

13. ACCOUNTANTS' REPORT



19 FEB 2024

The Board of Directors
Zantat Holdings Berhad
PT 24571 & PT 21289 (Lot 335978)
Kaw. Industri Batu Kapur Keramat Pulai
31300 Kampung Kepayang
Perak

Crowe Malaysia PLT
201906000005 (LLF0018817-LCA) & AF 1018
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Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF ZANTAT HOLDINGS BERHAD (THE "COMPANY" OR "ZANTAT HOLDINGS")

OPINION

We have audited the combined and consolidated financial information of Zantat Sdn. Bhd., Calrock Sdn. Bhd., Zantat Light C.C. Sdn. Bhd. and Zaneco Sdn. Bhd. (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2020 and consolidated statements of financial position as at 31 December 2021, 31 December 2022 and 30 September 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial year ended ("FYE") 31 December 2020 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the FYEs 31 December 2021, 31 December 2022 and nine months financial period ended ("FPE") 30 September 2023 and notes to the combined and consolidated financial information, including a summary of significant accounting policies as set out on pages 5 to 84.

This historical financial information has been prepared for inclusion in the prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued shares of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus").

In our opinion, the combined and consolidated financial information gives 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 of their financial performance and their cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and nine months FPE 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. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the combined and consolidated financial information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial information 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined and consolidated financial information.

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

- Identify and assess the risks of material misstatement of the combined and consolidated financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

13. ACCOUNTANTS' REPORT (Cont'd)



REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information 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.
- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial information 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and related notes to the financial statements of the Group for nine months FPE 30 September 2022 have not been audited.

13. ACCOUNTANTS' REPORT (Cont'd)



RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the Prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued shares of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

A stylized signature consisting of a large, bold letter 'C' followed by a horizontal line.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to read "Ho Yen Ling".

Ho Yen Ling
03378/06/2024 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		<-----Audited----->			
		<-----As at----->			
		31	31	31	30
		December	December	December	September
Note	2020	2021	2022	2023	
	RM'000	RM'000	RM'000	RM'000	
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	53,049	49,917	51,375	48,880
Right-of-use assets	5	7,279	7,195	7,430	7,066
		60,328	57,112	58,805	55,946
CURRENT ASSETS					
Inventories	6	6,866	8,198	8,595	7,843
Trade receivables	7	18,112	21,999	21,250	22,593
Other receivables, deposits and prepayments	8	836	2,604	1,086	1,225
Current tax assets		294	849	1,503	145
Fixed deposits with licensed banks	9	5,673	5,061	3,442	4,018
Cash and bank balances		5,311	2,058	4,531	4,500
		37,092	40,769	40,407	40,324
TOTAL ASSETS		97,420	97,881	99,212	96,270
EQUITY AND LIABILITIES					
EQUITY					
Share capital	10	5,000	3,000	6,000	6,000
Merger deficit	11	(1,500)	(4,100)	(4,100)	(4,100)
Retained profits		53,307	56,088	55,507	61,178
TOTAL EQUITY		56,807	54,988	57,407	63,078
NON-CURRENT LIABILITIES					
Long-term borrowings	12	13,999	10,653	8,034	5,276
Deferred tax liabilities	13	2,389	2,389	3,024	3,412
Lease liabilities	14	34	11	413	131
		16,422	13,053	11,471	8,819

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		<-----Audited----->			
		<-----As at----->			
		31	31	30	30
		December	December	September	September
		2020	2021	2022	2023
Note	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES					
Trade payables	15	9,303	8,519	8,039	8,298
Other payables and accruals	16	3,400	5,503	6,368	8,472
Lease liabilities	14	351	418	392	430
Short-term borrowings	17	11,137	15,371	15,535	6,707
Current tax liabilities		-	29	-	466
		24,191	29,840	30,334	24,373
TOTAL LIABILITIES		40,613	42,893	41,805	33,192
TOTAL EQUITY AND LIABILITIES		97,420	97,881	99,212	96,270

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<-----Audited----->			Unaudited	Audited
		<-----FYE 31 December----->			Nine Months period	Nine Months period
		2020	2021	2022	<---FPE 30 September--->	<---FPE 30 September--->
	Note	RM'000	RM'000	RM'000	2022	2023
		RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE	18	107,209	119,464	113,023	82,977	91,089
COST OF SALES		(60,048)	(59,293)	(60,944)	(44,094)	(55,200)
GROSS PROFIT		47,161	60,171	52,079	38,883	35,889
OTHER INCOME		667	1,163	1,707	2,160	1,660
		47,828	61,334	53,786	41,043	37,549
SELLING AND DISTRIBUTION EXPENSES		(25,559)	(38,439)	(33,931)	(26,154)	(19,473)
ADMINISTRATIVE EXPENSES		(10,840)	(11,481)	(9,560)	(7,163)	(8,347)
OTHER EXPENSES		(1,220)	(911)	(1,386)	(709)	(903)
FINANCE COSTS		(1,676)	(1,392)	(1,568)	(1,167)	(992)
PROFIT BEFORE TAXATION	19	8,533	9,111	7,341	5,850	7,834
INCOME TAX EXPENSE	20	(2,298)	(2,607)	(1,922)	(1,430)	(2,163)
PROFIT AFTER TAXATION		6,235	6,504	5,419	4,420	5,671
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		6,235	6,504	5,419	4,420	5,671

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine Months period	FPE 30 September
Note	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company	6,235	6,504	5,419	4,420	5,671
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company	6,235	6,504	5,419	4,420	5,671
EARNINGS PER SHARE (RM)					
Basic	1.25	2.17	1.17	1.06	0.95
Diluted	1.25	2.17	1.17	1.06	0.95

13. ACCOUNTANTS' REPORT (Cont'd)
ZANTAT HOLDINGS BERHAD
COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM'000	Non- distributable Merger Deficit RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Total Equity RM'000
Balance at 1.1.2020		5,500	-	51,572	57,072	57,072
Profit after taxation/Total comprehensive income for the financial year		-	-	6,235	6,235	6,235
Distributions to owners of the Company:						
- Dividends	22	-	-	(4,500)	(4,500)	(4,500)
- Adjustment on the acquisition of a subsidiary		(500)	(1,500)	-	(2,000)	(2,000)
Balance at 31.12.2020/1.1.2021		5,000	(1,500)	53,307	56,807	56,807
Profit after taxation/Total comprehensive income for the financial year		-	-	6,504	6,504	6,504
Distributions to owners of the Company:						
- Dividends	22	-	-	(3,723)	(3,723)	(3,723)
- Adjustment on the acquisition of a subsidiary		(2,000)	(2,600)	-	(4,600)	(4,600)
Balance at 31.12.2021/1.1.2022		3,000	(4,100)	56,088	54,988	54,988
Profit after taxation/Total comprehensive income for the financial year		-	-	5,419	5,419	5,419
Contributions by and distributions to owners of the Company:						
- Issuance of ordinary shares		3,000	-	-	3,000	3,000
- Dividends	22	-	-	(6,000)	(6,000)	(6,000)
Balance at 31.12.2022/1.1.2023		6,000	(4,100)	55,507	57,407	57,407
Profit after taxation/Total comprehensive income for the financial period		-	-	5,671	5,671	5,671
Balance at 30.9.2023		6,000	(4,100)	61,178	63,078	63,078

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS**

Note	<----- Audited ----->			Unaudited Nine Months period <--FPE 30 September--> 2022	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	8,533	9,111	7,341	5,850	7,834
Adjustments for:-					
Depreciation of:					
- property, plant and equipment	5,629	5,461	5,262	3,959	4,036
- right-of-use assets	510	519	559	420	420
Property, plant and equipment written off	9	2	33	7	23
Bad debt written off	-	-	-	-	2
Interest expense on lease liabilities	34	16	11	10	29
Interest expenses	1,191	956	1,251	933	703
Unrealised loss/(gain) on foreign exchange	93	(219)	427	(550)	(1,028)
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(155)	(161)
Interest income	(180)	(97)	(66)	(48)	(85)
Operating profit before working capital changes	15,787	15,625	14,638	10,426	11,773
Decrease/(Increase) in inventories	79	(1,332)	(397)	(687)	752
(Increase)/Decrease in trade and other receivables	(2,161)	(4,223)	676	591	(505)
Increase/(Decrease) in trade and other payables	2,528	1,319	186	(1,146)	2,363
CASH FROM OPERATIONS	16,233	11,389	15,103	9,184	14,383
Net income tax (paid)/refund	(2,280)	(3,133)	(1,970)	(1,941)	49
Interest paid	(1,225)	(972)	(1,070)	(754)	(736)
NET CASH FROM OPERATING ACTIVITIES	12,728	7,284	12,063	6,489	13,696
CASH FLOWS FOR INVESTING ACTIVITIES					
Acquisition of subsidiaries	(2,000)	(4,600)	-	-	-
Purchase of property, plant and equipment	23(a) (2,345)	(3,544)	(5,397)	(3,468)	(1,515)
Proceeds from disposal of property, plant and equipment	32	124	187	162	161
Interest income received	180	97	66	48	85
(Addition)/Withdrawal of fixed deposits pledged with licensed banks	(73)	(28)	34	34	-
NET CASH FOR INVESTING ACTIVITIES	(4,206)	(7,951)	(5,110)	(3,224)	(1,269)

13. ACCOUNTANTS' REPORT (Cont'd)
ZANTAT HOLDINGS BERHAD
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	<----- Audited ----->			Unaudited	Audited
		<-----FYE 31 December----->			Nine Months period	
		2020	2021	2022	<--FPE 30 September-->	
		RM'000	RM'000	RM'000	2022	2023
					RM'000	RM'000
CASH FLOWS FOR FINANCING ACTIVITIES						
Repayment of lease liabilities	23(b)	(364)	(391)	(418)	(313)	(300)
Net (repayment)/drawdown in term loans	23(b)	(1,040)	(1,681)	614	433	(1,847)
Net repayment in hire purchase payables	23(b)	(1,485)	(1,657)	(2,495)	(1,676)	(1,605)
Net (repayment)/drawdown in post shipment buyer loan	23(b)	(777)	878	238	(97)	(840)
Net (repayment)/drawdown in revolving credit	23(b)	(450)	2,200	(1,000)	400	(1,400)
Net drawdown/(repayment) in invoice financing	23(b)	-	-	350	-	(350)
Net (repayment)/drawdown in bankers' acceptances	23(b)	(272)	1,148	1,157	(1,470)	(5,540)
Proceeds from issuance of ordinary shares		-	-	3,000	3,000	-
Dividends paid		(4,500)	(3,723)	(6,000)	(3,000)	-
NET CASH FOR FINANCING ACTIVITIES		(8,888)	(3,226)	(4,554)	(2,723)	(11,882)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(366)	(3,893)	2,399	542	545
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		9,833	9,467	5,574	5,574	7,973
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	23(c)	9,467	5,574	7,973	6,116	8,518

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Zantat Holdings Berhad ("Zantat Holdings") was incorporated in Malaysia under the Companies Act 2016 on 30 November 2021, as a private limited liability company and is principally engaged in the business of investment holding. Zantat Holdings is embarking on the listing of and quotation of its enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Zantat Holdings was incorporated with a total paid-up share capital of RM1 comprising 1 ordinary share.

Zantat Holdings was incorporated for the purpose of acquiring the combining entity, Zantat Sdn. Bhd., Calrock Sdn. Bhd., Zantat Light C.C. Sdn. Bhd. and Zaneco Sdn. Bhd. pursuant to the listing exercise as disclosed in Note 30 to the combined and consolidated financial statements.

On 25 May 2023, the Company converted from a private company to a public company limited by shares and assumed its present name of Zantat Holdings Berhad.

The information of the entities within the combined and consolidated financial statements is as follows:-

- (a) Zantat Sdn. Bhd. ("Zantat") was incorporated on 15 December 1981 in Malaysia, as a private limited liability company and is principally engaged in the production of calcium carbonate, processing and trading of industrial minerals and operations of limestone quarry.
- (b) Calrock Sdn. Bhd. ("Calrock") was incorporated on 17 April 1970 in Malaysia, as a private limited liability company and is principally engaged in the production of calcium carbonate. On 30 November 2021, Calrock became a wholly-owned subsidiary of Zantat.
- (c) Zantat Light C.C. Sdn. Bhd. ("Zantat Light") was incorporated on 25 November 2000 in Malaysia, as a private limited liability company and is principally engaged in the operations of limestone quarry. On 12 October 2020, Zantat Light became a wholly-owned subsidiary of Zantat.
- (d) Zaneco Sdn. Bhd. ("Zaneco") was incorporated on 30 September 2021 in Malaysia, as a private limited liability company and is principally engaged in the manufacturing of bioplastic compound. On 12 November 2021, Zaneco became a wholly-owned subsidiary of Zantat.

The registered office and principal place of business of Zantat Holdings are as follows:-

Registered office	: 5-9A, The Boulevard Offices, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
Principal place of business	: Lot 1013-B, Jalan 2/32A, 6 1/2 Miles, Kepong Industrial Area, Jalan Kepong, 52100 Kuala Lumpur.

