress	1,555,428	19,538	-	-	-	-	1,574,966
	9,131,442	260,536	(8,556)	(3)	(610,542)	1	8,772,878

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited [------- Balance as at 31.12.2022 -------]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	1,471,327	-	1,471,327
Buildings	4,614,488	(1,157,846)	3,456,642
Air conditioner	36,788	(22,344)	14,444
Computer and software	158,309	(84,295)	74,014
Electrical installation	734,350	(579,107)	155,243
Furniture and fittings	112,645	(82,920)	29,725
Hostel and warehouse equipment	9,900	(3,960)	5,940
Motor vehicles	1,412,441	(1,304,526)	107,915
Office equipment	120,018	(70,822)	49,196
Plant and machinery	5,492,827	(4,947,735)	545,092
Renovation	612,342	(73,889)	538,453
Signboard	19,026	(18,358)	668
Tools and implements	1,631,732	(882,479)	749,253
Capital work-in-progress	1,574,966	-	1,574,966
	18,001,159	(9,228,281)	8,772,878

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Audited	Balance as at 1.1.2023 RM	Additions RM	Written off RM	Depreciation charge for the financial period RM	Reclassi-fication RM	Transfer from right-of-use assets (Note 7) RM	Balance as at 30.9.2023 RM
Carrying amount							
Freehold land	1,471,327	-	-	-	-	-	1,471,327
Buildings	3,456,642	-	-	(75,967)	1,328,489	-	4,709,164
Air conditioner	14,444	4,200	(1,500)	(1,735)	-	-	15,409
Computer and software	74,014	14,816	-	(18,499)	-	-	70,331
Electrical installation	155,243	-	-	(17,168)	-	-	138,075
Furniture and fittings	29,725	175	-	(3,242)	-	-	26,658
Hostel and warehouse equipment	5,940	-	-	(1,485)	-	-	4,455
Motor vehicles	107,915	29,000	-	(35,611)	-	27,914	129,218
Office equipment	49,196	773	-	(8,245)	-	-	41,724
Plant and machinery	545,092	98,613	-	(147,069)	246,477	-	743,113
Renovation	538,453	-	-	(16,474)	-	-	521,979
Signboard	668	-	-	(502)	-	-	166
Tools and implements	749,253	15,750	-	(112,109)	-	-	652,894
Capital work-in-progress	1,574,966	-	-	-	(1,574,966)	-	-
	8,772,878	163,327	(1,500)	(438,106)	-	27,914	8,524,513

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Audited [---- Balance as at 30.9.2023 ----]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	1,471,327	-	1,471,327
Buildings	5,942,977	(1,233,813)	4,709,164
Air conditioner	37,238	(21,829)	15,409
Computer and software	173,125	(102,794)	70,331
Electrical installation	734,350	(596,275)	138,075
Furniture and fittings	112,820	(86,162)	26,658
Hostel and warehouse equipment	9,900	(5,445)	4,455
Motor vehicles	1,553,096	(1,423,878)	129,218
Office equipment	120,791	(79,067)	41,724
Plant and machinery	5,837,917	(5,094,804)	743,113
Renovation	612,342	(90,363)	521,979
Signboard	19,026	(18,860)	166
Tools and implements	1,647,482	(994,588)	652,894
	18,272,391	(9,747,878)	8,524,513

The carrying amount of property, plant and equipment of the Group which have been pledged to a licensed bank for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements are as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Freehold land	552,010	552,010	552,010	552,010
Buildings	2,916,896	2,839,933	2,762,970	2,705,247
	3,468,906	3,391,943	3,314,980	3,257,257

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as lessee

Right-of-use assets

Audited	**Balance as at 1.1.2020 RM**	**Additions RM**	**Depreciation charge for the financial year RM**	**Transfer to property, plant and equipment (Note 6) RM**	**Balance as at 31.12.2020 RM**
Carrying amount					
Land	-	32,773	(9,104)	-	23,669
Motor vehicles	298,497	370,087	(147,109)	(105,784)	415,691
	298,497	402,860	(156,213)	(105,784)	439,360

Audited	**Balance as at 1.1.2021 RM**	**Additions RM**	**Depreciation charge for the financial year RM**	**Transfer to property, plant and equipment (Note 6) RM**	**Balance as at 31.12.2021 RM**
Carrying amount					
Land	23,669	-	(10,924)	-	12,745
Motor vehicles	415,691	454,230	(237,955)	(26,316)	605,650
Cold room and refrigeration system	-	950,000	(190,000)	-	760,000
	439,360	1,404,230	(438,879)	(26,316)	1,378,395

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

Audited	Balance as at 1.1.2022 RM	Additions RM	Disposal RM	Depreciation charge for the financial year RM	Transfer to property, plant and equipment (Note 6) RM	Balance as at 31.12.2022 RM
Carrying amount						
Land	12,745	37,135	-	(10,924)	-	38,956
Motor vehicles	605,650	1,796,922	(73,759)	(519,875)	(1)	1,808,937
Cold room and refrigeration system	760,000	-	-	(190,000)	-	570,000
	1,378,395	1,834,057	(73,759)	(720,799)	(1)	2,417,893

Audited	Balance as at 1.1.2023 RM	Additions RM	Depreciation charge for the financial period RM	Transfer to property, plant and equipment (Note 6) RM	Balance as at 30.9.2023 RM
Carrying amount					
Land	38,956	-	(9,041)	-	29,915
Motor vehicles	1,808,937	-	(374,747)	(27,914)	1,406,276
Cold room and refrigeration system	570,000	-	(142,500)	-	427,500
Hostel	-	194,259	(37,743)	-	156,516
	2,417,893	194,259	(564,031)	(27,914)	2,020,207

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Lease liabilities

Audited	Balance as at 1.1.2020 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2020 RM
Carrying amount					
Land	-	32,773	(10,000)	1,498	24,271
Motor vehicles	246,474	220,000	(178,322)	13,137	301,289
	246,474	252,773	(188,322)	14,635	325,560

Audited	Balance as at 1.1.2021 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2021 RM
Carrying amount					
Land	24,271	-	(12,000)	1,202	13,473
Motor vehicles	301,289	300,000	(233,332)	16,773	384,730
Cold room and refrigeration system	-	855,000	(155,586)	23,688	723,102
	325,560	1,155,000	(400,918)	41,663	1,121,305

Audited	Balance as at 1.1.2022 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2022 RM
Carrying amount					
Land	13,473	13,276	(12,000)	513	15,262
Motor vehicles	384,730	950,000	(313,338)	25,503	1,046,895
Cold room and refrigeration system	723,102	-	(311,172)	34,648	446,578
	1,121,305	963,276	(636,510)	60,664	1,508,735

Audited	Balance as at 1.1.2023 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.9.2023 RM
Carrying amount					
Land	15,262	-	(3,442)	1,457	13,277
Motor vehicles	1,046,895	-	(313,113)	28,428	762,210
Cold room and refrigeration system	446,578	-	(233,379)	14,849	228,048
Hostel	-	194,259	(43,380)	9,689	160,568
	1,508,735	194,259	(593,314)	54,423	1,164,103

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

Lease liabilities (continued)

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Represented by:				
Current liabilities	163,539	487,508	668,464	571,260
Non-current liabilities	162,021	633,797	840,271	592,843
	325,560	1,121,305	1,508,735	1,164,103
Lease liabilities owing to financial institutions	301,289	871,651	1,356,068	929,336
Lease liabilities owing to non-financial institutions	24,271	249,654	152,667	234,767
	325,560	1,121,305	1,508,735	1,164,103

(a) The Group leases land, motor vehicles, hostel and cold room and refrigeration system for operational purposes. These leases comprise only fixed payments over the lease terms.

(b) The Group has low value leases of office equipment of RM5,000 and below. The Group applies the "lease of low-value assets" exemptions for these leases.

(c) The following are the amounts recognised in profit or loss:

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Depreciation charge of right-of-use assets:					
- included in administrative expenses	147,109	237,955	519,875	421,531	300,283
- included in cost of sales	9,104	200,924	200,924	142,500	142,500
Interest expense on lease liabilities (included in finance costs)	14,635	41,663	60,664	54,423	43,420
Expense relating to leases of low-value assets (included in administrative expenses)	1,800	1,800	1,800	2,286	1,350
	172,648	482,342	783,263	620,740	487,553

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

(d) The following are total cash outflows for leases as a lessee:

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Included in net cash from/ used in operating activities:					
Payment relating to low value assets	1,800	1,800	1,800	2,286	1,350
Included in net cash used in/from investing activities:					
Purchase of right-of-use assets	402,860	1,404,230	1,834,057	194,259	1,700,951
Financed by lease liabilities	(252,773)	(1,155,000)	(963,276)	(194,259)	(883,275)
	150,087	249,230	870,781	-	817,676
Proceeds from disposal of right-of-use assets	-	-	95,000	-	95,000
Included in net cash used in financing activities:					
Payment of lease liabilities	188,322	400,918	636,510	593,314	456,549
Total cash outflows for leases	340,209	651,948	1,604,091	595,600	1,370,575

(e) Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

(f) Information on financial risks of lease liabilities is disclosed in Note 31 to the combined financial statements.

8. INVESTMENT PROPERTIES

Freehold land	**31.12.2020 Audited RM**	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Carrying amount				
Balance as at 1 January	6,208,097	5,480,780	-	-
Disposal	-	(5,480,780)	-	-
Transfer to property, plant and equipment (Note 6)	(727,317)	-	-	-
Balance as at 31 December	5,480,780	-	-	-

(a) The fair value of the investment properties for disclosure purposes, which is at Level 3 fair value, is based on Directors' estimation by reference to market evidence of transaction prices for similar properties and recent experience in the location and category of the properties being valued. The significant unobservable input into this valuation method is adjustment factors to prices of comparable properties. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

The fair value of investment properties at the end of the reporting period is as follows:

	31.12.2020 Audited RM	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Freehold land	5,283,950	-	-	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial year ended 31 December 2020.

(b) As at 31 December 2020, the investment property of the Group had been pledged to a licensed bank for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements.

(c) On 22 December 2021, the Group entered into a Sale and Purchase agreement with Mr. Tan Boo Nam for the disposal of a piece of freehold land for a cash consideration of RM5,562,053. The disposal was completed during the financial year ended 31 December 2021.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

9. OTHER INVESTMENT

Other investment comprised unquoted ordinary shares of Ocean Champion at cost, which was acquired by SBH Aquaculture Farm Sdn. Bhd. in the financial year ended 31 December 2019 for a total consideration of RM1,700,000.

The financial position, financial performance, and cash flows of Ocean Champion had been carved out from the combined financial statements because on 21 January 2022, SBH Aquaculture Farm Sdn. Bhd. disposed of its the entire equity interest of 51.67% in Ocean Champion for a cash consideration of RM2,100,000.