Notes:-

Zantat Sdn. Bhd	- Zantat
Calrock Sdn. Bhd.	- Calrock
Zantat Light C.C. Sdn. Bhd.	- Zantat Light
Zaneco Sdn. Bhd.	- Zaneco

(Collectively defined as "the Group")

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION**

- 2.1 Our basis of preparation for the combined and consolidated financial statements for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and FPE 30 September 2023 are prepared based on the separate financial statements of Zantat Holdings, Zantat, Calrock, Zantat Light and Zaneco (collectively known as "the Group").

These combined and consolidated financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years/period as follows:-

Company	Relevant reporting years/period	Accounting standards applied	Auditors
Zantat Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 to 31 December 2022 FPE 30 September 2023	MFRSs MFRSs MFRSs	Nexia SSY PLT Crowe Malaysia PLT Crowe Malaysia PLT
Calrock Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 to 31 December 2022 FPE 30 September 2023	MFRSs MFRSs MFRSs	Nexia SSY PLT Crowe Malaysia PLT Crowe Malaysia PLT
Zantat Light C.C Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 to 31 December 2022 FPE 30 September 2023	MFRSs MFRSs MFRSs	Nexia SSY PLT Crowe Malaysia PLT Crowe Malaysia PLT
Zaneco Sdn. Bhd.	FYE 31 December 2021 to 31 December 2022 FPE 30 September 2023	MFRSs MFRSs	Crowe Malaysia PLT Crowe Malaysia PLT

Note:-
MFRSs - Malaysian Financial Reporting Standards

For the purposes of the combined financial statements for the FYE 31 December 2020, the entities of the Group consist of entities under common control as described in Note 1 to the financial statements. The audited financial statements are not subjected to any audit qualification, modification and disclaimer.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.1 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 ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined and consolidated financial statements from the day that control commences until the date that control ceases.

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

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined and consolidated financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs and IFRSs.

- 2.2 The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year/period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
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

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment and Right-of-use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Note 4 and Note 5 to the financial statements respectively.

(b) Impairment of Property, Plant and Equipment and Right-of-use Assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. The carrying amounts of property, plant and equipment, and right-of-use assets as at the reporting date are disclosed in Note 4 and Note 5 to the financial statements respectively.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

(d) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amounts of trade receivables as at the reporting date is disclosed in Note 7 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

*Key Sources of Estimation Uncertainty (Cont'd)***(e) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 8 to the financial statements.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets of the Group as at the reporting date are approximately RM145,000 (31 December 2022 - RM1,503,000; 31 December 2021 - RM849,000; 31 December 2020 - RM294,000) and the carrying amount of the Group's current tax liabilities as at the reporting date are approximately RM466,000 (31 December 2022 - Nil; 31 December 2021 - RM29,000; 31 December 2020 - Nil).

(g) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION**

The combined and consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined and consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(b) Merger Accounting for Common Control Business Combination**

Business combinations under common control are accounted using the pooling-of-interests method.

The combined and consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities of business came under the control of the controlling party.

The assets and liabilities of the combining entities are accounted for based on the carrying amounts from the perspective of the common controlling party, or the combining entities if the common controlling party does not prepare combined and consolidated financial statements. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combinations, to the extent of the continuation of the controlling party's interest. The components of equity of the acquired entities are added to the same components within Group equity and any gain or loss arising is recognised directly in equity.

The profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or from the date when these entities came under the control of the common controlling party (if later), regardless of the actual date of the common control combinations.

All significant intercompany transactions and balances between the entities in the Group are eliminated on consolidation.

Transaction costs for the combinations are recognised in profit or loss.

(c) Non-controlling Interests

Non-controlling interests are presented within equity in the combined and consolidated statement of financial position, separately from the 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.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which 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 in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

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

3.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)*Debt Instruments (Cont'd)*

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)**(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

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 measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

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

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 will flow to the Group and the cost of the asset can 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.

Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Buildings	2%
Plant and machinery	10%
Factory tools and equipment	10%
Motor vehicles	20%
Forklifts and lorries	10%-20%
Office equipment	10%
Furniture and fittings	10%-20%
Air-conditioners	10%
Electrical equipment and fittings	10%
Renovation	10%-20%
Software	20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.6 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the basis as follows:-

Leasehold land	Over the lease period
Factory buildings	33%-50%
Hostels	50%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 IMPAIRMENT****(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.7 IMPAIRMENT (CONT'D)

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.8 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.10 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

3.11 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 INCOME TAXES (CONT'D)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3.12 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.13 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined and consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined and consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive ordinary shares.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.14 FAIR VALUE MEASUREMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102).

3.15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sales of Goods

Revenue is recognised at a point in time when the goods have been delivered to the customer and upon its acceptance, and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the goods sold.

3.16 OTHER OPERATING INCOME

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2020 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2020 RM'000
Audited							
31.12.2020							
Carrying amount							
Buildings	24,283	294	-	-	96	(535)	24,138
Building-in-progress	-	235	-	-	-	-	235
Plant and machinery	25,914	44	-	-	1,844	(3,853)	23,949
Plant and machinery under installation	997	1,428	-	-	(1,955)	-	470
Factory tools and equipment	972	138	-	(5)	14	(190)	929
Motor vehicles	890	-	-	-	-	(413)	477
Forklifts and lorries	486	-	#	-	-	(161)	325
Office equipment	526	54	-	(2)	-	(93)	485
Furniture and fittings	562	86	-	(1)	-	(75)	572
Air-conditioners	523	8	-	(1)	1	(69)	462
Electrical equipment and fittings	736	23	-	#	-	(129)	630
Renovation	71	35	-	-	-	(15)	91
Software	382	-	-	-	-	(96)	286
	56,342	2,345	-	(9)	-	(5,629)	53,049

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2021 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
Audited							
31.12.2021							
Carrying amount							
Buildings	24,138	436	-	-	-	(546)	24,028
Building-in-progress	235	574	-	-	-	-	809
Plant and machinery	23,949	454	#	-	625	(3,891)	21,137
Plant and machinery under installation	470	302	-	-	(625)	-	147
Factory tools and equipment	929	134	-	(1)	-	(186)	876
Motor vehicles	477	85	#	-	-	(194)	368
Forklifts and lorries	325	250	#	-	-	(160)	415
Office equipment	485	34	-	(1)	-	(92)	426
Furniture and fittings	572	5	#	#	-	(81)	496
Air-conditioners	462	5	-	#	-	(68)	399
Electrical equipment and fittings	630	52	-	-	-	(132)	550
Renovation	91	-	-	-	-	(16)	75
Software	286	-	-	-	-	(95)	191
	53,049	2,331	-	(2)	-	(5,461)	49,917

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2022 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
Audited							
31.12.2022							
Carrying amount							
Buildings	24,028	203	-	(7)	864	(559)	24,529
Building-in-progress	809	269	-	-	(1,078)	-	-
Plant and machinery	21,137	106	(7)	(22)	286	(3,627)	17,873
Plant and machinery under installation	147	5,152	-	-	(435)	-	4,864
Factory tools and equipment	876	341	-	#	166	(209)	1,174
Motor vehicles	368	135	#	-	-	(193)	310
Forklifts and lorries	415	198	#	-	-	(185)	428
Office equipment	426	84	-	(3)	9	(87)	429
Furniture and fittings	496	160	-	(1)	38	(89)	604
Air-conditioners	399	2	-	#	45	(67)	379
Electrical equipment and fittings	550	110	-	#	105	(139)	626
Renovation	75	-	-	-	-	(12)	63
Software	191	-	-	-	-	(95)	96
	49,917	6,760	(7)	(33)	-	(5,262)	51,375

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2023 RM'000	Addition (Note 23(a)) RM'000	Disposal RM'000	Write Off RM'000	Transfer RM'000	Depreciation Charges RM'000	At 30.9.2023 RM'000
Audited							
30.9.2023							
Carrying amount							
Buildings	24,529	2	-	(23)	-	(426)	24,082
Building-in-progress	-	14	-	-	-	-	14
Plant and machinery	17,873	124	-	-	5,455	(2,805)	20,647
Plant and machinery under installation	4,864	776	-	-	(5,581)	-	59
Factory tools and equipment	1,174	64	-	#	126	(170)	1,194
Motor vehicles	310	-	#	-	-	(131)	179
Forklifts and lorries	428	380	#	-	-	(122)	686
Office equipment	429	108	-	#	-	(68)	469
Furniture and fittings	604	53	-	-	-	(73)	584
Air-conditioners	379	9	-	#	-	(51)	337
Electrical equipment and fittings	626	29	-	-	-	(110)	545
Renovation	63	5	-	-	-	(8)	60
Software	96	-	-	-	-	(72)	24
	51,375	1,564	#	(23)	-	(4,036)	48,880

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
Audited			
31.12.2020			
Buildings	26,940	(2,802)	24,138
Building-in-progress	235	-	235
Plant and machinery	47,299	(23,350)	23,949
Plant and machinery under installation	470	-	470
Factory tools and equipment	3,375	(2,446)	929
Motor vehicles	4,386	(3,909)	477
Forklifts and lorries	2,116	(1,791)	325
Office equipment	1,157	(672)	485
Furniture and fittings	863	(291)	572
Air-conditioners	718	(256)	462
Electrical equipment and fittings	2,092	(1,462)	630
Renovation	374	(283)	91
Software	478	(192)	286
	90,503	(37,454)	53,049

Audited			
31.12.2021			
Buildings	27,377	(3,349)	24,028
Building-in-progress	809	-	809
Plant and machinery	48,123	(26,986)	21,137
Plant and machinery under installation	147	-	147
Factory tools and equipment	3,505	(2,629)	876
Motor vehicles	4,371	(4,003)	368
Forklifts and lorries	2,264	(1,849)	415
Office equipment	1,183	(757)	426
Furniture and fittings	867	(371)	496
Air-conditioners	721	(322)	399
Electrical equipment and fittings	2,141	(1,591)	550
Renovation	374	(299)	75
Software	478	(287)	191
	92,360	(42,443)	49,917

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
Audited			
31.12.2022			
Buildings	28,433	(3,904)	24,529
Plant and machinery	46,955	(29,082)	17,873
Plant and machinery under installation	4,864	-	4,864
Factory tools and equipment	4,012	(2,838)	1,174
Motor vehicles	4,110	(3,800)	310
Forklifts and lorries	2,216	(1,788)	428
Office equipment	1,194	(765)	429
Furniture and fittings	1,058	(454)	604
Air-conditioners	761	(382)	379
Electrical equipment and fittings	2,166	(1,540)	626
Renovation	374	(311)	63
Software	478	(382)	96
	96,621	(45,246)	51,375

Audited			
30.9.2023			
Buildings	28,406	(4,324)	24,082
Buildings in progress	14	-	14
Plant and machinery	52,534	(31,887)	20,647
Plant and machinery under installation	59	-	59
Factory tools and equipment	4,161	(2,967)	1,194
Motor vehicles	3,653	(3,474)	179
Forklifts and lorries	2,439	(1,753)	686
Office equipment	1,300	(831)	469
Furniture and fittings	1,112	(528)	584
Air-conditioners	768	(431)	337
Electrical equipment and fittings	2,194	(1,649)	545
Renovation	380	(320)	60
Software	478	(454)	24
	97,498	(48,618)	48,880

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) The buildings of the Group have been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.
- (b) Included in the assets of the Group at the end of reporting period which were acquired under hire purchase terms are as follows:-

	----- Audited ----->			
	----- As at ----->			
	2020	31	2022	30
	RM'000	December	RM'000	September
		2021		2023
		RM'000		RM'000
Plant and machinery	16,180	14,092	10,569	9,190
Motor vehicles	424	272	140	41
	16,604	14,364	10,709	9,231

5. RIGHT-OF-USE ASSETS

	At		Modification of	Depreciation	At
	1.1.2020	Additions	Lease	Charges	31.12.2020
	RM'000	RM'000	Liabilities	RM'000	RM'000
			(Note 14)		
			RM'000		
Audited					
31.12.2020					
<i>Carrying Amount</i>					
Leasehold land	7,060	-	-	(145)	6,915
Factory buildings	691	-	14	(356)	349
Hostels	7	17	-	(9)	15
	7,758	17	14	(510)	7,279

	At		Modification of	Depreciation	At
	1.1.2021	Additions	Lease	Charges	31.12.2021
	RM'000	RM'000	Liabilities	RM'000	RM'000
			(Note 14)		
			RM'000		
Audited					
31.12.2021					
<i>Carrying Amount</i>					
Leasehold land	6,915	-	-	(145)	6,770
Factory buildings	349	-	401	(359)	391
Hostels	15	34	-	(15)	34
	7,279	34	401	(519)	7,195

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2022 RM'000	Modification of Lease Liabilities (Note 14) RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
Audited 31.12.2022				
<i>Carrying Amount</i>				
Leasehold land	6,770	-	(145)	6,625
Factory buildings	391	769	(391)	769
Hostels	34	25	(23)	36
	7,195	794	(559)	7,430
	At 1.1.2023 RM'000	Additions RM'000	Depreciation Charges RM'000	At 30.9.2023 RM'000
Audited 30.9.2023				
<i>Carrying Amount</i>				
Leasehold land	6,625	-	(108)	6,517
Factory buildings	769	-	(288)	481
Hostels	36	56	(24)	68
	7,430	56	(420)	7,066

- (a) The lease contracts for leasehold land, factory buildings and hostels used in its operations. Their lease terms are as below:-

	----- Audited ----->			
	----- As at ----->			
	<----- 2020	31 December 2021	-----> 2022	30 September 2023
Leasehold land	54 to 99 years	54 to 99 years	54 to 99 years	54 to 99 years
Factory buildings	2 to 3 years	2 to 3 years	2 to 3 years	2 to 3 years
Hostels	2 years	2 years	2 years	2 to 3 years

- (b) The Group also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.
- (c) The leasehold land of the Group has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****6. INVENTORIES**

	----- Audited ----->			
	----- As at ----->			
	31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
At cost				
Raw materials	3,161	4,496	4,876	3,702
Finished goods	2,029	1,940	1,853	2,170
Consumables	1,192	1,382	1,626	1,100
Goods-in-transit	484	380	240	871
	6,866	8,198	8,595	7,843
<u>Recognised in profit or loss:-</u>				
Inventories recognised as cost of sales	(60,048)	(59,293)	(60,944)	(55,200)

7. TRADE RECEIVABLES

The Group's normal trade terms ranging from 30 to 90 (As at 31 December 2022 - 30 to 120; 31 December 2021 - 30 to 120; 31 December 2020 - 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	----- Audited ----->			
	----- As at ----->			
	31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
Other receivables	13	13	20	54
Deposits	222	224	224	180
Prepayments	601	2,367	842	991
	836	2,604	1,086	1,225

Included in prepayments of the Group were amounts paid in advance for purchases of plant and machinery amounting to approximately Nil (As at 31 December 2022 - RM49,000; 31 December 2021 - RM1,213,000; 31 December 2020 - Nil).

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks at the end of the reporting period bore the following effective interest rates per annum:-

	-----Audited----->			
	-----As at----->			
	31 December 2020	31 December 2021	2022	30 September 2023
	%	%	%	%
Effective interest rates	1.30 - 2.75	1.30 - 1.70	1.30 - 1.70	1.70 - 2.95

The fixed deposits have maturity periods of 1 (As at 31 December 2022 - 1; 31 December 2021 - 1 to 12; 31 December 2020 - 1 to 12) months.

- (b) The fixed deposits that have been pledged for banking facilities or placed for more than three months are as follows:-

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Fixed deposits: - pledged and with tenure of more than 3 months	1,517	1,545	-	-

As at 31 December 2020 and 31 December 2021, the fixed deposits with licensed banks of the Group have been pledged to the licensed bank as security for banking facilities granted to the Group as disclosed in Note 12(a) to the financial statements.

10. SHARE CAPITAL

The movements in the authorised and paid-up share capital of the Group are as follows:-

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	-----Number of Shares '000----->			
Issued and Fully Paid-Up				
At 1 January	5,500	5,000	3,000	6,000
Issuance of new shares for cash	-	-	3,000	-
Effect of acquisition of a common control subsidiaries	(500)	(2,000)	-	-
At 31 December/30 September	5,000	3,000	6,000	6,000

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****10. SHARE CAPITAL (CONT'D)**

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	-----RM'000----->			
Issued and Fully Paid-Up				
At 1 January	5,500	5,000	3,000	6,000
Issuance of new shares for cash	-	-	3,000	-
Effect of acquisition of a common control subsidiaries	(500)	(2,000)	-	-
At 31 December/30 September	<u>5,000</u>	<u>3,000</u>	<u>6,000</u>	<u>6,000</u>

- (a) For the purpose of this report, the total numbers of shares represent the aggregate number of issued and fully paid-up shares of all entities within the Group.
- (b) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group, and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.
- (c) In the FYE 31 December 2022, the Group increased its issued and paid-up share capital from RM3,000,000 to RM6,000,000 by issuance of 3,000,000 new ordinary shares at RM1 each for cash consideration of RM3,000,000.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Group.

11. MERGER DEFICIT

The merger deficit arose from the difference between the carrying value of the investment and the nominal value of the shares of subsidiaries upon consolidation under the merger accounting principles.

12. LONG-TERM BORROWINGS

		-----Audited----->			
		-----As at----->			
		2020	31 December 2021	2022	30 September 2023
		-----RM'000----->			
Term loans	(a)	9,018	7,173	6,901	5,266
Hire purchase payables	(b)	4,981	3,480	1,133	10
		<u>13,999</u>	<u>10,653</u>	<u>8,034</u>	<u>5,276</u>

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****12. LONG-TERM BORROWINGS (CONT'D)**

(a) Term loans

	-----Audited----- -----As at-----			
	31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
Current liabilities (Note 17)	2,890	3,054	2,488	2,272
Non-current liabilities	9,018	7,173	6,901	5,266
	<u>11,908</u>	<u>10,227</u>	<u>9,389</u>	<u>7,538</u>

Details of the repayment terms for term loans are as follows:-

Term loans	Number of Monthly Instal-ments	Monthly Instal-ment Amount RM	Commence-ment Date of Repayment	-----Audited----- -----As at-----			
				31 December 2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
1	96	39,375	March 2015	1,305	1,047	617	261
2	96	72,917	April 2018	5,216	4,803	4,022	3,364
3	60	105,207	May 2018	3,188	2,090	-	-
4	72	Note 1	July 2019	2,199	1,948	1,585	1,253
5	60	6,167	Aug 2021	-	339	265	210
6	60	50,000	Nov 2022	-	-	2,900	2,450
				<u>11,908</u>	<u>10,227</u>	<u>9,389</u>	<u>7,538</u>

Note 1 - Term loan shall be repaid on monthly basis at RM34,722 from year 1 to year 2; RM36,312 in year 3; thereafter in year 4 onwards shall be repaid at RM36,860 on monthly basis.

The term loans of the Group at the end of the reporting period were subjected to the following effective interest rates per annum:-

	-----Audited----- -----As at-----			
	2020 %	31 December 2021 %	2022 %	30 September 2023 %
Effective interest rates	3.85 - 6.14	3.59 - 6.12	4.04 - 6.18	4.81 - 6.64

The term loans are secured by:-

- (i) a legal charge over leasehold land and buildings of the Group as disclosed in Notes 4 and 5 to the financial statements;
- (ii) a pledge of the fixed deposits of the Group as disclosed in Note 9 to the financial statements;
- (iii) an assignment of life assurance policy by certain directors of the Group;
- (iv) a personal guarantee by a director of the Group;
- (v) a joint and several guarantee of certain directors of the Group; and
- (vi) a corporate guarantee by Zantat.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****12. LONG-TERM BORROWINGS (CONT'D)**

(b) Hire purchase payables

	-----Audited----->			
	-----As at----->			
	31	31	31	30
	December	December	December	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:				
- not later than 1 year	2,790	2,534	2,406	1,843
- later than 1 year but not later than 5 years	5,224	3,595	1,152	10
	8,014	6,129	3,558	1,853
Less: Future finance charges	(577)	(349)	(140)	(40)
At 31 December	<u>7,437</u>	<u>5,780</u>	<u>3,418</u>	<u>1,813</u>
Current liabilities (Note 17)	2,456	2,300	2,285	1,803
Non-current liabilities	4,981	3,480	1,133	10
	<u>7,437</u>	<u>5,780</u>	<u>3,418</u>	<u>1,813</u>

The hire purchase payables of the Group at the end of the reporting period were subjected to the following effective interest rates per annum:-

	-----Audited----->			
	-----As at----->			
	31	31	31	30
	December	December	December	September
	2020	2021	2022	2023
	%	%	%	%
Effective interest rates	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46

The hire purchase payables of the Group are secured by plant and machinery and motor vehicles under finance lease as disclosed in Note 4 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****13. DEFERRED TAX LIABILITIES**

	<-----Audited----->			
	<-----As at----->			
	2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
At 1 January	2,389	2,389	2,389	3,024
Recognised in profit or loss (Note 20)	-	-	635	388
At 31 December/30 September	2,389	2,389	3,024	3,412

The deferred tax liabilities relates to the accelerated capital allowances over depreciation.

14. LEASE LIABILITIES

	<-----Audited----->			
	<-----As at----->			
	2020 RM'000	31 December 2021 RM'000	2022 RM'000	30 September 2023 RM'000
At 1 January	718	385	429	805
Additions	17	34	-	56
Interest expense recognised in profit or loss	34	16	11	29
Changes due to lease modification (Note 5)	14	401	794	-
Repayment of principal	(364)	(391)	(418)	(300)
Repayment of interest expense	(34)	(16)	(11)	(29)
At 31 December/30 September	385	429	805	561
Analysed by:-				
Current liabilities	351	418	392	430
Non-current liabilities	34	11	413	131
	385	429	805	561

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****15. TRADE PAYABLES**

- (a) The normal trade terms granted to the Group ranging from 30 to 90 (As at 31 December 2022 - 90; 31 December 2021 - 90; 31 December 2020 - 90) days.
- (b) Included in trade payables is an amount owing to related parties amounting to approximately RM65,000 (As at 31 December 2022 - RM70,000; 31 December 2021 - RM62,000; 31 December 2020 - RM90,000). The amount owing is unsecured and interest-free.

16. OTHER PAYABLES AND ACCRUALS

	-----Audited----->			
	-----As at----->			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Other payables	1,238	2,021	1,152	1,288
Advances from customers	-	-	-	409
Accruals	2,162	3,482	5,216	6,775
	3,400	5,503	6,368	8,472

Included in the other payables and accruals of the Group are accruals of handling fees amounting to approximately RM5,478,000 (As at 31 December 2022 - RM4,342,000; 31 December 2021 - RM1,445,000; 31 December 2020 - Nil) to sales facilitators for identifying, introducing, recommending prospective customers, negotiating on sales value, coordinating the logistics and handling of the Group's products.

17. SHORT-TERM BORROWINGS

	-----Audited----->			
	-----As at----->			
	31	31	30	30
	December	December	September	September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
Term loans (Note 12(a))	2,890	3,054	2,488	2,272
Hire purchase payable (Note 12(b))	2,456	2,300	2,285	1,803
	11,137	15,371	15,535	6,707

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****17. SHORT-TERM BORROWINGS (CONT'D)**

The post shipment buyer loan, revolving credit, bankers' acceptances and invoice financing of the Group are secured in the same manner as the term loans disclosed in Note 12(a) to the financial statements.

At the end of the reporting period, the Group were subjected to the following effective interest rates per annum:-

	<-----Audited----->			
	<-----As at----->			
	<----->	31 December	----->	30 September
	2020	2021	2022	2023
	%	%	%	%
Post shipment buyer loan	2.87 - 2.88	2.89 - 2.95	2.83 - 4.01	4.22 - 4.26
Revolving credit	2.97	2.95 - 3.04	3.30 - 4.62	4.54
Bankers' acceptances	3.04 - 3.11	2.99 - 3.05	2.99 - 4.26	4.09 - 4.19
Invoice financing	-	-	4.55 - 5.74	-
Term loans (Note 12(a))	3.85 - 6.14	3.59 - 6.12	4.04 - 6.18	4.81 - 6.64
Hire purchase payables (Note 12(b))	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46	4.35 - 5.46

18. REVENUE

The revenue represents sales of goods which was recognised at a point in time.

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period <---FPE 30 September--->	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Local sales	30,763	32,867	35,130	27,006	29,043
Overseas sales	76,446	86,597	77,893	55,971	62,046
	107,209	119,464	113,023	82,977	91,089

The information on the disaggregation of revenue by geographical market is disclosed in Note 26.2 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****19. PROFIT BEFORE TAXATION**

	<----- Audited ----->			Unaudited Nine months period <--FPE 30 September-->	Audited 2023
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Profit before taxation is arrived at after charging/(crediting):-					
Audit fees	53	93	100	85	81
Directors' fees	670	690	-	-	75
Directors' non-fee emoluments	4,596	4,575	2,832	2,262	2,489
Material Expenses/(Income):-					
Bad debt written off	-	-	-	-	2
Depreciation:					
- property, plant and equipment	5,629	5,461	5,262	3,959	4,036
- right-of-use assets	510	519	559	420	420
Property, plant and equipment written off	9	2	33	7	23
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bankers' acceptances	116	136	205	127	108
- discounting charges	#	2	-	-	-
- post shipment buyer loan	71	47	65	46	74
- term loans	711	514	505	372	377
- revolving credit	68	29	70	42	44
- invoice financing	-	-	41	35	-
- hire purchase payables	225	228	365	311	100
Interest expense on lease liabilities	34	16	11	10	29
Lease expenses:					
- short-term leases	3	7	-	-	20
Staff cost:					
- short-term employee benefits	9,670	9,576	9,885	6,845	8,335
- defined contribution benefits	750	773	764	515	553
- others	108	104	110	80	96
Gain on disposal of property, plant and equipment	(32)	(124)	(180)	(155)	(161)
(Gain)/loss on foreign exchange:					
- realised	(145)	(639)	(1,332)	(1,276)	(280)
- unrealised	93	(219)	427	(550)	(1,028)
Interest income on financial assets measured at amortised cost					
- fixed deposits with licensed banks	(180)	(97)	(66)	(48)	(85)
- others	-	#	#	-	-

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****20. INCOME TAX EXPENSE**

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	Nine months period
	2020	2021	2022	<--FPE 30 September --> 2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax:					
- for the financial year/period	2,397	2,550	1,830	1,338	2,076
- (over)/underprovision in previous financial years	(99)	57	(543)	(543)	(301)
	<u>2,298</u>	<u>2,607</u>	<u>1,287</u>	<u>795</u>	<u>1,775</u>
Deferred tax:					
- origination of temporary differences	-	-	196	196	216
- underprovision in previous financial years	-	-	439	439	172
	<u>-</u>	<u>-</u>	<u>635</u>	<u>635</u>	<u>388</u>
	<u>2,298</u>	<u>2,607</u>	<u>1,922</u>	<u>1,430</u>	<u>2,163</u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	Nine months period
	2020	2021	2022	<FPE 30 September> 2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before taxation	8,533	9,111	7,341	5,850	7,834
Tax at statutory tax rate of 24%	2,048	2,187	1,762	1,404	1,880
Tax effects of:-					
Non-deductible expenses	435	374	193	104	448
Deferred tax assets not recognised during the financial year/period	-	-	90	39	42
Non-taxable gain	-	(11)	(19)	(13)	(78)
Effect of change in corporate income tax	(42)	-	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year/period	(44)	-	-	-	-
(Over)/Underprovision of current tax in previous financial year	(99)	57	(543)	(543)	(301)
Underprovision of deferred tax liabilities in previous financial year	-	-	439	439	172
	<u>2,298</u>	<u>2,607</u>	<u>1,922</u>	<u>1,430</u>	<u>2,163</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (FYE 31 December 2022 - 24%, 31 December 2021 - 24%; 31 December 2020 - 24%) of the estimated assessable profit for the financial year/period.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

20. INCOME TAX EXPENSE (CONT'D)

As at 30 September 2023, the Group has unused tax losses of approximately RM42,000 that are available for offset against future taxable profits of a subsidiary in which the losses arose. No deferred tax assets are recognised in respect of these items as it is not probable that taxable profit of the subsidiary will be available against which the deductible temporary differences can be utilised.