As at 31 December 2021, other investment was classified as held for sale as the share sale agreement to dispose the equity interest in Ocean Champion was entered into on 29 December 2021. The disposal was completed on 21 January 2022, on which the date the control in Ocean Champion was transferred to the acquirer.

10. INVESTMENT IN A JOINT VENTURE

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Unquoted ordinary shares, at cost	245,000	245,000	245,000	245,000
Share of post-acquisition reserves, net of dividend received	14,135,068	14,336,237	17,137,651	15,490,404
	14,380,068	14,581,237	17,382,651	15,735,404

(a) The details of the joint venture are as follows:

Name of company	Country of incor-poration/ Principal place of business	Effective interest in equity 31.12.2020 %	31.12.2021 %	31.12.2022 %	30.9.2023 %	Principal activity
SBH Perak Agro Aquaculture Sdn. Bhd.	Malaysia	49	49	49	49	Aqua-culture business

Joint venture above is audited by BDO PLT, Malaysia.

Despite only holding 49% of shareholdings in the joint venture, the joint venture was equity accounted for by the Group based on the audited financial statements of the joint venture by the proportion of share of profit/loss for the year/period as below:

	Percentage of share of profit/loss based on joint venture agreement
Kurau Farm	70%
Selinsing Farm	80%

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INVESTMENT IN A JOINT VENTURE (continued)

(b) Summarised financial information of joint venture is as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Assets and liabilities				
Non-current assets	21,755,718	23,237,560	25,920,861	26,108,988
Current assets	14,855,132	6,761,465	12,594,852	6,855,034
Non-current liabilities	(14,031,084)	(131,290)	(61,872)	(32,509)
Current liabilities	(1,886,809)	(8,887,393)	(13,429,895)	(10,332,198)
Net assets	20,692,957	20,980,342	25,023,946	22,599,315

Results	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Revenue	17,300,879	18,219,615	20,699,883	11,762,665	15,125,690
Profit/(Loss) for the financial year/period	5,006,017	2,287,385	5,043,604	(2,424,631)	3,554,676
Total comprehensive income/(loss)	5,006,017	2,287,385	5,043,604	(2,424,631)	3,554,676
Cash flows from/(used in) operating activities	4,292,127	(70,630)	3,047,116	2,131,289	1,894,642
Cash flows used in investing activities	(2,594,294)	(2,500,167)	(2,841,910)	(1,439,764)	(1,832,089)
Cash flows used in financing activities	(1,071,835)	(2,316,701)	(1,480,433)	(1,073,659)	(465,530)
Net increase/(decrease) in cash and cash equivalents	625,998	(4,887,498)	(1,275,227)	(382,134)	(402,977)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

10. INVESTMENT IN A JOINT VENTURE (continued)

(c) Reconciliation of net assets of material joint venture to the carrying amount of the investment in a joint venture is as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Group's share of net assets	14,485,070	14,686,239	17,487,653	15,840,406
Negative goodwill	(105,002)	(105,002)	(105,002)	(105,002)
Carrying amount	14,380,068	14,581,237	17,382,651	15,735,404
Share of results for the financial year/period				
Share of profit/(loss)	3,504,211	1,601,169	3,501,414	(1,647,247)
Share of total comprehensive income/(loss)	3,504,211	1,601,169	3,501,414	(1,647,247)
Dividend income from joint venture	1,400,000	1,400,000	700,000	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

11. DEFERRED TAX

(a) The deferred tax assets and liabilities are made up of the following:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Balance as at 1 January	264,000	280,600	388,100	398,900
Recognised in profit or loss (Note 24):				
- relating to origination and reversal of temporary differences	(3,900)	86,400	(27,500)	27,300
- under/(over) provision in prior years	20,500	21,100	38,300	(6,700)
Balance as at 31 December	280,600	388,100	398,900	419,500
Presented after appropriate offsetting:				
Deferred tax assets, net	(7,000)	(7,000)	(7,000)	(7,000)
Deferred tax liabilities, net	287,600	395,100	405,900	426,500
	280,600	388,100	398,900	419,500

(b) The components and movements of deferred tax assets and liabilities during the financial years/period prior to offsetting are as follows:

Deferred tax assets	**Right-of-use assets RM**
Balance as at 1 January 2020	5,000
Recognised in profit or loss	2,000
Balance as at 31 December 2020	7,000
Balance as at 1 January 2021/31 December 2021	7,000
Balance as at 1 January 2022/31 December 2022	7,000
Balance as at 1 January 2023/30 September 2023	7,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

11. DEFERRED TAX (continued)

(b) The components and movements of deferred tax assets and liabilities during the financial years/period prior to offsetting are as follows (continued):

Deferred tax liabilities	**Property, plant and equipment RM**
Balance as at 1 January 2020	269,000
Recognised in profit or loss	18,600
Balance as at 31 December 2020	287,600
Balance as at 1 January 2021	287,600
Recognised in profit or loss	107,500
Balance as at 31 December 2021	395,100
Balance as at 1 January 2022	395,100
Recognised in profit or loss	10,800
Balance as at 31 December 2022	405,900
Balance as at 1 January 2023	405,900
Recognised in profit or loss	20,600
Balance as at 30 September 2023	426,500

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the combined statements of financial position are as follows:

	31.12.2020 Audited RM	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Property, plant and equipment	-	-	485,172	691,431
Unabsorbed capital allowances	91,642	134,792	193,027	236,705
Unused tax losses:				
- expires by 31 December 2030	217,237	217,237	217,237	217,237
- expires by 31 December 2031	-	64,277	64,277	64,277
- expires by 31 December 2032	-	-	52,941	52,941
- expires by 31 December 2033	-	-	-	36,923
	308,879	416,306	1,012,654	1,299,514

Deferred tax assets of certain combining entities have not been recognised in respect of the above temporary differences as it is not probable that taxable profit of the combining entities would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the period as disclosed above are subject to the arrangement of the local tax authority.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
At cost				
Finished goods	22,214,520	13,498,952	17,403,670	23,593,796
Trading goods	32,856	31,208	33,172	41,497
Chemicals	23,672	30,238	23,265	23,731
Packing materials	418,173	524,133	303,111	372,152
	22,689,221	14,084,531	17,763,218	24,031,176

During the financial year/period, the inventories of the Group recognised as cost of sales are as follows:

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Inventories recognised as cost of sales	117,345,943	159,790,753	159,263,394	113,638,503	115,221,238

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Non-current				
Other receivables				
Amount owing by a joint venture	13,000,000	-	-	-
Less: Impairment losses	(1,708,539)	-	-	-
	11,291,461	-	-	-
Current				
Trade receivables				
Third parties	24,590,241	30,388,718	29,307,974	40,975,356
Amount owing by a joint venture	110,699	446,914	898,639	673,034
Total trade receivables	24,700,940	30,835,632	30,206,613	41,648,390
Less: Impairment losses on trade receivables	-	-	-	(280,160)
Total trade receivables	24,700,940	30,835,632	30,206,613	41,368,230
Other receivables				
Third parties	587,209	123,542	1,009,289	918,405
Amount owing by a joint venture	1,700,000	7,200,000	a9,700,300	7,000,000
Deposits	220,330	269,850	273,650	273,650
	2,507,539	7,593,392	10,983,239	8,192,055
Less: Impairment losses on amount owing by a joint venture	-	(255,146)	(255,146)	(255,146)
Total other receivables	2,507,539	7,338,246	10,728,093	7,936,909
Prepayments	14,098	79,793	146,612	362,086
Total current trade and other receivables	27,222,577	38,253,671	41,081,318	49,667,225
Total trade and other receivables	38,514,038	38,253,671	41,081,318	49,667,225

(a) Total trade and other receivables (excluding prepayments) are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) The current portion of non-trade amount owing by a joint venture is unsecured, interest-free and repayable within the next twelve (12) months. The non-current portion of amount owing by a joint venture is unsecured, interest free and not repayable within the next twelve (12) months.

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Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES (continued)

(d) The currency exposure profile of trade and other receivables (excluding prepayments) of the Group is as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Ringgit Malaysia	14,283,741	8,110,810	12,014,581	9,247,210
United States Dollar	24,053,131	29,940,483	28,920,125	39,145,079
Singapore Dollar	163,068	122,585	-	-
Chinese Yuen	-	-	-	912,850
	38,499,940	38,173,878	40,934,706	49,305,139

(e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Group uses an allowance matrix to measure the ECL of trade receivables from monthly aging. Expected loss rates are calculated using the roll rate method based on the common credit risk characteristic - by past due days.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information on macroeconomic factors, i.e. consumer price index, gross domestic product, inflation rate, producer price index, unemployment rate and annual gross domestic product, and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the combined statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires the Directors and management of the Group to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

During the financial year/period, the Group did not renegotiate the terms of any trade receivables.

(f) Lifetime expected loss allowance for trade receivables are as follows:

Audited	**Gross carrying amount RM**	**Impairment RM**	**Net carrying amount RM**
31 December 2020			
Current	12,760,694	-	12,760,694
Past due:			
1 to 30 days	6,841,047	-	6,841,047
31 to 60 days	2,965,260	-	2,965,260
61 to 90 days	888,452	-	888,452
More than 90 days	1,245,487	-	1,245,487
Total	24,700,940	-	24,700,940

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES (continued)

(f) Lifetime expected loss allowance for trade receivables are as follows (continued):

Audited	Gross carrying amount RM	Impairment RM	Net carrying amount RM
31 December 2021			
Current	11,280,326	-	11,280,326
Past due:			
1 to 30 days	4,293,801	-	4,293,801
31 to 60 days	8,066,106	-	8,066,106
61 to 90 days	2,651,223	-	2,651,223
More than 90 days	4,544,176	-	4,544,176
Total	30,835,632	-	30,835,632
31 December 2022			
Current	28,138,902	-	28,138,902
Past due:			
1 to 30 days	1,427,245	-	1,427,245
31 to 60 days	612,042	-	612,042
61 to 90 days	20,064	-	20,064
More than 90 days	8,360	-	8,360
Total	30,206,613	-	30,206,613
30 September 2023			
Current	30,128,153	(147,336)	29,980,817
Past due:			
1 to 30 days	2,380,975	(30,513)	2,350,462
31 to 60 days	3,082,301	(37,636)	3,044,665
61 to 90 days	1,635,691	(29,026)	1,606,665
More than 90 days	4,421,270	(35,649)	4,385,621
Total	41,648,390	(280,160)	41,368,230

In previous financial year/period, no expected credit loss was recognised arising from trade receivables as it is negligible.

Movements in the impairment allowance for trade receivables are as follows:

Audited	Group Lifetime ECL - not credit impaired RM
Balance as at 1 January 2023	-
Charge for the period	280,160
Balance as at 30 September 2023	280,160

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES (continued)

(g) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking ECL model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. The Group defined significant increase in credit risk when there are changes in contractual terms and delay in payment. The Group considered the qualitative and quantitative information that are reasonable, including historical experience and observable forward-looking information without undue cost or efforts. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk to default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve (12) months expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(h) Movements in the impairment allowance for amount owing by a joint venture are as follows:

Audited	Group Lifetime ECL - not credit impaired RM
Balance as at 1 January 2020	1,900,261
Reversal of impairment losses	(191,722)
Balance as at 31 December 2020	1,708,539
Balance as at 1 January 2021	1,708,539
Reversal of impairment losses	(1,453,393)
Balance as at 31 December 2021	255,146
Balance as at 1 January 2022/31 December 2022	255,146
Balance as at 1 January 2023/30 September 2023	255,146

No expected credit loss is recognised arising from other receivables as it is negligible.

(i) Information on financial risks of trade and other receivables is disclosed in Note 31 to the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

14. CASH AND BANK BALANCES

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Cash and bank balances	6,325,045	20,907,443	12,343,110	14,321,690
Deposits with licensed banks	4,984,830	500,000	2,430,000	1,392,826
	11,309,875	21,407,443	14,773,110	15,714,516

(a) The currency exposure profile of the cash and bank balances are as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Ringgit Malaysia	6,759,194	11,309,307	7,248,860	6,701,862
United States Dollar	4,497,680	10,087,876	7,516,242	8,347,140
Chinese Yuen	-	-	-	661,853
Singapore Dollar	48,160	2,409	157	173
Others	4,841	7,851	7,851	3,488
	11,309,875	21,407,443	14,773,110	15,714,516

(b) The deposits with licensed banks of the Group have interest rates ranging from 2.60% to 4.00% (31.12.2022: 2.50% to 3.20%; 31.12.2021: 2.15%; 31.12.2020: 1.50%) per annum and have maturity periods ranging from 30 days to 92 days (31.12.2022: 28 days to 92 days; 31.12.2021: 92 days; 31.12.2020: 31 days).

(c) No expected credit loss is recognised arising from the cash and bank balances because the probability of default by these financial institutions is negligible.

(d) Information on financial risks of cash and bank balances is disclosed in Note 31 to the combined financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

15. SHARE CAPITAL

Audited	**Number of ordinary shares**	**Amount RM**
Issued and fully paid-up with no par value		
Balance as at 1 January 2021	-	-
Issuance of share capital as at date of incorporation	1	1
Balance as at 31 December 2021	1	1
Balance as at 1 January 2022	1	1
Issuance of ordinary shares pursuant to acquisition of subsidiaries in business combinations under common control	672,472,725	57,698,160
Balance as at 31 December 2022	672,472,726	57,698,161
Balance as at 1 January 2023/30 September 2023	672,472,726	57,698,161

(a) During the financial year ended 31 December 2022, the issued and paid-up share capital of the Company has been increased from RM1 to RM57,698,161 by way of issuance of 672,472,725 new ordinary shares of RM0.0858 each, pursuant to the acquisition of Fantastic Seafood Industries Sdn. Bhd.. The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company.

(b) The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

16. RESERVES

	31.12.2020 Audited RM	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Non-distributable:				
Merger reserve	(3,213,558)	(3,213,558)	(36,911,718)	(36,911,718)
Distributable:				
Retained earnings	56,544,663	52,720,911	60,174,585	60,577,435
	53,331,105	49,507,353	23,262,867	23,665,717

<u>Merger reserve</u>

The merger reserve arose as a result of the difference between consideration paid over the share capital of Fantastic Seafood Industries Sdn. Bhd., SBH Aquaculture Farm Sdn. Bhd. and SBH Marine Industries Sdn. Bhd. pursuant to business combinations under common control.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

17. NON-CONTROLLING INTERESTS

On 17 December 2021, Top Grade Hatchery Sdn. Bhd. ("Top Grade") increased its issued and paid-up ordinary shares from 100,000 shares to 2,000,000 shares by way of issuance of 1,900,000 new ordinary shares of RM1 each. SBH Aquaculture Farm Sdn. Bhd. subscribed for additional 1,300,000 ordinary shares of RM1 each by way of offsetting the amount due from Top Grade which amounted to RM1,220,000 and cash injection of RM80,000. Accordingly, the Group's equity interest in Top Grade decreased from 100% to 70%. The dilution of interest resulted in a transfer to retained earnings amounted to RM173,362. The non-controlling interest is not material to the Group.

18. BORROWINGS

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Non-current liability				
Term loans	4,183,958	3,582,065	467,033	311,072
Current liabilities				
Term loans	594,949	599,834	201,854	206,923
Onshore foreign currency loans	2,112,942	1,448,431	-	571,933
	2,707,891	2,048,265	201,854	778,856
Total borrowings				
Term loans	4,778,907	4,181,899	668,887	517,995
Onshore foreign currency loans	2,112,942	1,448,431	-	571,933
	6,891,849	5,630,330	668,887	1,089,928

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings of the Group is denominated in the following currencies:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Ringgit Malaysia	4,778,907	4,181,899	668,887	517,995
United States Dollar	2,112,942	1,448,431	-	571,933
	6,891,849	5,630,330	668,887	1,089,928

(c) The borrowings of the Group are secured by:

(i) facilities agreements;

(ii) a legal charge over freehold land, buildings and an investment property as disclosed in Notes 6 and 8 to the combined financial statements;

(iii) a corporate guarantee by Fantastic Seafood Industries Sdn. Bhd.; and

(iv) a joint and several guarantee by certain Directors and a shareholder of the Group.

(d) Information on financial risks of borrowings is disclosed in Note 31 to the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

19. TRADE AND OTHER PAYABLES

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Trade payables				
Third parties	8,527,947	8,789,783	6,764,651	13,636,407
Amount owing to a joint venture	4,225,460	837,708	6,061,844	3,647,940
	12,753,407	9,627,491	12,826,495	17,284,347
Other payables				
Third parties	2,967,073	8,475,267	4,412,746	6,919,367
Amounts owing to Directors	25,000	30,000	-	-
Deposit received	6,140	6,140	6,140	6,140
Dividends payable	-	-	-	4,000,000
Accruals	984,293	534,318	1,221,189	1,865,117
	3,982,506	9,045,725	5,640,075	12,790,624
Total trade and other payables	16,735,913	18,673,216	18,466,570	30,074,971

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 90 days.

(c) The non-trade portion of amounts owing to Directors are unsecured, interest-free and repayable in next twelve (12) months or upon demand in cash and cash equivalents.

(d) The currency exposure profile of trade and other payables are as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Ringgit Malaysia	10,896,230	6,285,734	12,604,096	20,507,753
United States Dollar	5,765,338	12,387,482	5,831,265	9,531,746
Singapore Dollar	-	-	31,209	35,472
Others	74,345	-	-	-
	16,735,913	18,673,216	18,466,570	30,074,971

(e) Information on financial risks of trade and other payables is disclosed in Note 31 to the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

20. REVENUE

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Revenue from contracts with customers					
Sales of goods	140,580,608	192,006,486	194,425,848	144,212,418	140,089,364

Disaggregation of revenue from contracts with customers is disclosed in Note 29 to the combined financial statements.

21. OTHER INCOME

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Dividend income	172,714	719,643	-	-	-
Interest income	91,717	95,997	71,366	67,532	47,273
Gain on disposal of:					
- property, plant and equipment	49,690	17,116	149,697	-	107,698
- investment property	-	81,273	-	-	-
- right-of-use assets	-	-	21,241	-	21,241
- other investment	-	-	400,000	-	400,000
Management fees	60,000	60,000	-	-	-
Gain on foreign exchange:					
- realised	17,317	1,279,260	1,342,570	315,584	1,576,598
- unrealised	44,248	306,149	-	756,215	225,795
Rental income	12,000	-	-	-	-
Government subsidy	197,400	-	-	-	-
Others	58,839	22,875	4,943	6,378	4,644
	703,925	2,582,313	1,989,817	1,145,709	2,383,249

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

22. EMPLOYEE BENEFITS

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Salaries, wages, bonuses and allowances	2,662,913	5,814,126	6,940,332	6,504,321	4,982,315
Directors' remuneration					
- fees	140,000	140,000	140,000	82,800	105,300
- other emoluments other than fees	3,133,691	3,462,357	3,233,873	2,087,323	2,719,636
Contributions to defined contribution plan	277,469	321,833	364,943	252,381	241,294
Social security contribution	62,120	65,468	73,299	64,302	50,003
Other benefits	65,579	65,726	4,100	4,990	2,988
	6,341,772	9,869,510	10,756,547	8,996,117	8,101,536

23. FINANCE COSTS

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Interest expense on:					
- onshore foreign currency loans	16,761	3,718	19,511	7,354	17,520
- term loans	284,969	261,408	120,312	15,707	114,139
- lease liabilities	14,635	41,663	60,664	54,423	43,420
- others	295	-	-	-	-
	316,660	306,789	200,487	77,664	175,079

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

24. TAX EXPENSE

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Current tax expense based on profit for the financial year/period	2,678,200	2,986,800	2,801,077	3,077,812	2,099,680
Under/(Over)provision of tax expense in prior years	427,657	(702,726)	(129,979)	537,386	(129,979)
	3,105,857	2,284,074	2,671,098	3,615,198	1,969,701
Deferred tax expense (Note 11):					
- relating to origination and reversal of temporary differences	(3,900)	86,400	(27,500)	27,300	(20,625)
- under/(over)-provision in prior years	20,500	21,100	38,300	(6,700)	38,300
	16,600	107,500	10,800	20,600	17,675
Real property gains tax	-	-	14,102	-	14,102
	3,122,457	2,391,574	2,696,000	3,635,798	2,001,478

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (30.9.2022: 24%; 31.12.2022: 24%, 31.12.2021: 24%; 31.12.2020: 24%) of the estimated taxable profits for the fiscal year/period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

24. TAX EXPENSE (continued)

(b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group is as follows:

	1.1.2020 to 31.12.2020 Audited RM	**1.1.2021 to 31.12.2021 Audited RM**	**1.1.2022 to 31.12.2022 Audited RM**	**1.1.2023 to 30.9.2023 Audited RM**	**1.1.2022 to 30.9.2022 Unaudited RM**
Profit before tax	11,428,442	15,434,460	15,704,695	12,011,629	10,733,842
Tax at the applicable tax rate of 24%	2,742,800	3,704,300	3,769,100	2,882,800	2,576,100
Tax effects in respect of:					
- non-allowable expenses	732,865	758,254	316,550	333,863	505,175
- non-taxable income	(31,454)	(1,030,873)	(614,958)	(575,690)	(430,434)
Deferred tax assets not recognised during the financial year/period	71,100	25,800	143,124	68,800	25,400
Share of (profit)/ loss of a joint venture	(841,011)	(384,281)	(840,339)	395,339	(597,186)
Under/(Over)-provision of tax expense in prior years	427,657	(702,726)	(129,979)	537,386	(129,979)
Under/(Over)-provision of deferred tax in prior years	20,500	21,100	38,300	(6,700)	38,300
	3,122,457	2,391,574	2,681,898	3,635,798	1,987,376
Real property gains tax	-	-	14,102	-	14,102
	3,122,457	2,391,574	2,696,000	3,635,798	2,001,478