Based on the current legislation, the unused tax losses are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment.

The Group unused tax losses can be carried forward up to YA2033.

Calrock

In the FYE 31 December 2020, the corporate tax rate on the first RM600,000 of chargeable income is 17%. The taxable rate applicable to the balance of chargeable income is 24%.

21. EARNINGS PER SHARE

	<-----Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	←-FPE 30 September-→
	2020	2021	2022	2022	2023
Profit attributable to owners of the Company (RM'000)	6,235	6,504	5,419	4,420	5,671
Weighted average number of ordinary shares ('000)	5,000	3,000	4,644	4,187	6,000
Basic earnings per share (RM)	1.25	2.17	1.17	1.06	0.95

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

22. DIVIDENDS

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	<--FPE 30 September-->
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Zantat</u>					
Ordinary shares:-					
In respect of the financial year ended:-					
31 December 2020:					
- interim single-tier dividend of RM1 per ordinary share	3,000	-	-	-	-
31 December 2021:					
- interim single-tier dividend of RM1 per ordinary share	-	3,000	-	-	-
- final single-tier dividend of RM1 per ordinary share	-	-	3,000	3,000	-
31 December 2022:					
- interim single-tier dividend of RM0.50 per ordinary share	-	-	3,000	-	-
	3,000	3,000	6,000	3,000	-
<u>Calrock</u>					
Ordinary shares:-					
In respect of the financial year ended:-					
31 December 2020:					
- interim single-tier dividend of RM0.75 per ordinary share	1,500	-	-	-	-
31 December 2021:					
- interim single-tier dividend of RM0.50 per ordinary share	-	723	-	-	-
	1,500	723	-	-	-
	4,500	3,723	6,000	3,000	-

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	<----- Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	
	2020	2021	2022	←FPE 30 September→	
	RM'000	RM'000	RM'000	2022	2023
				RM'000	RM'000
Property, plant and equipment					
Cost of property, plant and equipment purchased (Note 4)	2,345	2,331	6,760	4,681	1,564
Less: Accruals - balance remain unpaid in current financial year	-	-	(199)	-	-
Add: Prepayments made for future purchases	-	1,213	49	-	-
Less: Prepayments made in previous financial year/period	-	-	(1,213)	(1,213)	(49)
	<u>2,345</u>	<u>3,544</u>	<u>5,397</u>	<u>3,468</u>	<u>1,515</u>
Right-of-use assets					
Cost of right-of-use assets acquired (Note 5)	17	34	-	-	56
Less: Addition of new lease liabilities (Note 23(b))	(17)	(34)	-	-	(56)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Total RM'000
Audited 31.12.2020							
At 1 January	718	12,948	8,922	1,750	750	4,790	29,878
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	-	-	7,946	4,250	15,611	27,807
Repayment of principal	(364)	(1,040)	(1,485)	(8,723)	(4,700)	(15,883)	(32,195)
Repayment of interests	(34)	(711)	(225)	(71)	(68)	(116)	(1,225)
	(398)	(1,751)	(1,710)	(848)	(518)	(388)	(5,613)
<u>Other Changes</u>							
Acquisition of new leases	17	-	-	-	-	-	17
Modification of lease	14	-	-	-	-	-	14
Interest expense recognised in profit or loss	34	711	225	71	68	116	1,225
	65	711	225	71	68	116	1,256
At 31 December	385	11,908	7,437	973	300	4,518	25,521

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Total RM'000
Audited 31.12.2021							
At 1 January	385	11,908	7,437	973	300	4,518	25,521
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	370	-	8,490	6,150	19,606	34,616
Repayment of principal	(391)	(2,051)	(1,657)	(7,612)	(3,950)	(18,458)	(34,119)
Repayment of interests	(16)	(514)	(228)	(47)	(29)	(136)	(970)
	(407)	(2,195)	(1,885)	831	2,171	1,012	(473)
<u>Other Changes</u>							
Acquisition of new leases	34	-	-	-	-	-	34
Modification of lease	401	-	-	-	-	-	401
Interest expense recognised in profit or loss	16	514	228	47	29	136	970
	451	514	228	47	29	136	1,405
At 31 December	429	10,227	5,780	1,851	2,500	5,666	26,453

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
Audited 31.12.2022								
At 1 January	429	10,227	5,780	1,851	2,500	5,666	-	26,453
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	3,000	-	10,421	8,150	28,126	3,091	52,788
Repayment of principal	(418)	(2,386)	(2,495)	(10,183)	(9,150)	(26,969)	(2,741)	(54,342)
Repayment of interests	(11)	(446)	(232)	(65)	(70)	(205)	(41)	(1,070)
	(429)	168	(2,727)	173	(1,070)	952	309	(2,624)
<u>Other Changes</u>								
Modification of lease	794	-	-	-	-	-	-	794
Repayment by way of offsetting with fixed deposits pledged	-	(1,511)	-	-	-	-	-	(1,511)
Interest expense recognised in profit or loss	11	505	365	65	70	205	41	1,262
	805	(1,006)	365	65	70	205	41	545
At 31 December	805	9,389	3,418	2,089	1,500	6,823	350	24,374

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
Unaudited 30.9.2022								
At 1 January	429	10,227	5,780	1,851	2,500	5,666	-	26,453
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	2,253	-	7,146	6,000	18,662	2,741	36,802
Repayment of principal	(313)	(1,820)	(1,676)	(7,243)	(5,600)	(20,132)	(2,741)	(39,525)
Repayment of interests	(10)	(315)	(179)	(46)	(42)	(127)	(35)	(754)
	(323)	118	(1,855)	(143)	358	(1,597)	(35)	(3,477)
<u>Other Changes</u>								
Modification of lease	(6)	-	-	-	-	-	-	(6)
Repayment by way of offsetting with fixed deposits pledged	-	(1,511)	-	-	-	-	-	(1,511)
Interest expense recognised in profit or loss	10	372	311	46	42	127	35	943
	4	(1,139)	311	46	42	127	35	(574)
At 30 September	110	9,206	4,236	1,754	2,900	4,196	-	22,402

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Lease Liabilities RM'000	Term Loans RM'000	Hire Purchase Payables RM'000	Post Shipment Buyer Loan RM'000	Revolving Credit RM'000	Bankers' Acceptances RM'000	Invoice Financing RM'000	Total RM'000
Audited 30.9.2023								
At 1 January	805	9,389	3,418	2,089	1,500	6,823	350	24,374
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	-	-	7,929	2,450	13,330	-	23,709
Repayment of principal	(300)	(1,847)	(1,605)	(8,769)	(3,850)	(18,870)	(350)	(35,591)
Repayment of interests	(29)	(381)	(100)	(74)	(44)	(108)	-	(736)
	(329)	(2,228)	(1,705)	(914)	(1,444)	(5,648)	(350)	(12,618)
<u>Other Changes</u>								
Addition	56	-	-	-	-	-	-	56
Interest expense recognised in profit or loss	29	377	100	74	44	108	-	732
	85	377	100	74	44	108	-	788
At 30 September	561	7,538	1,813	1,249	100	1,283	-	12,544

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****23. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	<-----Audited ----->			Unaudited As at 30 September 2022	Audited 2023
	<-----As at 31 December----->				
	2020	2021	2022	RM'000	RM'000
	RM'000	RM'000	RM'000		
Cash and bank balances	5,311	2,058	4,531	4,496	4,500
Fixed deposits with licensed banks	5,673	5,061	3,442	1,620	4,018
	<u>10,984</u>	<u>7,119</u>	<u>7,973</u>	<u>6,116</u>	<u>8,518</u>
Less: Fixed deposits pledged to licensed banks (Note 19)	(1,517)	(1,545)	-	-	-
	<u>9,467</u>	<u>5,574</u>	<u>7,973</u>	<u>6,116</u>	<u>8,518</u>

24. KEY MANAGEMENT PERSONNEL

The key management personnel of the Group include directors and a member of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

(a) Directors of the Group

	<-----Audited ----->			Unaudited Nine months period <--FPE 30 September-->	Audited 2023
	<-----FYE 31 December----->				
	2020	2021	2022	RM'000	RM'000
	RM'000	RM'000	RM'000		
Short-term employee benefits:					
- non-fee emoluments	4,233	4,202	2,590	2,081	2,303
- fees	670	690	-	-	75
	<u>4,903</u>	<u>4,892</u>	<u>2,590</u>	<u>2,081</u>	<u>2,378</u>
- defined contribution benefits	363	373	242	181	186
	<u>5,266</u>	<u>5,265</u>	<u>2,832</u>	<u>2,262</u>	<u>2,564</u>

The estimated monetary value of benefits-in-kind provided by the Group to the directors were approximately RM29,000 (FYE 31 December 2022 - RM50,000; 31 December 2021 - RM76,000; 31 December 2020 - RM76,000).

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

24. KEY MANAGEMENT PERSONNEL (CONT'D)

The key management personnel compensation during the financial year/period are as follows (Cont'd):-

(b) Other Key Management Personnel

	<-----Audited ----->			Unaudited Nine months period ←--FPE 30 September-->	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Short-term employee benefits	-	205	243	162	155
Defined contribution benefits	-	26	30	19	19
	-	231	273	181	174

25. 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 or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with entities controlled by close family members of certain directors, close family members of certain directors and a director.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year/period:-

	<-----Audited ----->			Unaudited Nine months period ←--FPE 30 September-->	Audited 2023 RM'000
	<-----FYE 31 December----->				
	2020 RM'000	2021 RM'000	2022 RM'000		
Entities controlled by close family members of certain directors:					
- Transportation expenses	525	487	799	593	608
Close family members of certain directors:					
- Transportation expenses	490	469	189	139	168
A director:					
- Disposal of motor vehicle	-	-	(80)	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main reportable segments as follows:-

- (a) Production segment - involved in production of Ground Calcium Carbonate ("GCC"), Calcium carbonate ("CC") dispersion and kaolin dispersion.
- (b) Others - involved in the business of trading in other industrial minerals, sales of limestone quarry products and bioplastic compounding.