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

25. DIVIDENDS

Audited	**1.1.2021 to 31.12.2021** Dividend per share RM	Amount of dividend RM
In respect of financial year ended 31 December 2021:		
First single tier interim dividend	0.10	2,400,000
Second single tier interim dividend	0.10	2,400,000
Third single tier interim dividend	0.10	2,400,000
Fourth single tier interim dividend	0.10	2,400,000
Fifth single tier interim dividend	0.10	2,400,000
Sixth single tier interim dividend	0.10	2,400,000
Seventh single tier interim dividend	0.11	2,640,000
		17,040,000

Audited	**1.1.2022 to 31.12.2022** Dividend per share RM	Amount of dividend RM
In respect of financial year ended 31 December 2021:		
Eighth single tier interim dividend	0.15	3,600,000
In respect of financial year ended 31 December 2022:		
First single tier interim dividend	0.00297	2,000,000
		5,600,000

Audited	**1.1.2023 to 30.9.2023** Dividend per share RM	Amount of dividend RM
In respect of financial year ended 31 December 2022:		
Second single tier interim dividend	0.00297	2,000,000
Third single tier interim dividend	0.00297	2,000,000
In respect of financial year ending 31 December 2023:		
First single tier interim dividend	0.00297	2,000,000
Second single tier interim dividend	0.00297	2,000,000
		8,000,000

Unaudited	**1.1.2022 to 30.9.2022** Dividend per share RM	Amount of dividend RM
In respect of financial year ended 31 December 2021:		
Eighth single tier interim dividend	0.15	3,600,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

26. CAPITAL COMMITMENTS

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Capital expenditure in respect of purchase of property, plant and equipment:				
- Contracted but not provided	54,450	-	-	-
- Approved but not contracted	-	-	-	168,800

27. EARNINGS PER ORDINARY SHARE

(a) Basic

Basic earnings per ordinary share for the financial years/period is calculated by dividing the profit for the financial years/periods attributable to the owners of the Company by the expected number of ordinary shares of the Company pursuant to the Listing.

	1.1.2020 to 31.12.2020 Audited	1.1.2021 to 31.12.2021 Audited	1.1.2022 to 31.12.2022 Audited	1.1.2023 to 30.9.2023 Audited	1.1.2022 to 30.9.2022 Unaudited
Profit attributable to owners of the Company (RM)	8,305,985	13,042,886	13,053,674	8,402,850	8,769,501
Expected number of shares (unit):					
Before completion of the Listing	708,000,000	708,000,000	708,000,000	708,000,000	708,000,000
After completion of the Listing	888,000,000	888,000,000	888,000,000	888,000,000	888,000,000
Basic earnings per ordinary share (sen):					
Before completion of the listing	1.17	1.84	1.84	1.19	1.24
After completion of the listing	0.94	1.47	1.47	0.95	0.99

(b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share, as the Group does not have any potential dilutive ordinary share in issue during and at the end of each of the financial years/periods.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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 could be individuals or other entities.

Related parties of the Group includes:

(i) Combining entities as disclosed in Note 32 to the combined financial statements;

(ii) Joint venture as disclosed in Note 10 to the combined financial statements;

(iii) Ocean Champion Sdn. Bhd., a subsidiary disposed during the financial year ended 31 December 2022, which have been carved out from the combined financial statements as disclosed in Note 9 to the combined financial statements;

(iv) A partnership in which a Director of the Company is a partner; and

(v) Key management personnel as disclosed in Note 28(c) to the combined financial statements.

(b) In addition to the transactions and balances detailed elsewhere in the combined financial statements, the Group had the following transactions with its related parties during the financial years/period:

	1.1.2020 to 31.12.2020 Audited RM	**1.1.2021 to 31.12.2021 Audited RM**	**1.1.2022 to 31.12.2022 Audited RM**	**1.1.2023 to 30.9.2023 Audited RM**	**1.1.2022 to 30.9.2022 Unaudited RM**
Transactions with a joint venture:					
- Sales of goods	4,898,454	8,096,870	9,469,214	5,160,388	6,474,110
- Purchase of goods	17,300,511	18,219,615	20,699,883	11,762,665	15,125,690
- Dividend received	1,400,000	1,400,000	700,000	-	-
Transactions with related parties:					
- Sales of goods	3,959,354	3,234,664	-	-	-
- Purchase of goods	10,260,692	9,447,852	-	-	-
- Dividend received	172,714	719,643	-	-	-
- Management fees received	60,000	60,000	-	-	-
Transaction with a Director:					
- Disposal of investment property	-	5,562,053	-	-	-

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Chartered Accountants
Penang

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES (continued)

(b) In addition to the transactions and balances detailed elsewhere in the combined financial statements, the Group had the following transactions with its related parties during the financial years/period (continued):

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Transactions with Director:					
- Rental paid	-	-	-	23,400	-

The related party transactions described above were carried out based on negotiated terms and conditions and mutually agreed with related parties.

Outstanding balances with related parties at the end of the financial years/periods are disclosed in Notes 13 and 19 to the combined financial statements.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

There are no other key management personnel having the authority and responsibility for planning, directing and controlling the activities of the Group other than the Directors.

The compensation of Directors during the financial years/periods were as follows:

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Directors' fees	140,000	140,000	140,000	82,800	105,300
Short term employee benefits	2,838,721	3,145,447	2,939,978	1,898,533	2,531,116
Contributions to defined contribution plan	294,970	316,910	293,895	188,790	188,520
	3,273,691	3,602,357	3,373,873	2,170,123	2,824,936

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS

The Group is principally involved in processing and sale of frozen seafood products, merchant trading of frozen seafood products and aquaculture related activities. For management purposes, its operating segments are presented based on their products and services provided.

The Group is organised into five (5) reportable segments as follows:

(i)	Processing, sale and exporting of frozen seafood products	Processing and sales of wild caught, farmed and imported frozen seafood products
(ii)	Merchant trading of frozen processed seafood products	Overseas sourcing and trading of frozen processed seafood products
(iii)	Aquaculture related activities	Comprises aquaculture shrimp operations
(iv)	Distribution and trading of aquaculture related products	Mainly focusing on the shrimp feed, post larvae, probiotics, test kits and etc.
(v)	Others	Comprises investment holding, which is of sufficient size to be reported separately

The Executive Directors assess the performance based of the reportable segments based on their profit before tax. The accounting policies of the reportable segments are the same as the accounting policies of the Group.

Each reportable segment assets is measured based on all assets of the segment other than tax-related assets.

Each reportable segment liabilities is measured based on all liabilities of the segment other than tax-related liabilities.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated in the combined financial statements.

Audited 1.1.2020 to 31.12.2020	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Revenue from external customers	85,461,325	45,688,740	-	9,430,543	-	140,580,608	-	140,580,608
Inter-segment revenue	-	-	-	-	1,400,000	1,400,000	(1,400,000)	-
Total revenue	85,461,325	45,688,740	-	9,430,543	1,400,000	141,980,608	(1,400,000)	140,580,608
Interest income	3,404	938	4,339	9,999	73,037	91,717	-	91,717
Finance costs	(205,062)	(106,170)	(1,498)	(3,930)	-	(316,660)	-	(316,660)
Net finance (costs)/income	(201,658)	(105,232)	2,841	6,069	73,037	(224,943)	-	(224,943)
Segment profit before income tax	5,800,334	2,062,358	3,115,073	184,584	266,093	11,428,442	-	11,428,442
Other material non-cash items:								
Depreciation of property, plant and equipment	(373,999)	(209,302)	(62,178)	(661)	-	(646,140)	-	(646,140)
Depreciation of right-of-use assets	(67,001)	(37,562)	(9,104)	(42,546)	-	(156,213)	-	(156,213)
Net reversal of impairment loss on trade and other receivables	122,850	68,872	-	-	-	191,722	-	191,722
Share of profit of a joint venture	-	-	3,504,211	-	-	3,504,211	-	3,504,211

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 31.12.2020	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Additions to non-current assets other than financial instruments	2,038,761	505,407	930,865	111,655	-	3,586,688	-	3,586,688
Segment assets	55,211,638	23,858,600	953,903	1,645,145	6,426,253	88,095,539	-	88,095,539
Investment in a joint venture	-	-	14,380,068	-	-	14,380,068	-	14,380,068
Current tax assets								78,540
Deferred tax assets								7,000
								102,561,147
Segment liabilities	16,070,112	6,698,197	101,416	1,075,997	7,600	23,953,322	-	23,953,322
Deferred tax liabilities								287,600
Current tax liabilities								989,120
								25,230,042

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 1.1.2021 to 31.12.2021	Processing and sales of frozen seafood products RM	Merchant trading of frozen processed seafood products RM	Aquaculture related activities RM	Distribution and trading of aquaculture related products RM	Others RM	Aggregate total RM	Eliminations RM	Total RM
Revenue from external customers	129,890,924	50,344,987	-	11,770,575	-	192,006,486	-	192,006,486
Inter-segment revenue	-	-	-	-	1,400,000	1,400,000	(1,400,000)	-
Total revenue	129,890,924	50,344,987	-	11,770,575	1,400,000	193,406,486	(1,400,000)	192,006,486
Interest income	1,238	352	-	5,346	89,061	95,997	-	95,997
Finance costs	(231,168)	(70,197)	(1,202)	(4,222)	-	(306,789)	-	(306,789)
Net finance (costs)/income	(229,930)	(69,845)	(1,202)	1,124	89,061	(210,792)	-	(210,792)
Segment profit before income tax	9,734,426	3,682,920	1,472,727	308,910	235,477	15,434,460	-	15,434,460
Other material non-cash items:								
Depreciation of property, plant and equipment	(357,760)	(131,319)	(63,651)	(661)	-	(553,391)	-	(553,391)
Depreciation of right-of-use assets	(329,252)	(56,157)	(10,924)	(42,546)	-	(438,879)	-	(438,879)
Net reversal of impairment loss on trade and other receivables	1,035,712	417,681	-	-	-	1,453,393	-	1,453,393
Share of profit of a joint venture	-	-	1,601,169	-	-	1,601,169	-	1,601,169

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 31.12.2021	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Additions to non-current assets other than financial instruments	2,771,170	335,711	14,732	-	-	3,121,613	-	3,121,613
Segment assets	56,760,090	18,247,668	1,400,583	927,709	8,619,432	85,955,482	-	85,955,482
Investment in a joint venture	-	-	14,581,237	-	-	14,581,237	-	14,581,237
Current tax assets								126,044
Deferred tax assets								7,000
								100,669,763
Segment liabilities	17,644,112	6,460,989	14,973	334,651	970,126	25,424,851	-	25,424,851
Deferred tax liabilities								395,100
Current tax liabilities								915,820
								26,735,771