The management assesses the performance of the reportable segments based on their profit before interest expense and taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Segment assets and liabilities information are not regularly provided to the chief operating decision maker. Hence, no disclosure is made on segment assets and liabilities.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. OPERATING SEGMENTS (CONT'D)

26.1 BUSINESS SEGMENTS

	Production RM'000	Others RM'000	Group RM'000
Audited			
31.12.2020			
Revenue			
External revenue	104,405	2,804	107,209
Inter-segment revenue	-	1,530	1,530
	104,405	4,334	108,739
Combined adjustments and eliminations			(1,530)
Combined revenue			107,209
Results			
Segment profit before interest and taxation	8,871	1,338	10,209
Finance costs			(1,676)
Income tax expense			(2,298)
Combined profit after taxation			6,235
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,580	49	5,629
- right-of-use assets	486	24	510
Equipment written off	9	-	9
Gain on disposal on property, plant and equipment	(32)	-	(32)
Unrealised loss on foreign exchange	93	-	93

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. OPERATING SEGMENTS (CONT'D)

26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
Audited			
31.12.2021			
Revenue			
External revenue	116,099	3,365	119,464
Inter-segment revenue	-	1,868	1,868
	116,099	5,233	121,332
Consolidation adjustments and eliminations			(1,868)
Consolidated revenue			119,464
Results			
Segment profit before interest and taxation	8,862	1,641	10,503
Finance costs			(1,392)
Income tax expense			(2,607)
Consolidated profit after taxation			6,504
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,412	49	5,461
- right-of-use assets	495	24	519
Equipment written off	2	-	2
Gain on disposal on property, plant and equipment	(124)	-	(124)
Unrealised gain on foreign exchange	(219)	-	(219)

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
Audited			
31.12.2022			
Revenue			
External revenue	109,344	3,679	113,023
Inter-segment revenue	-	1,428	1,428
	109,344	5,107	114,451
Consolidation adjustments and eliminations			(1,428)
Consolidated revenue			113,023
Results			
Segment profit before interest and taxation	7,711	1,198	8,909
Finance costs			(1,568)
Income tax expense			(1,922)
Consolidated profit after taxation			5,419
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	5,218	44	5,262
- right-of-use assets	535	24	559
Equipment written off	33	-	33
Gain on disposal on property, plant and equipment	(180)	-	(180)
Unrealised loss/(gain) on foreign exchange	429	(2)	427

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
Unaudited			
30.9.2022			
Revenue			
External revenue	80,607	2,370	82,977
Inter-segment revenue	-	1,004	1,004
	80,607	3,374	83,891
Consolidation adjustments and eliminations			(1,004)
Consolidated revenue			82,977
Results			
Segment profit before interest and taxation	6,247	770	7,017
Finance costs			(1,167)
Income tax expense			(1,430)
Consolidated profit after taxation			4,420
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	3,922	37	3,959
- right-of-use assets	402	18	420
Equipment written off	7	-	7
Gain on disposal on property, plant and equipment	(155)	-	(155)
Unrealised gain on foreign exchange	(550)	-	(550)

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

26. OPERATING SEGMENTS (CONT'D)

26.1 BUSINESS SEGMENTS (CONT'D)

	Production RM'000	Others RM'000	Group RM'000
Audited			
30.9.2023			
Revenue			
External revenue	88,431	2,658	91,089
Inter-segment revenue	-	1,154	1,154
	88,431	3,812	92,243
Consolidation adjustments and eliminations			(1,154)
Consolidated revenue			91,089
Results			
Segment profit before interest and taxation	8,262	564	8,826
Finance costs			(992)
Income tax expense			(2,163)
Consolidated profit after taxation			5,671
Segment profit before interest and taxation includes the following:-			
Depreciation:			
- property, plant and equipment	3,883	153	4,036
- right-of-use assets	402	18	420
Equipment written off	23	-	23
Gain on disposal on property, plant and equipment	(161)	-	(161)
Unrealised gain on foreign exchange	(1,026)	(2)	(1,028)

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****26. OPERATING SEGMENTS (CONT'D)**

26.2 idkICAL INFORMATION

Revenue is based on the country in which the customers are located.

	<-----Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	
	2020	2021	2022	<-FPE 30 September->	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	30,763	32,867	35,130	27,006	29,043
India	67,053	75,489	67,395	47,921	54,228
Others	9,393	11,108	10,498	8,050	7,818
	<u>107,209</u>	<u>119,464</u>	<u>113,023</u>	<u>82,977</u>	<u>91,089</u>

The geographical information for non-current assets is not presented as the Group operates primarily in Malaysia during the reporting period.

26.3 MAJOR CUSTOMERS

The following are the major customers with revenue equal to or more than 10% of the Group's revenue:-

	<-----Audited ----->			Unaudited	Audited	Segment
	<-----FYE 31 December----->			Nine months period		
	2020	2021	2022	<-FPE 30 September->	2023	
	RM'000	RM'000	RM'000	2022	2023	
Customer 1	19,372	24,884	22,770	16,056	19,533	Production
Customer 2	*	*	13,932	9,737	10,980	Production

* Less than 10%

27. FOREIGN EXCHANGE RATE

The principal closing foreign exchange rates used (expressed on the basis of one unit of foreign currency to Ringgit Malaysia equivalent) for the translation of the foreign currency balances at the end of the reporting period are as follows:-

	<-----Audited ----->			Unaudited	Audited
	<-----FYE 31 December----->			Nine months period	
	2020	2021	2022	<-FPE 30 September->	2023
	RM	RM	RM	RM	RM
United States Dollar	4.016	4.161	4.404	4.623	4.679
Singapore Dollar	3.035	-	3.275	3.226	3.423
Euro Dollar	4.968	-	-	-	-
Chinese Yuan	0.629	0.664	0.646	0.665	0.656

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****28. CAPITAL COMMITMENTS**

	-----Audited----->			
	-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	485	2,770	1,220	1,187

29. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

29.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of major areas of treasury activity are as follows:-

(a) Market Risk**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Chinese Yuan ("CNY"), Euro Dollar ("EUR") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	USD	CNY	SGD	EUR	MYR	Total
	-----RM'000----->					
Audited						
31.12.2020						
<u>Financial Assets</u>						
Trade receivables	11,836	-	8	-	6,268	18,112
Other receivables and deposits	-	-	-	-	235	235
Fixed deposits with licensed banks	-	-	-	-	5,673	5,673
Cash and bank balances	1,612	-	-	-	3,699	5,311
	13,448	-	8	-	15,875	29,331

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD	CNY	SGD	EUR	MYR	Total
	-----RM'000-----					
Audited						
31.12.2020						
<u>Financial Liabilities</u>						
Trade payables	2,172	93	-	14	7,024	9,303
Other payables and accruals	7	-	-	-	3,393	3,400
Term loans	-	-	-	-	11,908	11,908
Hire purchase payables	-	-	-	-	7,437	7,437
Post shipment buyer loan	-	-	-	-	973	973
Revolving credit	-	-	-	-	300	300
Bankers' acceptances	-	-	-	-	4,518	4,518
	<u>2,179</u>	<u>93</u>	<u>-</u>	<u>14</u>	<u>35,553</u>	<u>37,839</u>
Net financial assets /(liabilities)	11,269	(93)	8	(14)	(19,678)	(8,508)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	-	-	19,678	19,678
Currency exposure	<u>11,269</u>	<u>(93)</u>	<u>8</u>	<u>(14)</u>	<u>-</u>	<u>11,170</u>

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD	CNY	MYR	Total
	<-----RM'000----->			
Audited				
31.12.2021				
<u>Financial Assets</u>				
Trade receivables	17,616	-	4,383	21,999
Other receivables and deposits	-	-	237	237
Fixed deposits with licensed banks	-	-	5,061	5,061
Cash and bank balances	1,159	1	898	2,058
	<u>18,775</u>	<u>1</u>	<u>10,579</u>	<u>29,355</u>
<u>Financial Liabilities</u>				
Trade payables	2,806	238	5,475	8,519
Other payables and accruals	1,445	-	4,058	5,503
Term loans	-	-	10,227	10,227
Hire purchase payables	-	-	5,780	5,780
Post shipment buyer loan	-	-	1,851	1,851
Revolving credit	-	-	2,500	2,500
Bankers' acceptances	-	-	5,666	5,666
	<u>4,251</u>	<u>238</u>	<u>35,557</u>	<u>40,046</u>
Net financial assets/ (liabilities)	14,524	(237)	(24,978)	(10,691)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	24,978	24,978
Currency exposure	<u>14,524</u>	<u>(237)</u>	<u>-</u>	<u>14,287</u>

13. ACCOUNTANTS' REPORT (Cont'd)
ZANTAT HOLDINGS BERHAD
NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD	CNY	SGD	MYR	Total
	<-----RM'000----->				
Audited					
31.12.2022					
<u>Financial Assets</u>					
Trade receivables	15,417	-	44	5,789	21,250
Other receivables and deposits	-	-	-	244	244
Fixed deposits with licensed banks	-	-	-	3,442	3,442
Cash and bank balances	2,783	1	-	1,747	4,531
	18,200	1	44	11,222	29,467
<u>Financial Liabilities</u>					
Trade payables	129	665	-	7,245	8,039
Other payables and accruals	4,346	-	-	2,022	6,368
Term loans	-	-	-	9,389	9,389
Hire purchase payables Post shipment buyer loan	-	-	-	3,418	3,418
	-	-	-	2,089	2,089
Revolving credit	-	-	-	1,500	1,500
Bankers' acceptances	-	-	-	6,823	6,823
Invoice financing	-	-	-	350	350
	4,475	665	-	32,836	37,976
Net financial assets/ (liabilities)	13,725	(664)	44	(21,614)	(8,509)
Less: Net financial liabilities denominated in the entity's functional currency	-	-	-	21,614	21,614
Currency exposure	13,725	(664)	44	-	13,105

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

	USD	CNY	MYR	Total
	<-----RM'000----->			
Audited				
30.9.2023				
<u>Financial Assets</u>				
Trade receivables	13,161	-	9,432	22,593
Other receivables and deposits	-	-	234	234
Fixed deposits with licensed banks	-	-	4,018	4,018
Cash and bank balances	2,426	1	2,073	4,500
	<u>15,587</u>	<u>1</u>	<u>15,757</u>	<u>31,345</u>
<u>Financial Liabilities</u>				
Trade payables	72	154	8,072	8,298
Other payables and accruals	5,512	-	2,551	8,063
Term loans	-	-	7,538	7,538
Hire purchase payables	-	-	1,813	1,813
Post shipment buyer loan	-	-	1,249	1,249
Revolving credit	-	-	100	100
Bankers' acceptances	-	-	1,283	1,283
	<u>5,584</u>	<u>154</u>	<u>22,606</u>	<u>28,344</u>
Net financial assets/ (liabilities)	10,003	(153)	(6,849)	3,001
Less: Net financial liabilities denominated in the entity's functional currency	-	-	6,849	6,849
	<u>10,003</u>	<u>(153)</u>	<u>-</u>	<u>9,850</u>

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	←-----Audited-----→			
	←-----As at-----→			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Effect on Profit After Taxation				
USD/RM				
- strengthened by 5%	+428	+552	+521	+380
- weakened by 5%	-428	-552	-521	-380
CNY/RM				
- strengthened by 5%	-4	-9	-25	-6
- weakened by 5%	+4	+9	+25	+6
SGD/RM				
- strengthened by 5%	#	-	+2	-
- weakened by 5%	#	-	-2	-
EUR/RM				
- strengthened by 5%	-1	-	-	-
- weakened by 5%	+1	-	-	-

Note:

- Amount less than RM1,000.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term loan with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fix and floating rate borrowings.

The Group's fixed rate receivables, borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 12(a) to the financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have a material impact on the profit after taxation and equity of the Group and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the trade receivables as at the end of the reporting period is as follows:-

	-----Audited----->			
	<-----FYE----->			FPE
	31	31	31	30
	2020	December 2021	2022	September 2023
Number of customers	1	2	2	3
Percentage	25%	47%	41%	36%

(ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through period review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of the following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficulty of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 120 days past due. The Group uses a more lagging past due criterion for certain trade receivables when it is more appropriate to reflect their loss patterns.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 12 months (FYE 31 December 2022 - 12 months; 31 December 2021 - 12 months; 31 December 2020 - 12 months) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debt.

Allowance for Impairment Losses

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
Audited			
31.12.2020			
Current (not past due)	10,874	-	10,874
1 to 30 days past due	5,461	-	5,461
31 to 60 days past due	1,349	-	1,349
61 to 90 days past due	224	-	224
More than 90 days past due	204	-	204
	<u>18,112</u>	<u>-</u>	<u>18,112</u>

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
Audited			
31.12.2021			
Current (not past due)	13,208	-	13,208
1 to 30 days past due	6,884	-	6,884
31 to 60 days past due	1,722	-	1,722
61 to 90 days past due	7	-	7
More than 90 days past due	178	-	178
	21,999	-	21,999

Audited			
31.12.2022			
Current (not past due)	14,184	-	14,184
1 to 30 days past due	5,584	-	5,584
31 to 60 days past due	934	-	934
61 to 90 days past due	161	-	161
More than 90 days past due	387	-	387
	21,250	-	21,250

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

	Gross Amount RM'000	Individual Impairment RM'000	Carrying Value RM'000
Audited			
30.9.2023			
Current (not past due)	13,877	-	13,877
1 to 30 days past due	6,422	-	6,422
31 to 60 days past due	1,584	-	1,584
61 to 90 days past due	458	-	458
More than 90 days past due	252	-	252
	22,593	-	22,593

The Group believes that no impairment allowance is necessary in respect of these receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default. The probability of default by these trade receivables are negligible.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

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

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
Audited						
31.12.2020						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	9,303	9,303	9,303	-	-
Other payables and accruals	-	3,400	3,400	3,400	-	-
Term loans	3.85% - 6.14%	11,908	13,311	3,407	8,944	960
Hire purchase payables	4.35% - 5.46%	7,437	8,014	2,790	5,224	-
Post shipment buyer loan	2.87% - 2.88%	973	973	973	-	-
Revolving credit	2.97%	300	300	300	-	-
Bankers' acceptances	3.04% - 3.11%	4,518	4,518	4,518	-	-
		37,839	39,819	24,691	14,168	960
<u>Other Financial Liability</u>						
Lease liabilities	6.00%	385	398	364	34	-
		38,224	40,217	25,055	14,202	960

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIE (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
Audited						
31.12.2021						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,519	8,519	8,519	-	-
Other payables and accruals	-	5,503	5,503	5,503	-	-
Term loans	3.59% - 6.12%	10,227	11,271	3,472	7,799	-
Hire purchase payables	4.35% - 5.46%	5,780	6,130	2,534	3,596	-
Post shipment buyer loan	2.89% - 2.95%	1,851	1,851	1,851	-	-
Revolving credit	2.95% - 3.04%	2,500	2,500	2,500	-	-
Bankers' acceptances	2.99% - 3.05%	5,666	5,666	5,666	-	-
		40,046	41,440	30,045	11,395	-
<u>Other Financial liability</u>						
Lease liabilities	5.00% - 6.00%	429	440	429	11	-
		40,475	41,880	30,474	11,406	-

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
Audited						
31.12.2022						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,039	8,039	8,039	-	-
Other payables and accruals	-	6,368	6,368	6,368	-	-
Term loans	4.04% - 6.18%	9,389	10,474	2,923	7,551	-
Hire purchase payable	4.35% - 5.46%	3,418	3,558	2,406	1,152	-
Post shipment buyer loan	2.83% - 4.01%	2,089	2,089	2,089	-	-
Revolving credit	3.30% - 4.62%	1,500	1,500	1,500	-	-
Bankers' acceptances	2.99% - 4.26%	6,823	6,823	6,823	-	-
Invoice financing	4.55% - 5.74%	350	350	350	-	-
		37,976	39,201	30,498	8,703	-
<u>Other Financial Liability</u>						
Lease liabilities	4.82%	805	851	426	425	-
		38,781	40,052	30,924	9,128	-

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Effective Interest Rate %	Carrying Amount RM'000	Contracted Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
Audited						
30.9.2023						
<u>Non-derivative</u>						
<u>Financial Liabilities</u>						
Trade payables	-	8,298	8,298	8,298	-	-
Other payables and accruals	-	8,063	8,063	8,063	-	-
Term loans	4.81% - 6.64%	7,538	8,322	2,649	5,673	-
Hire purchase payable	4.35% - 5.46%	1,813	1,853	1,843	10	-
Post shipment buyer loan	4.22% - 4.26%	1,249	1,249	1,249	-	-
Revolving credit	4.54%	100	100	100	-	-
Bankers' acceptances	4.09% - 4.19%	1,283	1,283	1,283	-	-
		28,344	29,168	23,485	5,683	-
<u>Other Financial Liability</u>						
Lease liabilities	5.48% - 5.82%	561	583	450	134	-
		28,905	29,751	23,935	5,817	-

13. ACCOUNTANTS' REPORT (Cont'd)**ZANTAT HOLDINGS BERHAD****NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

29.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as total debt divided by total equity. The Group includes within total debt, loans and borrowings from financial institutions. Capital includes equity attributable to the owners. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<-----Audited----->			
	<-----As at----->			
	2020	31 December 2021	2022	30 September 2023
	RM'000	RM'000	RM'000	RM'000
Term loans	11,908	10,227	9,389	7,538
Hire purchase payables	7,437	5,780	3,418	1,813
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
Total debt	25,136	26,024	23,569	11,983
Total equity	56,807	54,988	57,407	63,078
Debt-to-equity ratio	0.44	0.47	0.41	0.19

There was no change in the Group's approach to capital management during the financial years/period.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<-----Audited----->			
	<-----As at----->			
	<-----	31	----->	30
	2020	December	2022	September
	RM'000	2021	RM'000	2023
		RM'000		RM'000
Financial Asset				
<u>Amortised Cost</u>				
Trade receivables	18,112	21,999	21,250	22,593
Other receivables and deposits	235	237	244	234
Fixed deposits with licensed banks	5,673	5,061	3,442	4,018
Cash and bank balances	5,311	2,058	4,531	4,500
	29,331	29,355	29,467	31,345
Financial Liability				
<u>Amortised Cost</u>				
Trade payables	9,303	8,519	8,039	8,298
Other payables and accruals	3,400	5,503	6,368	8,063
Term loans	11,908	10,227	9,389	7,538
Hire purchase payables	7,437	5,780	3,418	1,813
Post shipment buyer loan	973	1,851	2,089	1,249
Revolving credit	300	2,500	1,500	100
Bankers' acceptances	4,518	5,666	6,823	1,283
Invoice financing	-	-	350	-
	37,839	40,046	37,976	28,344

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	-----Audited----->			
	<-----FYE----->			FPE
	31			30
	December			September
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Financial Asset				
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	232	954	971	1,393
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial Liability				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(1,191)	(956)	(1,251)	(703)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

29.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD AND SUBSEQUENT EVENTS

- (a) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

- (b) On 12 October 2020, Zantat acquired 500,000 ordinary shares representing 100% equity interest in Zantat Light for a total cash consideration of RM2,000,000. Following the completion of acquisition, Zantat Light became a wholly-owned subsidiary of the Zantat.
- (c) On 3 June 2021, Zantat acquired 554,000 ordinary shares representing 28% equity interest in Calrock for a total cash consideration of RM1,274,200. Subsequently on 30 November 2021, Zantat acquired further of 1,446,000 ordinary shares representing 72% equity interest in Calrock for a total cash consideration of RM3,325,800. Following the completion of acquisition, Calrock became a wholly-owned subsidiary of Zantat.
- (d) On 11 November 2021, Zantat subscribed 499,999 new ordinary shares representing 99.9% equity interest in Zaneco for a total cash consideration of RM499,999. Subsequently on 25 November 2021, Zantat acquired further of 1 ordinary shares representing 0.1% equity interest in Zaneco for a total cash consideration of RM1. Following the completion of acquisition, Zaneco became a wholly-owned subsidiary of Zantat.
- (e) In conjunction with, and as an integral plan of the listing, Zantat Holdings had undertaken the acquisition of Zantat. On 23 May 2023, Zantat Holdings entered into a Conditional Share Sale Agreement with Zantat Vendors to acquire the entire equity interest in Zantat comprising 6,000,000 ordinary shares for a purchase consideration of RM57,411,200 which will be satisfied by the issuance of 223,999,999 new Shares to existing shareholders of Zantat at an issue price of RM0.2563 each.

The acquisition of Zantat was completed on 14 November 2023.

13. ACCOUNTANTS' REPORT (Cont'd)

ZANTAT HOLDINGS BERHAD

STATEMENT BY DIRECTORS

We, Chan Bin Iuan and Chan Jee Chet, being two of the directors of Zantat Holdings Berhad., state that, in the opinion of the directors, the combined and consolidated financial statements set out on pages 5 to 84 are drawn up in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards so as to give a true and fair view of the combined financial position of the Group as at 31 December 2020 and consolidated financial position of the Group as at 31 December 2021, 31 December 2022 and 30 September 2023 and of its combined financial performance and cash flows for the financial year ended 31 December 2020 and the consolidated financial performance and cash flows for the financial years ended 31 December 2021, 31 December 2022 and for the nine months financial period ended 30 September 2023.

Signed in accordance with a resolution of the directors dated **19 FEB 2024**


Chan Bin Iuan


Chan Jee Chet

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



Crowe Malaysia PLT
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Main +6 03 2788 9999
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19 FEB 2024

The Board of Directors
Zantat Holdings Berhad
PT 24571 & PT 21289 (Lot 335978)
Kaw. Industri Batu Kapur Keramat Pulai
31300 Kampung Kepayang
Perak

Dear Sirs,

**ZANTAT HOLDINGS BERHAD (“Zantat Holdings” or the “Company”)
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of Zantat Holdings and its subsidiaries (collectively known as the “Group”) as at 30 September 2023 together with the accompanying notes thereon prepared by the Board of Directors of the Company, for which we have stamped for the purpose of identification.

The pro forma consolidated statements of financial position has been prepared for inclusion in the prospectus of Zantat Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated statements of financial position are set out in Note 2 of Appendix A, and in accordance with the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysia Institute of Accountants (“**Applicable Criteria**”).

The pro forma consolidated statements of financial position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in Note 3.1 and 3.2 of Appendix A of this letter on the Group’s financial position as at 30 September 2023 as if the events has been in existence throughout the financial year. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors from the audited financial statements of the Company and its subsidiaries for the financial year ended 30 September 2023.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, about whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma consolidated statements of financial position in accordance with the Applicable Criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of pro forma consolidated statements of financial position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

OPINION

In our opinion, pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis of the Applicable Criteria.

OTHER MATTER

We understand that this letter will be used solely for the purpose of inclusion in the prospectus, in connection with the listing of and quotation for the entire enlarged issued share capital of Zantat Holdings on the ACE Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A stylized, handwritten signature in black ink, appearing to be a cursive 'C' followed by a horizontal line.

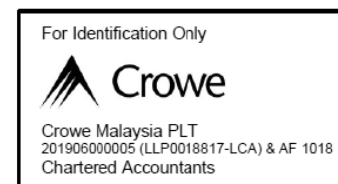
Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by a cursive 'Y' and 'L'.

Ho Yen Ling
03378/06/2024 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

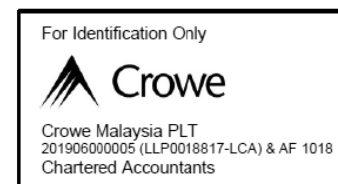


APPENDIX A

**ZANTAT HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

		Pro Forma I		Pro Forma II		Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds		
	Note	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	Utilisation of Proceeds RM'000	Utilisation of IPO Proceeds RM'000
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment		48,880	-	48,880	-	48,880	-	48,880
Right-of-use assets		7,066	-	7,066	-	7,066	-	7,066
		<u>55,946</u>	<u>-</u>	<u>55,946</u>	<u>-</u>	<u>55,946</u>	<u>-</u>	<u>55,946</u>
CURRENT ASSETS								
Inventories		7,843	-	7,843	-	7,843	-	7,843
Trade receivables		22,593	-	22,593	-	22,593	-	22,593
Other receivables, deposits and prepayments	5.1	1,225	(21)	1,204	-	1,204	(381)	823
Current tax assets		145	-	145	-	145	-	145
Fixed deposits with a licensed bank		4,018	-	4,018	-	4,018	-	4,018
Cash and bank balances	5.2	4,500	-	4,500	14,000	18,500	(4,724)	13,776
		<u>40,324</u>	<u>(21)</u>	<u>40,303</u>	<u>14,000</u>	<u>54,303</u>	<u>(5,105)</u>	<u>49,198</u>
TOTAL ASSETS		<u>96,270</u>	<u>(21)</u>	<u>96,249</u>	<u>14,000</u>	<u>110,249</u>	<u>(5,105)</u>	<u>105,144</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

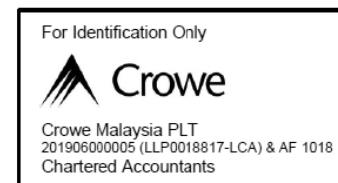


APPENDIX A

**ZANTAT HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)**

		Pro Forma I		Pro Forma II		Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds		
	Note	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	Utilisation of Proceeds RM'000	RM'000
EQUITY AND LIABILITIES								
EQUITY								
Share capital	5.3	6,000	51,411	57,411	14,000	71,411	(881)	70,530
Merger deficit		(4,100)	-	(4,100)	-	(4,100)	-	(4,100)
Reorganisation deficit	5.4	-	(51,411)	(51,411)	-	(51,411)	-	(51,411)
Retained profits	5.5	61,178	(23)	61,155	-	61,155	(834)	60,321
Equity attributable to owners of the Company		63,078	(23)	63,055	14,000	77,055	(1,715)	75,340
TOTAL EQUITY		63,078	(23)	63,055	14,000	77,055	(1,715)	75,340
NON-CURRENT LIABILITIES								
Lease liabilities		131	-	131	-	131	-	131
Borrowings	5.6	5,276	-	5,276	-	5,276	(2,470)	2,806
Deferred tax liabilities		3,412	-	3,412	-	3,412	-	3,412
		8,819	-	8,819	-	8,819	(2,470)	6,349

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

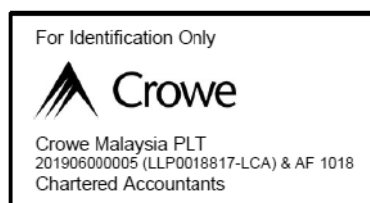


APPENDIX A

**ZANTAT HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)**

		Pro Forma I		Pro Forma II		Pro Forma III
	As at 30 September 2023 RM'000	Acquisition RM'000	After the Acquisition RM'000	Public Issue RM'000	After IPO RM'000	After Pro Forma II and the Utilisation of IPO Proceeds RM'000
Note					Utilisation of Proceeds RM'000	
EQUITY AND LIABILITIES (CONT'D)						
CURRENT LIABILITIES						
	8,298	-	8,298	-	8,298	8,298
	8,472	2	8,474	-	8,474	8,474
5.7	6,707	-	6,707	-	6,707	5,787
5.6	430	-	430	-	430	430
	466	-	466	-	466	466
	24,373	2	24,375	-	24,375	23,455
	33,192	2	33,194	-	33,194	29,804
	96,270	(21)	96,249	14,000	110,249	105,144
	6,000		224,000		280,000	280,000
	63,078		63,055		77,055	75,340
	10.51		0.28		0.28	0.27