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 1.1.2022 to 31.12.2022	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Revenue from external customers	123,565,454	59,278,527	-	11,581,867	-	194,425,848	-	194,425,848
Inter-segment revenue	-	-	-	-	4,000,000	4,000,000	(4,000,000)	-
Total revenue	123,565,454	59,278,527	-	11,581,867	4,000,000	198,425,848	(4,000,000)	194,425,848
Interest income	-	-	4,376	-	66,990	71,366	-	71,366
Finance costs	(153,163)	(44,677)	(513)	(2,134)	-	(200,487)	-	(200,487)
Net finance (costs)/income	(153,163)	(44,677)	3,863	(2,134)	66,990	(129,121)	-	(129,121)
Segment profit/(loss) before income tax	8,344,833	3,802,390	3,351,484	457,948	(251,960)	15,704,695	-	15,704,695
Other material non-cash items:								
Depreciation of property, plant and equipment	(399,660)	(145,530)	(63,652)	(1,700)	-	(610,542)	-	(610,542)
Depreciation of right-of-use assets	(510,710)	(156,620)	(10,924)	(42,545)	-	(720,799)	-	(720,799)
Share of profit of a joint venture	-	-	3,501,414	-	-	3,501,414	-	3,501,414

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 31.12.2022	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Additions to non-current assets other than financial instruments	1,386,125	666,134	37,135	5,199	-	2,094,593	-	2,094,593
Segment assets	51,941,291	21,598,106	1,290,519	1,228,885	8,749,616	84,808,417	-	84,808,417
Investment in a joint venture	-	-	17,382,651	-	-	17,382,651	-	17,382,651
Current tax assets								247,544
Deferred tax assets								7,000
								102,445,612
Segment liabilities	14,025,850	6,231,201	18,323	248,512	120,306	20,644,192	-	20,644,192
Deferred tax liabilities								405,900
Current tax liabilities								52,833
								21,102,925

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 1.1.2023 to 30.9.2023	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Revenue from external customers	99,081,806	37,329,312	-	7,801,300	-	144,212,418	-	144,212,418
Inter-segment revenue	-	-	-	-	8,500,000	8,500,000	(8,500,000)	-
Total revenue	99,081,806	37,329,312	-	7,801,300	8,500,000	152,712,418	(8,500,000)	144,212,418
Interest income	1,551	598	9,001	1,040	55,342	67,532	-	67,532
Finance costs	(63,281)	(12,628)	(1,457)	(298)	-	(77,664)	-	(77,664)
Net finance (costs)/income	(61,730)	(12,030)	7,544	(742)	55,342	(10,132)	-	(10,132)
Segment profit/(loss) before income tax	9,924,888	3,614,540	(1,737,311)	590,063	(380,551)	12,011,629	-	12,011,629
Other material non-cash items:								
Depreciation of property, plant and equipment	(302,250)	(87,216)	(47,739)	(901)	-	(438,106)	-	(438,106)
Depreciation of right-of-use assets	(428,049)	(110,193)	(9,041)	(16,748)	-	(564,031)	-	(564,031)
Impairment loss on trade receivables	(202,150)	(78,010)	-	-	-	(280,160)	-	(280,160)
Share of loss of a joint venture	-	-	(1,647,247)	-	-	(1,647,247)	-	(1,647,247)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Audited 30.9.2023	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Additions to non-current assets other than financial instruments	257,368	99,318	-	900	-	357,586	-	357,586
Segment assets	67,643,864	21,435,753	1,196,909	1,240,032	8,441,079	99,957,637	-	99,957,637
Investment in a joint venture	-	-	15,735,404	-	-	15,735,404	-	15,735,404
Current tax assets								288,637
Deferred tax assets								7,000
								115,988,678
Segment liabilities	18,860,099	8,492,917	14,777	610,889	4,350,320	32,329,002	-	32,329,002
Deferred tax liabilities								426,500
Current tax liabilities								1,514,658
								34,270,160

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Unaudited 1.1.2022 to 30.9.2022	**Processing and sales of frozen seafood products RM**	**Merchant trading of frozen processed seafood products RM**	**Aquaculture related activities RM**	**Distribution and trading of aquaculture related products RM**	**Others RM**	**Aggregate total RM**	**Eliminations RM**	**Total RM**
Revenue from external customers	84,327,604	48,221,833	-	7,539,927	-	140,089,364	-	140,089,364
Inter-segment revenue	-	-	-	-	-	-	-	-
Total revenue	84,327,604	48,221,833	-	7,539,927	-	140,089,364	-	140,089,364
Interest income	-	-	1,730	-	45,543	47,273	-	47,273
Finance costs	(127,268)	(45,564)	(451)	(1,796)	-	(175,079)	-	(175,079)
Net finance (costs)/income	(127,268)	(45,564)	1,279	(1,796)	45,543	(127,806)	-	(127,806)
Segment profit/(loss) before income tax	5,005,910	3,028,171	2,364,482	499,070	(163,791)	10,733,842	-	10,733,842
Other material non-cash items:								
Depreciation of property, plant and equipment	(278,252)	(118,667)	(47,739)	(1,275)	-	(445,933)	-	(445,933)
Depreciation of right-of-use assets	(307,382)	(95,298)	(8,193)	(31,910)	-	(442,783)	-	(442,783)
Share of profit of a joint venture	-	-	2,488,273	-	-	2,488,273	-	2,488,273

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Geographical information

	1.1.2020 to 31.12.2020 Audited RM	%	1.1.2021 to 31.12.2021 Audited RM	%	1.1.2022 to 31.12.2022 Audited RM	%
Revenue by geographical region:						
Europe	67,387,316	48	78,009,995	40	74,453,145	38
Asia (excluding Malaysia)	58,877,573	42	63,550,463	33	60,576,248	31
Middle East	4,189,582	3	37,702,534	20	46,650,016	24
	130,454,471	93	179,262,992	93	181,679,409	93
Malaysia	10,126,137	7	12,743,494	7	12,746,439	7
	140,580,608	100	192,006,486	100	194,425,848	100

	1.1.2023 to 30.9.2023 Audited RM	%	1.1.2022 to 30.9.2022 Unaudited RM	%
Revenue by geographical region:				
Europe	49,674,365	34	57,833,447	41
Asia (excluding Malaysia)	62,792,662	44	38,958,568	28
Middle East	22,852,196	16	34,829,483	25
	135,319,223	94	131,621,498	94
Malaysia	8,893,195	6	8,467,866	6
	144,212,418	100	140,089,364	100

The operation facilities of the Group are primarily based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

All assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on geographical breakdown/details of the segment assets of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

29. OPERATING SEGMENTS (continued)

Major customers

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group:

	1.1.2020 to 31.12.2020 Audited RM	1.1.2021 to 31.12.2021 Audited RM	1.1.2022 to 31.12.2022 Audited RM	1.1.2023 to 30.9.2023 Audited RM	1.1.2022 to 30.9.2022 Unaudited RM
Customer A	18,457,962	19,622,423	*	*	*
Customer B	17,093,979	*	*	*	*
Customer C	15,483,428	*	*	*	*
Customer D	14,317,349	*	*	*	*
Customer F	*	31,897,880	39,085,880	21,815,592	29,515,459
Customer G	*	*	*	17,203,208	*

* Less than 10%

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Financial assets				
Financial assets measured at amortised cost				
Trade and other receivables, net of prepayments	38,499,940	38,173,878	40,934,706	49,305,139
Cash and bank balances	11,309,875	21,407,443	14,773,110	15,714,516
	49,809,815	59,581,321	55,707,816	65,019,655
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	16,735,913	18,673,216	18,466,570	30,074,971
Borrowings	6,891,849	5,630,330	668,887	1,089,928
	23,627,762	24,303,546	19,135,457	31,164,899

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

30. FINANCIAL INSTRUMENTS (continued)

(b) Method and assumptions used to estimate fair value

(i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either 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 current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The fair value of these borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Non-current other receivables

The fair value of non-current other receivables is calculated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

(c) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023.

The Group monitors capital utilisation on the basis of gearing ratio and net gearing ratio. Gearing ratio represents total borrowings and lease liabilities divided by total capital whereas net gearing ratio represents total borrowings and lease liabilities less cash and bank balances divided by total capital. Total capital represents equity attributable to the owners of the Company. The gearing ratio and net gearing ratio as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 are as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM
Borrowings	6,891,849	5,630,330	668,887	1,089,928
Lease liabilities ^	301,289	1,107,832	1,493,473	990,258
Total borrowings and lease liabilities	7,193,138	6,738,162	2,162,360	2,080,186
Less: Cash and bank balances	(11,309,875)	(21,407,443)	(14,773,110)	(15,714,516)
Net cash	(4,116,737)	(14,669,281)	(12,610,750)	(13,634,330)
Total capital	77,331,105	73,507,354	80,961,028	81,363,878
Gearing ratio	9%	9%	3%	3%
Net gearing ratio	*	*	*	*

^ Excluding lease liabilities relating to the rental properties of the Group.
* Net gearing ratio is not presented as the Group is in net cash position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are organisations that the Group has dealt with for numerous years, and with whom the Group maintains regular visits and communications. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers is mainly on credit. The credit period is generally ranging from 30 to 90 days. The Group consistently monitors its outstanding receivables to minimise credit risk.

In relation to cash and bank balances placed with major financial institutions, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

<u>Exposure to credit risk</u>

At the end of the reporting period, the maximum exposures to credit risk of the Group are represented by the carrying amounts of each class of financial assets recognised in the combined statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the geographical location profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period is as follows:

	31.12.2020 Audited RM	**% of total**	**31.12.2021 Audited RM**	**% of total**	**31.12.2022 Audited RM**	**% of total**	**30.9.2023 Audited RM**	**% of total**
By geographical locations								
Europe	12,761,350	52	18,551,774	60	18,084,292	60	13,634,612	33
Asia (excluding Malaysia)	10,735,781	43	11,166,722	36	9,996,321	33	26,423,317	64
Middle East	758,565	3	344,573	1	839,512	3	-	-
	24,255,696	98	30,063,069	97	28,920,125	96	40,057,929	97
Domestic	445,244	2	772,563	3	1,286,488	4	1,310,301	3
	24,700,940	100	30,835,632	100	30,206,613	100	41,368,230	100

(ii) Liquidity and cash flow risk

Liquidity and cash flow risks are the risks that the Group will not be able to meet its financial obligations when they fall due. The exposure of the Group to liquidity risk arises principally from their various payables, borrowings and lease liabilities.

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(ii) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one (1) year RM	One (1) to five (5) year RM	More than five (5) years RM	Total RM
Financial liabilities				
31 December 2020				
Trade and other payables	16,735,913	-	-	16,735,913
Borrowings	2,971,360	2,874,644	3,159,702	9,005,706
Lease liabilities	174,908	169,096	-	344,004
Total undiscounted financial liabilities	19,882,181	3,043,740	3,159,702	26,085,623
31 December 2021				
Trade and other payables	18,673,216	-	-	18,673,216
Borrowings	2,279,710	2,374,481	2,743,038	7,397,229
Lease liabilities	498,696	650,565	-	1,149,261
Total undiscounted financial liabilities	21,451,622	3,025,046	2,743,038	27,219,706
31 December 2022				
Trade and other payables	18,466,570	-	-	18,466,570
Borrowings	222,132	485,693	-	707,825
Lease liabilities	719,334	882,909	-	1,602,243
Total undiscounted financial liabilities	19,408,036	1,368,602	-	20,776,638
30 September 2023				
Trade and other payables	30,074,971	-	-	30,074,971
Borrowings	794,065	319,222	-	1,113,287
Lease liabilities	611,722	626,449	-	1,238,171
Total undiscounted financial liabilities	31,480,758	945,671	-	32,426,429

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 United States Dollar ("USD").

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the functional currency of the Group, with all other variables held constant:

	31.12.2020 Audited RM	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Profit after tax				
USD/RM				
- Strengthen by 5%	785,556	995,313	1,162,994	1,420,765
- Weaken by 5%	(785,556)	(995,313)	(1,162,994)	(1,420,765)

Sensitivity analysis of other foreign currencies is not disclosed as the fluctuation of those foreign exchange rate against the Group's functional currency are not significant.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

<u>Sensitivity analysis for interest rate risk</u>

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	31.12.2020 Audited RM	**31.12.2021 Audited RM**	**31.12.2022 Audited RM**	**30.9.2023 Audited RM**
Profit after tax				
- Increase by 0.5%	(26,189)	(21,395)	(2,542)	(4,142)
- Decrease by 0.5%	26,189	21,395	2,542	4,142

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Note	Weighted average effective interest rates %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2020									
Fixed rates									
Deposits with licensed banks	14	1.50	4,984,830	-	-	-	-	-	4,984,830
Lease liabilities	7	2.80	163,539	112,207	49,814	-	-	-	325,560
Floating rates									
Term loans	18	5.77	594,949	600,621	445,538	467,551	534,822	2,135,426	4,778,907
Onshore foreign currency loans	18	0.73	2,112,942	-	-	-	-	-	2,112,942
As at 31 December 2021									
Fixed rates									
Deposits with licensed banks	14	2.15	500,000	-	-	-	-	-	500,000
Lease liabilities	7	2.76	487,508	445,743	188,054	-	-	-	1,121,305
Floating rates									
Term loans	18	5.71	599,834	445,083	467,066	532,433	292,007	1,845,476	4,181,899
Onshore foreign currency loans	18	0.87	1,448,431	-	-	-	-	-	1,448,431

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk (continued):

	Note	Weighted average effective interest rates %	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
As at 31 December 2022									
Fixed rates									
Deposits with licensed banks	14	2.98	2,430,000	-	-	-	-	-	2,430,000
Lease liabilities	7	2.43	668,464	425,759	251,400	141,336	21,776	-	1,508,735
Floating rate									
Term loans	18	3.50	201,854	209,117	257,916	-	-	-	668,887
As at 30 September 2023									
Fixed rates									
Deposits with licensed banks	14	3.45	1,392,826	-	-	-	-	-	1,392,826
Lease liabilities	7	3.05	571,260	292,786	222,972	64,316	12,769	-	1,164,103
Floating rates									
Term loans	18	3.50	206,923	214,666	96,406	-	-	-	517,995
Onshore foreign currency loans	18	5.90	571,933	-	-	-	-	-	571,933

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

32. COMBINING ENTITIES

Name of combining entities	Principal place of business/ Country of incorpora-tion	Effective interest in equity 31.12.2020 %	31.12.2021 %	31.12.2022 %	30.9.2023 %	Principal activities
Fantastic Seafood Industries Sdn. Bhd.	Malaysia	100	100	100	100	Manufacturing, trading and exporting of frozen seafood products, to provide management services and investment holding.
SBH Marine Industries Sdn. Bhd.	Malaysia	100	100	100	100	Manufacturing, trading and exporting of frozen seafood products and investment holding.
Jaguh Dinamik Sdn. Bhd.	Malaysia	100	100	100	100	Traders, importers and exporters of all kinds of marine products.
Ocean Island Seafood Trading Sdn. Bhd.	Malaysia	100	100	100	100	Distribution and trading of aquaculture related products.
SBH Aquaculture Farm Sdn. Bhd.	Malaysia	100	100	100	100	Investment holding company.
Top Grade Hatchery Sdn. Bhd.	Malaysia	100	70	70	70	Shrimp hatchery and nursery centre.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS

(a) The World Health Organisation declared the novel coronavirus ('COVID-19') a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has entered into the various phases of the MCO, followed by the announcement of the National Recovery Plan ('NRP') in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases. Subsequently, in March 2022, the Government of Malaysia announced that Malaysia will enter the "Transition to Endemic" phase of COVID-19 and reopen its borders from 1 April 2022.

Consequently, effective from 1 April 2022, the restrictions on business operating hours and the capacity limit imposed on the number of employees allowed in the workplace based on the employees' vaccination status are removed.

The implementation of the MCO/NRP and the COVID-19 pandemic have not resulted in any material impact to the Group's business and operations. The Group was able to operate during the MCO/NRP period upon obtained approval from Ministry of International Trade and Industry ('MITI'). It had also not negatively impacted the liquidity position of the Group. In addition, the Group had not observed any material impairments of the assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

(b) In conjunction with the Listing, the Group had on 7 July 2022 entered into the following agreements:

(i) share sale agreement with Perak Agro Aquaculture Sdn. Bhd. ("PASB") to acquire the remaining 51% equity interest in SBH Perak Agro Aquaculture Sdn. Bhd. ("SBH Perak Agro") from PASB for a purchase consideration of approximately RM5,898,256. The purchase consideration will be satisfied via the issuance of 26,810,257 new ordinary shares of the Company at RM0.22 each to PASB. The acquisition was completed on 15 January 2024 and SBH Perak Agro has become a wholly-owned subsidiary of the Group;

(ii) share sale agreement with non-controlling shareholders of Top Grade to acquire the remaining 30% equity interest in Top Grade from the non-controlling shareholders of Top Grade for a purchase consideration of RM600,000. The purchase consideration will be satisfied via the issuance of 2,727,274 new ordinary shares of the Company at RM0.22 each to the non-controlling shareholders of Top Grade. The acquisition was completed on 3 January 2024 and Top Grade has become a wholly-owned subsidiary of the Group; and

(iii) subscription agreement with PASB whereby PASB had agreed to subscribe for 5,989,743 new ordinary shares of the Company at RM0.22 each for a total subscription price of RM1,317,743. The subscription by PASB was completed on 17 January 2024.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

34.1 New MFRSs adopted during the financial period

The Group adopted the following standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial period:

Title	Effective Date
MFRS 17 *Insurance Contracts*	1 January 2023
Amendment to MFRS 17 *Initial Application of MFRS 17 and MFRS 9 - Comparative Information*	1 January 2023
Amendments to MFRS 101 *Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108 *Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112 *Deferred tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to MFRS 112 *International Tax Reform – Pillar Two Model Rules*	See MFRS 112 paragraph 98M

Adoption of the above Standards and Amendments to the Standards did not have any material effect on the financial performance or position of the Group.

34.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2024

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group:

Title	Effective Date
Amendments to MFRS 16 *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to MFRS 101 *Non-current Liabilities with Covenants*	1 January 2024
Amendments to MFRS 107 and MFRS 7 *Supplier Finance Arrangements*	1 January 2024
Amendments to MFRS 121 *Lack of Exchangeability*	1 January 2025
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for future financial years.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

35. ADDITIONAL INFORMATION

Summarised financial information as at the end of each reporting period are as follows:

	31.12.2020 Audited RM	31.12.2021 Audited RM	31.12.2022 Audited RM	30.9.2023 Audited RM	30.9.2022 Unaudited RM
ASSETS AND LIABILITIES					
Non-current assets	41,260,934	25,098,074	28,580,422	26,287,124	28,540,985
Current assets	61,300,213	73,871,689	73,865,190	89,701,554	71,615,867
TOTAL ASSETS	102,561,147	100,669,763	102,445,612	115,988,678	100,156,852
Non-current liabilities	(4,633,579)	(4,610,962)	(1,713,204)	(1,330,415)	(1,822,284)
Current liabilities	(20,596,463)	(22,124,809)	(19,389,721)	(32,939,745)	(19,268,212)
TOTAL LIABILITIES	(25,230,042)	(26,735,771)	(21,102,925)	(34,270,160)	(21,090,496)
NET ASSETS	77,331,105	73,933,992	81,342,687	81,718,518	79,066,356
EQUITY					
Equity attributable to owners of the Company					
Invested equity	24,000,000	24,000,000	-	-	-
Share capital	-	1	57,698,161	57,698,161	57,698,161
Reserves	53,331,105	49,507,353	23,262,867	23,665,717	20,978,694
	77,331,105	73,507,354	80,961,028	81,363,878	78,676,855
Non-controlling interests	-	426,638	381,659	354,640	389,501
TOTAL EQUITY	77,331,105	73,933,992	81,342,687	81,718,518	79,066,356

STATEMENT BY DIRECTORS

We, Tan Boo Nam and Tan Yuak Kwang, the Directors of SBH Marine Holdings Berhad (formerly known as Fantastic Holdings Berhad) (the "Company"), state that, in the opinion of the Directors, the combined financial statements set out on pages 1 to 93 are drawn up so as to give a true and fair view of the financial position of the Company and its combining entities (the "Group") as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023, and of the financial performance and cash flows of the Group for the financial years/period ended 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 19 FEB 2024

Tan Boo Nam
Director

Tan Yuak Kwang
Director

Stamped for the purpose of identification only
19 FEB 2024
BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants
Penang

14. ADDITIONAL INFORMATION

14.1 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and the applicable law. The terms defined in our Constitution shall have the same meanings when used here unless otherwise stated or the context otherwise requires.

14.1.1 Remuneration, Voting and Borrowing Powers of Our Directors

Article 19.1

The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall annually be determined by an Ordinary Resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:-

(a) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;

(b) fees payable to non-executive Directors shall be by a fixed sum and not by a commission on or percentage of profits or turnover;

(c) fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the general meeting; and

(d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Article 19.2

The Board can repay to a director all expenses properly incurred in attending and returning from Members' meetings, Board meetings or Board committee meetings; or any other way in connection with the Company's business.

Article 19.3

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special efforts in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing a special remuneration in addition to his Directors' Fees and such special remuneration may be by way of a fixed sum or otherwise as may be arranged provided always that the extra remuneration payable to:-

(a) an executive Director shall not be by way of commission on or percentage of turnover.

(b) a non-executive Director shall not be by way commission on or percentage of profits or turnover.