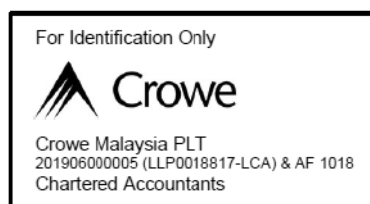
14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

**APPENDIX A**
**ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**
1. ABBREVIATION

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

“Acquisition of Zantat” or “Acquisition”	: Acquisition by Zantat Holdings of the entire equity interest Zantat from Zantat Vendors for a purchase consideration of RM57,411,200 which will be wholly satisfied by the issuance of 223,999,999 new Shares at an issue price of RM0.2563 per share
“Bursa Securities”	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“CLHF Resources”	: CLHF Resources Sdn Bhd (Registration No. 202101040490 (1440790-V)), a Promoter, Specified Shareholder and substantial shareholder of Zantat Holdings
“Calrock”	: Calrock Sdn Bhd (Registration No. 197001000253 (9503-V))
“Eligible Persons”	: Collectively, the eligible Director(s) and employee(s) and person(s) who have contributed to the success of our Group and who are eligible to participate in the the IPO
“FPE”	: Financial period ended 30 September
“IPO”	: Initial public offering comprising the Public Issue and the Offer for Sale
“IPO Price” or “Offer Price” or “Issue Price”	: The issue/offer price of RM0.25 per Share under our Public Issue and Offer for Sale
“Issue Share(s)”	: 56,000,000 new Share(s) to be issued pursuant to Public Issue
“Listing”	: Listing of and quotation for the Company's entire enlarged share capital of RM71,411,201 comprising 280,000,000 Shares on the ACE Market
“NA”	: Net assets
“Offer Share(s)”	: Existing Shares to be offered by the Selling Shareholders pursuant to the Offer for Sale
“Official List”	: A list specifying all securities listed on Bursa Securities
“Offer for Sale”	: Offer for sale of 16,800,000 Offer Shares by our Selling Shareholder at our IPO Price
“Public Issue”	: Public issue of 56,000,000 Issue Shares at the IPO Price

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



APPENDIX A

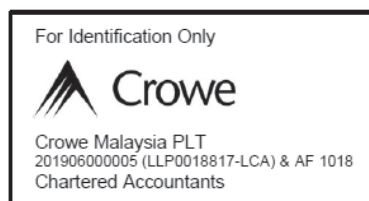
**ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

1. ABBREVIATION (CONT'D)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

“RM”	:	Ringgit Malaysia
“R&D”	:	Research and development
“Subsidiaries”	:	Zantat, Zantat Light, Zaneco and Calrock, collectively
“Share(s)” or “Zantat Holdings Share(s)”	:	Ordinary share(s) in the Company
“Selling shareholders”	:	Collectively, CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han
“Zaneco”	:	Zaneco Sdn Bhd (Registration No. 202101031889 (1432189-P))
“Zantat”	:	Zantat Sdn Bhd (Registration No. 198101012988 (79120-A))
“Zantat Holdings Group” or the “Group”	:	Zantat and its subsidiaries, collectively
“Zantat Holdings” or “Company”	:	Zantat Holdings Berhad (Registration No. 202101040483 (1440783-X))
“Zantat Light”	:	Zantat Light C.C. Sdn Bhd (Registration No. 200001030329 (532936-W))
“Zantat Perak Plant 1”	:	A single-storey manufacturing facility annexed with a single-storey office building and warehouse at a total built-up area of approximately 118,000 sq ft, located at PT24571 Kaw. Industri Batu Kapur Keramat Pulau, 31300 Kampung Kepayang, Perak
“Zantat Perak Plant 2”	:	A single-storey manufacturing facility annexed with a double-storey office building and warehouse at a total built-up area of approximately 107,000 sq ft, located at PT212889 (Lot 335978), Kaw. Industri Batu Kapur Keramat Pulau, 31300 Kampung Kepayang, Perak
“Zantat Vendors”	:	Collectively, CLHF Resources, Chan Hup Ooi, Chan Eng Hue, Teh Ah Soon @ Teh Soon Tick, Lee Mei Choon, Chan Bin Iuan, Chan Jee Chet, Chan Jee Yang, Lim Gaik Lan, Teh Koh Tun, Teh Su Hui, Ng Paik Hoon, Chan Yu Xuan and Chan Jing Han

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



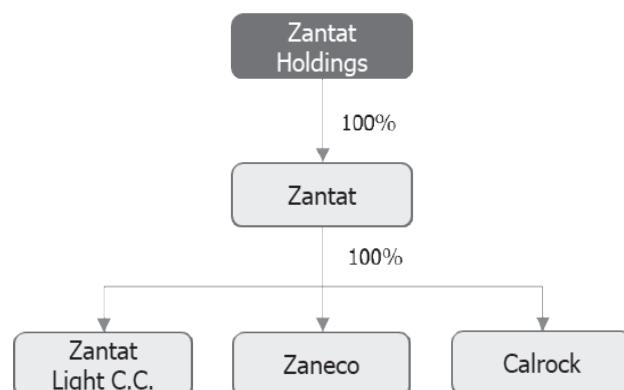
APPENDIX A

ZANTAT HOLDINGS BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

2. BASIS OF PREPARATION

2.1 Pro Forma Group

The pro forma corporate structure of the Group, pursuant to the completion of the Acquisition are as follows:-



2.2 Basis of Preparation

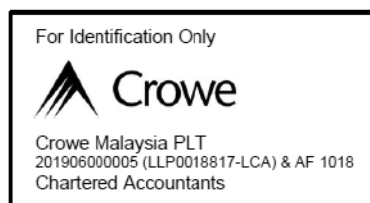
The Pro Forma Consolidated Statements of Financial Position of the Group have been prepared using the audited consolidated financial statements of the Subsidiaries as at 30 September 2023 which was prepared in accordance with Malaysian Financial Reporting Standards (“**MFRS**”) and International Financial Reporting Standards (“**IFRS**”) and are not subject to any qualification, modification or disclaimer.

The Pro Forma Consolidated Statements of Financial Position of the Group have also been compiled in a manner consistent with both the format of the audited financial statements and accounting policies of the Group for the FPE 2023.

The Pro Forma Consolidated Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 3.1 and 3.2 to the Pro Forma Consolidated Statements of Financial Position had the events occurred or transactions been undertaken on 30 September 2023. The Pro Forma Consolidated Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

For the purpose of accounting for the Acquisition, the Group has applied reorganisation scheme as it does not result in any change in economic substance whereby it is a continuation of the acquired entity and the assets and liabilities of the acquired entity are stated at their existing carrying amounts. Under reorganisation scheme, the difference between cost of investment recorded by the Company and the share capital of Zantat is accounted for as reorganisation reserve or reorganisation deficit.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

3. LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company had undertaken the following:-

3.1 Acquisition of Zantat

On 23 May 2023, the Company entered into a Conditional Share Sale Agreement with Zantat Vendors to acquire the entire equity interest in Zantat comprising 6,000,000 ordinary shares for a purchase consideration of RM57,411,200 which will be satisfied by the issuance of 223,999,999 new Shares to Zantat Vendors at an issue price of RM0.2563 each.

The purchase consideration for the Acquisition of Zantat of RM57,411,200 was arrived at based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Zantat as at 31 December 2022.

Upon completion of the Acquisition, Zantat will become a wholly-owned subsidiary. Accordingly, Calrock, Zaneco and Zantat Light will become wholly-owned subsidiaries through Zantat.

The acquisition of Zantat was completed on 14 November 2023.

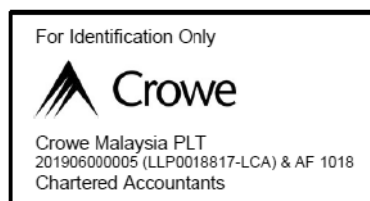
3.2 IPO

(a) Public Issue

A total of 56,000,000 Issue Shares, representing approximately 20.0% of the Company's enlarged share capital are offered at the IPO Price. The Issue Shares shall be allocated in the following manner:-

- (i) Malaysian Public
14,000,000 Issue Shares, representing approximately 5.0% of the Company's enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process.
- (ii) Eligible Person
11,200,000 Issue Shares, representing approximately 4.0% of the Company's enlarged share capital, are reserved for the Company's Eligible persons.
- (iii) Private placement to selected investors
30,800,000 Issue Shares, representing approximately 11.0% of the Company's enlarged share capital, are reserved for private placement to selected investors.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023**

3. LISTING SCHEME (CONT'D)

3.2 IPO (Cont'd)

(b) Offer for Sale

A total of 16,800,000 Offer Shares, representing 6.0% of the Company's enlarged share capital, are offered by our Selling Shareholders.

Upon completion of the Acquisition and IPO and before deducting the estimated listing expenses directly attributable to the issuance of new shares of approximately RM881,000, the share capital has increased from RM6,000,000 comprising 6,000,000 Shares to approximately RM71,411,000 comprising 280,000,000 Shares.

Upon completion of the IPO, the Company shall be admitted to the Official List and the entire enlarged share capital of approximately RM70,530,000 (after deducting the estimated listing expenses directly attributable to the issuance of new shares of approximately RM881,000) comprising 280,000,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

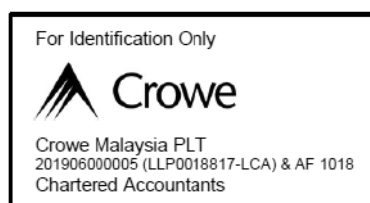
The pro forma consolidated statements of financial position as at 30 September 2023 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 September 2023:-

4.1 Pro Forma I

After incorporated the pro forma effects of the Acquisition as set out in Section 3.1 above.

4.2 Pro Forma II

After incorporated the cumulative effects of Pro Forma I and the IPO as set out in Section 3.2 above.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**APPENDIX A****ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023****4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)****4.3 Pro Forma III**

After incorporated the cumulative effects of Pro Forma II and the utilisation of the proceeds from the IPO.

4.3.1 Utilisation of Proceeds

The estimated gross proceeds from Public Issue of RM14.0 million will accrue entirely and are planned to be utilised in the following manner:-

Utilisation of proceeds	Note	Amount of proceeds		Estimated timeframe for utilisation upon Listing
		RM'000	%	
Upgrading in R&D facilities	(a)	3,830	27.4	Within 12 months
Upgrading Calrock's infrastructure	(b)	1,000	7.1	Within 12 months
Investment in high efficiency machine components and industrial automation	(c)	1,350	9.6	Within 6 months
Repayment of bank borrowings	(d)	3,390	24.2	Within 12 months
Working capital	(e)	1,430	10.2	Within 12 months
Estimated listing expenses	(f)	3,000	21.4	Within 1 month
Total		14,000	100	

Notes:-**(a) Upgrading in R&D facilities**

The Group plans to purchase additional test and product development to upgrade the existing R&D centre within Zantat Perak Plant 1.

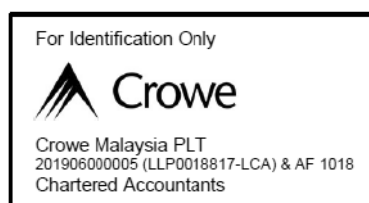
Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for upgrading in R&D facilities. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.

(b) Upgrading Calrock's infrastructure

The Group plans to upgrade Calrock's infrastructure which comprise of construction costs of a new office, including electrical works, fixtures and fittings and professional fees.

Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for upgrading Calrock's infrastructure. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



APPENDIX A

ZANTAT HOLDINGS BERHAD NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

4. PRO FORMA ADJUSTMENT TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4.3 Pro Forma III (Cont'd)

4.3.1 Utilisation of Proceeds (Cont'd)

Notes (Cont'd):-

(c) Investment in high efficiency machine components and industrial automation

The Group plans to purchase and install a fully integrated automatic robotic arm palletising machine and additional motors for our existing GCC production lines in Zantat Perak Plant 1.

Based on the latest practicable date of the prospectus, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for investment in high efficiency machine components and industrial automation. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.

(d) Repayment of bank borrowings

The Group intends to utilise RM3.4 million for the repayment of bank borrowings, which was used to finance the construction of factory building at Zantat Perak Plant 2.

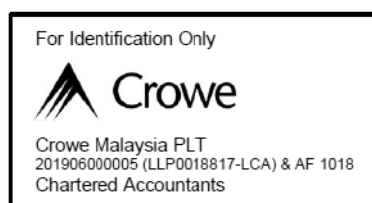
(e) Working capital

To supplement the Group's working capital requirements to venture into bioplastic compounding business.