Article 21.3

The Board may establish or arrange any contributory or non-contributory pension or superannuation scheme for the benefit of or pay a gratuity, pension or emolument to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any subsidiary of the Company and the widow, family or dependents of any such person. The Board may also subscribe to any association or fund which they consider to be for the benefit of the Company or any subsidiary of the Company or any such persons as aforesaid and make payments for or towards any hospital or scholastic expenses of any such persons provided that any Director holding such salaried employment shall be entitled to retain any benefit received by him hereunder subject only, where the Act requires, to proper disclosure to the Members and the approval of the Company in a meeting of Members.

Article 24.3

The remuneration of the Chief Executive Officer or Managing Director shall, subject to the terms of any agreement entered into any particular case may be, by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

Article 21.2(a)

The Board may exercise all the powers of the Company to borrow money, raise funds, accept credit facilities and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party. Provided always that nothing contained in this Article shall authorize the Directors to borrow any money or mortgage or charge any of the Company's or any of its subsidiaries' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 22.7

Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby, whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company.

Article 22.8

No Director may vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal interest nor a contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other securities in that other company.

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Article 22.9

A Director notwithstanding his interest may, provided that none of the other Directors present disagrees, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested, PROVIDED ALWAYS THAT he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Article 22.10

A Director of the Company may be or become a director or other officer of or otherwise be interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation in such manner and in all aspects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed, a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

14.1.2 Changes to Share Capital

Article 4.1

The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privileges, conditions or restrictions as to dividends, capital, voting or otherwise.

Article 4.2

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the Listing Requirements, the Act and to the conditions, restrictions and limitations as expressed in this Constitution and to the provisions of any resolution of the Company, the Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with the regulations for the time being of the Company.

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Article 4.3

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the Listing Requirements, the Act and to the conditions, restrictions and limitations as expressed in this Constitution and to the provisions of any resolution of the Company, the Board may issue, allot, grant options over, or otherwise dispose of unissued shares in the Company to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine, provided that:-

(a) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;

(b) every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting provided that such approval shall specifically detail the number of shares or options to be issued to the Directors.

Article 4.4

Subject to the Act, any preference shares may with the sanction of an Ordinary Resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company shall not issue preference shares ranking in priority over preference shares already issued but may issue preference shares ranking equally therewith. Preference shareholders shall have:-

(a) the right to vote at any meeting convened in each of the following circumstances:-

   (i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;

   (ii) on a proposal to reduce the Company's share capital;

   (iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

   (iv) on a proposal that affects the rights attached to the preference shares;

   (v) on a proposal to wind up the Company; and

   (vi) during the winding up of the Company.

(b) the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements and attending meetings of the Company.

Article 13.1

The Company may from time to time, by Ordinary Resolution increase its share capital by the issue of new shares carrying such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs.

Article 13.2

Subject to any direction to the contrary that may be given by the Company in a meeting of Members, all new shares or other convertible securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of meetings of Members in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Article.

Article 14.1

The Company may alter its share capital by passing an Ordinary Resolution to:-

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived;

(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; and

(c) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.

Article 14.2

The shareholders can pass a Special Resolution to reduce in any way the Company's share capital in accordance with the Act, whether with the confirmation of the Court or a solvency statement or in accordance with Listing Requirements.

14.1.3 Transfer of Securities

Article 9.1

The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities which have been deposited with Bursa Depository by the Company.

Article 9.2

No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 9.3

Nothing in these Articles shall preclude the Directors from recognizing a renunciation of the allotment of any share by the allottee in favour of some other person.

Article 9.4

Subject to Section 106 of the Act and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a deposited security, to a person of whom they shall not approve.

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Article 9.5

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Article 10.5

Where:-

(a) the securities of the Company are listed on another stock exchange; and

(b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be under the Rules in respect of such securities, the Company shall upon the request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

14.1.4 Rights, Preferences and Restrictions Attached to Each Class of Securities Relating to Voting, Dividend, Liquidation and Any Special Rights

As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another. The rights attached to the Shares relating to voting, dividend and liquidation are set out in Section 4.5.2 of this Prospectus. There are no special rights attached to our Shares.

14.2 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have 1 class of shares, namely ordinary shares, all of which rank equally with one another.

(b) Save for the new Shares to be issued pursuant to the Public Issue as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(c) Save for the new Shares that has been issued as disclosed in Sections 6.5 and 6.6 of this Prospectus, no other Shares have been issued by our Company which are paid with assets other than cash within the past 3 years preceding the LPD.

(d) Save for the Pink Form Allocation as disclosed in Section 4.3.1(b) of this Prospectus:-

    (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or any of our subsidiary; and

    (ii) there is no other share option scheme involving our Directors or employees of our Group.

(e) Save as disclosed in Section 6.5(a) of this Prospectus, there have been no other acquisitions or subscription of Shares by our substantial shareholders, Directors, key senior management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, within the past 3 years from the LPD.

(f) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.3 CHANGES IN SHARE CAPITAL

Details on the changes in share capital of our Company are disclosed in Section 6.2 of this Prospectus. Save as disclosed below, there have been no changes in the share capital of our subsidiaries during the Financial Periods Under Review up to the LPD:-

(a) Jaguh Dinamik

As at the LPD, the issued share capital of Jaguh Dinamik is RM500,000 comprising 500,000 ordinary shares. The change in the issued share capital of Jaguh Dinamik during the Financial Periods Under Review up to the LPD is as follows:-

Date of Allotment	No. of Shares Allotted	Type of Issue / Consideration	Cumulative share capital (RM)
17.02.2020	490,000	Otherwise than cash / Bonus issue	500,000

(b) Top Grade

As at the LPD, the issued share capital of Top Grade is RM2,000,000 comprising 2,000,000 ordinary shares. The changes in the issued share capital of Top Grade during the Financial Periods Under Review up to the LPD are as follows:-

Date of Allotment	No. of Shares Allotted	Type of Issue / Consideration	Cumulative share capital (RM)
17.12.2021	680,000	Cash	780,000
17.12.2021	1,220,000	Otherwise than cash / Capitalisation of advance	2,000,000

None of the shares in our Company or our subsidiaries were issued at a discount, on special terms or based on instalment payment terms.

As at the LPD, neither our Company nor our subsidiaries has any outstanding warrant, option, convertible security or uncalled capital in respect of their shares.

14.4 CONSENTS

(a) Our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent has given and has not subsequently withdrawn its written consent to the inclusion of its names and all references thereto in the form and context in which they are included in this Prospectus.

(b) Our Corporate Finance Adviser, Company Secretary, Issuing House and Share Registrar have given and have not subsequently withdrawn their respective written consents to the inclusion of their names and all references thereto in the form and context in which they are included in this Prospectus.

(c) Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent to the inclusion of its name, report on the Compilation of the Proforma Consolidated Financial Statements, Accountants' Report and all references thereto in the form and context in which they are included in this Prospectus.

(d) Our Solicitors have given and have not subsequently withdrawn its written consent to the inclusion of its name, the legal opinion in relation to the Tenancy Agreement for Selinsing Farm and all references thereto in the form and context in which they are included in this Prospectus.

(e) Our Independent Market Researcher has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are included in this Prospectus.

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14.5 DOCUMENTS AVAILABLE FOR INSPECTION

A copy each of the following documents may be inspected at the registered office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:-

(a) our Constitution;

(b) the material contracts referred to in Section 7.12 of this Prospectus;

(c) the IMR Report as included in Section 8 of this Prospectus;

(d) the Reporting Accountants' Report on the Compilation of the Proforma Consolidated Financial Statements as included in Section 12.1 of this Prospectus;

(e) the Accountants' Report as included in Section 13 of this Prospectus;

(f) the letters of consent referred to in Section 14.4 of this Prospectus;

(g) the audited financial statements of SBH Holdings for the financial period from 18 October 2021 (date of incorporation) to 31 December 2022 and the FPE 2023;

(h) the audited financial statements of Fantastic Seafood, Jaguh Dinamik, Ocean Island, SBH Aquaculture, SBH Marine, SBH Perak Agro and Top Grade for the Financial Periods Under Review; and

(i) the legal opinion in relation to the Tenancy Agreement for Selinsing Farm as included in Annexure A of this Prospectus.

14.6 RESPONSIBILITY STATEMENTS

The Directors, Promoters and Offerors of SBH Holdings have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

KAF IB, being the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 18 MARCH 2024.

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 25 MARCH 2024.

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia and announce on the website of Bursa Securities accordingly.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application by the Malaysian Public and the Eligible Parties

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application	Application Method
Applications by Eligible Parties	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15.2.2 Application by selected investors via private placement

Types of Application	Application Method
Applications by Bumiputera investors approved by MITI	MITI will directly contact the Bumiputera investors. The Bumiputera investors should follow MITI's instructions.
Applications by selected investors	The Sole Placement Agent will contact the selected investors directly. The selected investors should follow the Sole Placement Agent's instructions

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:-

(a) You must be one of the following:-

   (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

   (ii) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

   (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:-

   (i) White Application Form;

   (ii) Electronic Share Application; or

   (iii) Internet Share Application.

15.3.3 Application by Eligible Parties

The Eligible Parties will be provided with Pink Application Forms and letters from us detailing their respective allocations as well as detailed procedures on how to subscribe to the allocated Public Issue Shares. The Eligible Parties must follow the notes and instructions in those documents and where relevant, in this Prospectus.

15.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.22 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 757"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 25 March 2024 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your White Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

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15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

(a) reject Applications which:-

  (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (ii) are illegible, incomplete or inaccurate; or

  (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of IPO Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online **within 1 Market Day** after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Public Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the reallocation provisions as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Public Issue Shares not subscribed for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner:-

15.9.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5^{th} Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve, and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and the Rules.

(d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone number +603 - 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of the IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at https://tiih.online, within 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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Zaid Ibrahim & Co
in association with KPMG Law

Advocates & Solicitors
Notary Public

Zaid Ibrahim & Co
51-22-B&C, Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
t. +604 375 3174/3168, f. +604 228 6755
w. www.ziclegal.com

Your reference:
Our reference: 20214406/ASK/NAL/HLS

Date: 6 March 2024

The Board of Directors
SBH MARINE HOLDINGS BERHAD
(formerly known as Fantastic Holdings Berhad)
39, Irving Road
10400 George Town
Penang

Dear Sirs

LEGAL OPINION ON THE TENANCY AGREEMENT FOR SELINSING FARM

We are acting as solicitors to SBH Marine Holdings Berhad ("**Company**") in relation to the listing of and quotation for the Company's entire issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("**Listing**"). This legal opinion letter is prepared in connection with the Prospectus to be issued by the Company in relation to the Listing.

(Unless otherwise defined, all abbreviations used herein shall have the same meanings as those defined in the draft Prospectus in relation to the Proposed Listing.)

A. INTRODUCTION

1. For the purpose of the joint venture, PASB has agreed in the JV Agreement that it shall make available the Kurau Farm and Selinsing Farm owned by its ultimate shareholder, PPPNP, to SBH Perak Agro so long these lands are continue in use by SBH Perak Agro for the joint venture. These lands have since been delivered to SBH Perak Agro for its occupation, development and use of such lands in accordance with the agreed terms under the joint venture. To better facilitate the joint venture in particular on the use of these lands, PASB has also undertaken in the JV Agreement that it will procure PPPNP being the land proprietor of these lands to enter into lease and tenancy agreements with SBH Perak Agro.

2. In view thereof, PPPNP and SBH Perak Agro had on 7 July 2022, amongst others, entered into the Lease Agreement (hereinafter defined) for the direct lease of Selinsing Farm from PPPNP to SBH Perak Agro, subject to PPPNP obtaining the state consent for the said lease.

3. Pending the obtainment of the state consent, SBH Perak Agro shall be allowed to occupy the Selinsing Farm as a tenant for 10 consecutive terms of 3 years tenancy in accordance with the terms and conditions of the Lease

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Agreement for Selinsing Farm whereby such tenancy shall be converted automatically into a lease upon obtainment of the state consent.

4. On 30 November 2023, PPPNP informed SBH Perak Agro and us that its application for state consent to lease the Selinsing Farm to SBH Perak Agro had been declined. As such PPPNP would not be able to lease the Selinsing Farm to SBH Perak Agro and PPPNP had proposed to convert the lease into a tenancy.

5. On 14 December 2023, both parties have entered into the following agreements to give effect to the conversion of the lease of Selinsing Farm to a tenancy of Selinsing Farm:

(a) Fourth Supplemental Agreement (hereinafter defined);
(b) Termination Agreement (hereinafter defined); and
(c) Tenancy Agreement (hereinafter defined).

6. The Board of Directors have requested us to provide this legal opinion in relation to SBH Perak Agro's interests and rights to occupy and use the Selinsing Farm and PPPNP's rights to review and increase the rental in view of the conversion of the Lease Agreement (hereinafter defined) into the Tenancy Agreement (hereinafter defined). Our Opinion is as set out in paragraph C below.

7. For the purpose of this letter, the following shall have the meaning:

Confirmation of Mutual Understanding	the letter of confirmation of understanding dated 13 February 2024 issued by SBH Perak Agro and acknowledged and confirmed by PASB, PPPNP and SBH Aquaculture Farm;
Extended Period	the subsequent 30-years tenancy/lease period to be renewed by SBH Perak Agro pursuant to Clause 2.2 of the Lease Agreement and the Tenancy Agreement after the expiry of the Initial Period;
Fourth Supplemental Agreement	fourth supplemental agreement dated 14 December 2023 between PASB, SBH Aquaculture and SBH Perak Agro to supplement the JV Agreement;
Initial Period	the initial 30-years cumulative period from 1 July 2020 to 30 June 2050 provided in Clause 2 of both the Lease Agreement and the Tenancy Agreement;
Lease Agreement	lease agreement dated 7 July 2022 between PPPNP and SBH Perak Agro in respect of the direct lease of Selinsing Farm by PPPNP to SBH Perak Agro and terminated on 14 December 2023; and
Tenancy Agreement	tenancy agreement dated 14 December 2023 between PPPNP and SBH Perak Agro in respect of tenancy of the Selinsing Farm by SBH Perak Agro from PPPNP;

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B. COMPARISON BETWEEN THE LEASE AGREEMENT AND THE TENANCY AGREEMENT

1. In summary, both parties (PPPNP and SBH Perak Agro) have intended that, **for all intents and purposes**, Tenancy Agreement **shall mirror** the Lease Arrangement. The change from a lease to a tenancy arrangement is necessary to allow and to give the rights to SBH Perak Agro to continue occupying and using the Selinsing Farm for shrimp breeding as envisaged under the JV Agreement as the parties are unable to proceed with the Lease Agreement due to that PPPNP's application for state authority consent to lease the Selinsing Farms to SBH Perak Agro being declined.
2. On 13 February 2024, SBH Perak Agro, PASB, PPPNP and SBH Aquaculture Farm have executed the Confirmation of Mutual Understanding which has clearly spelt out the intention as well as the mutual understanding of both parties in ensuring that the effects of the Tenancy Agreement do not depart (save for those which are necessitated by the change of arrangement as stated below) from what was originally agreed and intended to under the Lease Agreement.
3. The main differences between the Lease Agreement and Tenancy Agreement are as follow:-

   i) amendments in the terminologies used throughout the Tenancy Agreement in view of the conversion of lease to tenancy such as:

   - "pajak or pajakan" to "sewa or sewaan";
   - "Pemberi Pajak" to "Tuan Tanah";
   - "Penerima Pajak" to "Penyewa";
   - "memajakkan" to "memberi sewaan";
   - "yuran pajakan" to "kadar sewaan";
   - "Penggal Pertama or Penggal Kedua" to "Tempoh Sewaan Pertama or Tempoh Sewaan Kedua"; and
   - "Tempoh Pajakan Lanjutan" to "Tempoh Sewaan Lanjutan".

   ii) instead of a fixed 30+30 years lease, the tenancy has been divided into 20 terms of 3-years tenancy each renewable at the option of SBH Perak Agro which PPPNP is obligated to renew. Notwithstanding that, the total cumulative period of which SBH Perak Agro is entitled to use and occupy Selinsing Farm remains the same under both arrangements; and

   iii) removal of the requirement to obtain state consent to lease and consequential amendments, including the Lease Agreement being deemed as a tenancy agreement pending the obtainment of the state authority's consent to lease and an undertaking by PPPNP to take all necessary action to register the lease in the name of SBH Perak Agro after the obtainment of the state authority's consent.

   Save for the above, all the other terms of the Lease Agreement are repeated in the Tenancy Agreement.

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C. LEGAL OPINION ON THE RIGHTS AND INTERESTS OF SBH PERAK AGRO IN THE TENANCY AGREEMENT COMPARED TO THE LEASE AGREEMENT

1. <u>Right of PPPNP to review and consider the increase of rental during the Initial Period</u>

Under the Tenancy Agreement, the parties have agreed, amongst others, that PPPNP has the absolute right to review and consider the increase in rental payment for each of the years to be determined.

We are of the opinion that the above provision in relation to the right of PPPNP to review and consider the increase of the rental payment does not apply to the Initial Period and is solely in reference to the Extended Period which is consistent with the Lease Agreement in relation to the right of PPPNP to review and consider the increase of the lease fee only for the Extended Period.

Insofar as the Initial Period, the rental for the Initial Period has been fully satisfied by SBH Perak Agro via an upfront lump sum payment of RM1,583,722.00 on 16 and 17 January 2024. We are of the opinion that PPPNP does not have the legal right to increase the rental during the Initial Period which has been fully satisfied. This is further confirmed via the Confirmation of Mutual Understanding.

2. <u>Rights of PPPNP to review and consider the increase of the rental during the Extended Period</u>

In respect of PPPNP's right to review and consider increasing the rental payment under the Tenancy Agreementfor the Extended Period, we are of the opinion that **such right to increase the rental payment under the Tenancy Agreement should be the same as under the Lease Agreement whereby the rental payment/lease fee would have been mutually agreed upfront by both parties prior to the commencement of the Extended Period**. The payment structure for the new lease fee/rental payment would have been payable either upfront, annually or any other terms as may be mutually agreed by the parties and shall be provided for in a supplemental agreement as stated in last sentence of Clause 2.2.

The provision granting PPPNP the right to review and consider any increase in rental payment should not be interpreted as PPPNP having the absolute right to review the rental every year during the duration of the tenancy term or during each of the renewal of the 3-years tenancy periods, as PPPNP did not have such rights to review the lease fee during the Extended Periodunder the Lease Agreement. This has been acknowledged and confirmed by both parties via the Confirmation of Mutual Understanding.

3. <u>Same effect of termination</u>

Similar to the Lease Agreement, PPPNP does not have the right under the Tenancy Agreement to terminate the agreement by notice without cause or for convenience. PPPNP is only allowed to terminate the agreement if SBH Perak Agro breaches the terms and conditions of the agreement and fails to remedy such breaches under Clause 8 of the Tenancy Agreement.

The Tenancy Agreement is renewable at the option of SBH Perak Agro every three years which PPPNP is obligated to renew. SBH Perak Agro's intention is to exercise the right to renew every 3 years until the end of the Initial Period. This is evidenced in

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(i) the subsisting JV Agreement where Perak Agro Aquaculture shall make available Selinsing Farm for shrimp breeding purposes and (ii) the one lump sum payment of the rental mentioned above. In addition, despite the requirement for SBH Perak Agro to renew the Tenancy Agreement every 3 years, both PPPNP and SBH Perak Agro have also confirmed, via the Confirmation of Mutual Understanding of the intention that such renewals by SBH Perak Agro in respect of the Initial Period and the Extended Period are purely procedural in nature and it is the intention of both parties for Selinsing Farm to remain rented by PPPNP to SBH Perak Agro, ensuring the continuity and subsistence of the tenancy for shrimp breeding as provided for in Clause 5.1 of the JV Agreement.

With the legal rationale and the facts stated in the paragraph above, unless there is a breach by SBH Perak Agro, PPPNP will not be allowed to deny SBH Perak Agro's right to continue occupying and using the Selinsing Farm for the Initial Period under the Tenancy Agreement. Therefore, PPPNP's denial of such right would constitute a breach of the Tenancy Agreement by PPPNP which will allow SBH Perak Agro to either seek specific performance to continue using Selinsing Farm for the entire Initial Period and/or damages that SBH Perak Agro suffered arising from the breach of PPPNP including its loss of use for the remaining unutilised period of the entire Initial Period.

In the event the tenancy is extended to the Extended Period, the above understanding and agreement between the parties will similarly apply to the Extended Period and hence it will have the same effect in regard to the Extended Period.

In view of the foregoing, **the Lease Agreement and the Tenancy Agreement have the same effects when it concerns the right and ability of SBH Perak Agro to demand for damages or specific performance be it under the Lease Agreement or Tenancy Agreement if terminated by PPPNP without just cause and reason**.

4. Conclusion

Based on our thorough review of both the Lease Agreement and the Tenancy Agreement and the Confirmation of Mutual Understanding which has legal binding effect, and has reiterated the fact, intention, purpose agreed by PPPNP and SBH Perak Agro for the continuous tenancy of the Selinsing Farm as long as the joint venture subsists, we are of the considered view that based on principles of equity and contracts, the Tenancy Agreement has the same effects as the Lease Agreement.

D. QUALIFICATIONS AND ASSUMPTIONS

1. Our clarification and opinion are strictly based on the facts and documents disclosed to us.

2. We express no opinion as to any laws other than the laws of Malaysia in force and as interpreted as at the date of this letter.

E. BENEFIT

This letter is given for the sole benefit of the Board of Directors of SBH Marine Holdings Berhad and for purpose of the inclusion in the Prospectus only. This letter may not be relied

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upon by or distributed or disclosed in whole or in part for any other purpose in any way without our prior written consent.

Yours faithfully
Zaid Ibrahim & Co
in association with KPMG Law

ANG SIAK KENG
Partner
siakkengang@ziclegal.com