(f) Estimated listing expenses

Description	RM'000
Professional fees	2,100
Underwriting, placement and brokerage fees	400
Printing, advertising fee and contingencies	500
Total	3,000

From the total estimated listing expenses of RM3 million, a total of approximately RM0.9 million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against the share capital. The remaining expenses of approximately RM2.1 million are assumed to be attributable to the listing and therefore will be charged to the statements of profit or loss and other comprehensive income. As at the FPE 2023, the listing expenses of approximately RM1.7 million had been paid and the Company had recognised approximately RM1.3 million in profit or loss and approximately RM0.4 million as prepayments.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**APPENDIX A****ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023****5. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****5.1 Other receivables, deposits and prepayments**

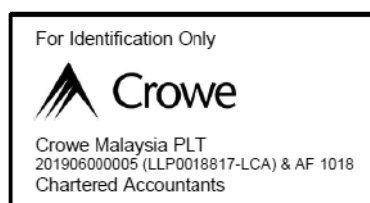
	Note	RM'000
As at 30 September 2023		1,225
Pursuant to the Acquisition	3.1	(21)
		<hr/>
As per Pro Forma I and II		1,204
Pursuant the utilisation of proceeds from the IPO:	4.3.1	
- Estimated listing expenses		(381)
		<hr/>
As per Pro Forma III		823
		<hr/>

5.2 Cash and bank balances

	Note	RM'000
As at 30 September 2023/As per Pro Forma I		4,500
Pursuant to Public Issue	3.2	14,000
		<hr/>
As per Pro Forma II		18,500
Pursuant the utilisation of proceeds from the IPO:	4.3.1	
- Repayment of bank borrowings		(3,390)
- Estimated listing expenses		(1,334)
		<hr/>
As per Pro Forma III		13,776
		<hr/>

5.3 Share Capital

	Note	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 30 September 2023		6,000	6,000
Pursuant to the Acquisition:	3.1		
- Ordinary shares issued		224,000	57,411
- Acquisition of subsidiaries		(6,000)	(6,000)
		<hr/>	<hr/>
As per Pro Forma I		224,000	57,411
Pursuant to the Public Issue:	3.2		
- Issuance of ordinary shares		56,000	14,000
		<hr/>	<hr/>
As per Pro Forma II		280,000	71,411
Pursuant to utilisation of proceeds from the IPO:	4.3.1		
- Estimated listing expenses		-	(881)
		<hr/>	<hr/>
As per Pro Forma III		280,000	70,530
		<hr/>	<hr/>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**APPENDIX A****ZANTAT HOLDINGS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023****5. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5.4 Reorganisation deficit**

	Note	RM'000
As at 30 September 2023		-
Pursuant to the Acquisition	3.1	(51,411)
As per Pro Forma I, II and III		<u>(51,411)</u>

5.5 Retained profits

	Note	RM'000
As at 30 September 2023		61,178
Pursuant to the Acquisition	3.1	(23)
As per Pro Forma I and II		61,155
Pursuant to utilisation of proceeds from the IPO: - Estimated listing expenses	4.3.1	(834)
As per Pro Forma III		<u>60,321</u>

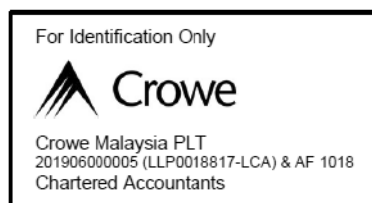
5.6 Borrowings

	Note	RM'000
<u>Non-current liabilities</u>		
As at 30 September 2023/As per Pro Forma I and II		
Pursuant to utilisation of proceeds from the IPO: - Repayment of bank borrowings	4.3.1	5,276 (2,470)
As per Pro Forma III		<u>2,806</u>
<u>Current liabilities</u>		
As at 30 September 2023/As per Pro Forma I and II		6,707
Pursuant to utilisation of proceeds from the IPO: - Repayment of bank borrowings	4.3.1	(920)
As per Pro Forma III		<u>5,787</u>

5.7 Other payables and accruals

	Note	RM'000
As at 30 September 2023		8,472
Pursuant to the Acquisition	3.1	2
As per Pro Forma I, II and III		<u>8,474</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



APPENDIX A

ZANTAT HOLDINGS BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated **19 FEB 2024**

On behalf of the Board of Directors,



Chan Bin Iuan
Director



Chan Jee Chet
Director

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.2 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 our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued for the Acquisition of Zantat as disclosed in Section 6.2 of this Prospectus and to be issued for the Public Issue as disclosed in Section 4.3.1 of this Prospectus, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our 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.
- (e) As at the date of this Prospectus, our Company does not have any outstanding convertible securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1 of this Prospectus. Details of the share capital of our subsidiaries are set out below.

15.2.1 Zantat

Zantat's issued share capital as at LPD is RM6,000,000 comprising 6,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
15 December 1981	2	RM2 / Subscriber's shares	2
26 November 1985	559,998	RM559,998 / Cash	560,000
31 December 1986	80,000	RM80,000 / Cash	640,000
28 February 2000	1,600,000	RM1,600,000 / Other than cash	2,240,000
08 November 2005	112,000	RM112,000 / Cash	2,352,000
18 January 2008	100,000	RM100,000 / Cash	2,452,000
23 March 2016	548,000	RM548,000 / Cash	3,000,000
17 June 2022	3,000,000	RM3,000,000 / Cash	6,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zantat. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.2 Calrock**

Calrock's issued share capital as at LPD is RM2,000,000 comprising 2,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
Between 17 April 1970 and 23 April 1970	150,000	RM3 / Subscribers' shares RM149,997 / Cash	150,000
22 February 1971	70,000	RM70,000 / Cash	220,000
2 September 1981	44,000	RM44,000 / Cash	264,000
12 September 1981	660,000	RM660,000 / Other than cash	924,000
7 November 1991	462,000	RM462,000 / Other than cash	1,386,000
21 June 2002	614,000	RM614,000 / Other than cash	2,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Calrock. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 Zantat Light

Zantat Light's issued share capital as at LPD is RM500,000 comprising 500,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
25 November 2000	2	RM2 / Subscriber's shares	2
1 August 2002	9,998	RM9,998 / Cash	10,000
30 September 2002	490,000	RM490,000 / Cash	500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zantat Light. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.4 Zaneco

Zaneco's issued share capital as at LPD is RM500,000 comprising 500,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
30 September 2021	1	RM1 / Subscriber's shares	1
11 November 2021	499,999	RM499,999 / Cash	500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Zaneco. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

15.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 4.1 – Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, all Applicable Laws, and the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares 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 but the Board in making any issue of shares shall comply with the following conditions:

- (a) in the case of shares of a class, 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) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;
- (c) every issue of shares or options to employees and/or Directors of the Company and/or its subsidiaries under an employee share option scheme shall be approved by the Members in general meeting; and
- (d) no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 4.2 – Issue of new securities

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with the SICDA, in which event it shall so similarly be exempted from compliance with the Listing Requirements. For this purpose, the Company must notify Bursa Depository of the names of the allottees and all such particulars required by Bursa Depository, to enable Bursa Depository to make the appropriate entries in the securities accounts of such allottees. The Company shall allot securities and despatch notices of allotment to the allottees and make an application for the quotation of such securities within the stipulated time frame as may be prescribed by the Exchange.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 4.3 – Rights of preference shareholders

Subject to all Applicable Laws, any preference shares may with the sanction of an Ordinary Resolution be issued on any terms and features, including redemption features, as the Directors deem fit and proper in the best interest of the Company. The Company shall have the power to issue preference shares ranking equally with, or in priority to, over preference shares already issued. The Board may, subject to all Applicable Laws, redeem such shares on such terms and in such manner as they may think fit.

A holder of preference shares must have a right to vote at any general meeting convened in each of the following circumstances:

- (a) on a proposal to reduce the Company's share capital;
- (b) on a proposal that affects the rights attached to the preference shares; and
- (c) on a proposal to wind up the Company.

Clause 5.1 – Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to all Applicable Laws, be varied or abrogated with the consent in writing of the holders of three fourths (3/4) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of this Constitution relating to meetings of Members shall *mutatis mutandis* apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 5.2 – Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

Clause 13.1 – Power to increase capital

Subject to all Applicable Laws, the Company may from time to time, whether all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry 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 may direct.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 14.1 – Power to alter capital

The requirements contained in Section 84 of the Act relating to the Company's power to alter its capital shall not apply to the Company. The Company may by Ordinary Resolution and subject to all Applicable Laws:

- (a) consolidate and divide all or any of its share capital into shares, 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 share from which the subdivided share is derived;
- (b) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions 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;
- (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of this Constitution and Applicable Laws, convert and/or re-classify any class of shares into any other class of shares.

Clause 14.2 – Power to reduce capital

The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.

15.3.2 Borrowing and voting powers of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Clause 21.2 – The Board's borrowing powers

The Board may exercise all the powers of the Company to borrow or raise money for the purpose of the Company's or any of its related companies' businesses on such terms as they think fit and may secure the repayment of the same by mortgage or charge upon the whole of the Company's undertaking, property (both present and future) including its uncalled or unissued capital, or any part thereof and to issue bonds, debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or its subsidiaries but the Directors shall not borrow any money or mortgage or charge any of the Company's or any of the Company's subsidiary companies' 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.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 22.5 – Chairman to have a casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a decision of the Board and PROVIDED ALWAYS that in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote. However, in the case of an equality of votes and where two (2) Directors form a quorum, the chairman of a meeting at which only such a quorum is present or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

Clause 22.7 – Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by Applicable Laws. Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 22.8 – Power to vote

Subject to Clause 22.7 hereof, a Director may vote in respect of:

- (a) any arrangement relates to any loan to the Company that the Director has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (b) any arrangement which has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of Section 7 of the Act is deemed to be related to the Company that he is the director of that corporation.

15.3.3 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 19.1 – Fees and benefit for Directors

The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined by an Ordinary Resolution of the Company annually 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 a fixed sum and not by a commission on or percentage of profits or turnover;
- (c) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (d) fees payable to Directors shall not be increased except pursuant to an Ordinary Resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

Clause 19.2 – Reimbursement of expenses

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of Directors.

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 Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

Clause 23.1 – Appointment or removal of an alternate Director

Any Director (other than an alternate Director) may appoint any person to be an alternate Director provided that:

- (a) such person is not a Director of the Company;
- (b) such person does not act as an alternate for more than one Director of the Company;
- (c) the appointment is approved by a majority of the other members of the board of Directors and such person may be removed from office by his appointer; and
- (d) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Any appointment or removal of an alternate Director may be made by cable, telegram, facsimile, telex or in any other manner approved by the Board. Any cable or telegram shall be confirmed as soon as possible by letter but may be acted upon by the Company meanwhile.

Clause 24.2 – Remuneration of Managing Director

The remuneration of a Managing Director or Managing Directors shall be fixed by the Board and 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.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.3.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

Clause 9.1 – Transfer of listed securities of Company is by way of book entry

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.

Clause 9.2 – Transferor's Right

Subject to all Applicable Laws, the instrument of transfer of any security that is not deposited with Bursa Depository shall be in writing and in any usual or common form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members thereof.

Clause 9.3 – Refusal to register

Bursa Depository may refuse to register any transfer of the Deposited Security that does not comply with the SICDA and the Rules.

Clause 9.4 – No liability for fraudulent transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for any 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 transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees 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 hereto.

Clause 9.5 – Prohibited transfer

No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 9.7 – Suspension of registration

Subject to all Applicable Laws, the registration of transfer of any securities may be suspended at such times and for such periods as the Board may from time to time determine not exceeding in the whole thirty (30) days in any year. At least ten (10) Market Days' notice of intention to close the Register shall be published in a daily newspaper circulating in Malaysia and shall also be given to the Stock Exchange. The said notice shall state the reason for which the Register is being closed. At least three (3) Market Days before the notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 34.8 – Dividends due may be retained until registration

The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

15.4 GENERAL INFORMATION

- (a) Save for the dividends paid to our shareholders in FYE 2020 to 2022, FPE 2023 and up to LPD, Promoters' or substantial shareholders' remuneration (in their capacity as Directors of our subsidiaries) and Directors' remuneration paid as disclosed in Sections 12.16, 5.1.5 and 5.2.4 of this Prospectus respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.
- (b) Save as disclosed in Section 10.1 of this Prospectus, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16 of this Prospectus.
- (d) 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.
- (e) Our Group has not established any other place of business outside of Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to our Group.

15.5 CONSENTS

- (a) The written consents of our Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma combined and consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection 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) Audited financial statements of Zantat Holdings from the date of incorporation up to FYE 2022 and FPE 2023;
- (c) Audited financial statements of Zantat, Calrock, Zantat Light and Zaneco for FYE 2020 to 2022 and audited consolidated financial statements of Zantat for FPE 2023, where applicable;
- (d) Accountants' Report as set out in Section 13 of this Prospectus;
- (e) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14 of this Prospectus;
- (f) IMR Report as set out in Section 8 of this Prospectus;
- (g) Material contracts as set out in Section 6.5 of this Prospectus; and
- (h) Letters of consent as set out in Section 15.5 of this Prospectus.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders 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.

M & A Securities 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 our IPO.

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16. 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 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.

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 6 March 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 13 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 newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application 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 and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.2.2 Placement

Types of Application

Applications by selected investors

Application Method

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 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 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 Application.**

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE 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.

16.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill 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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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; or
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

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 RM0.25 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 754**" 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 (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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

So as to arrive not later than 5.00 p.m. on 13 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 Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

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 Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

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.

16.7 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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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 16.9 of this Prospectus 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.

16.8 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 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.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/ or eligible Directors, employees and persons who have contributed to the success of our Group, subject to the clawback and reallocation as set out in 4.3.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.9 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.

16.9.1 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 ordinary/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).

16.9.2 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 5th Market Day from the balloting date.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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.

16.10 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 Depository 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.

16.11 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 no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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 set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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