

## 7. IMR REPORT



1 April 2024

The Board of Directors  
Farm Price Holdings Berhad  
Lot 55358, Jalan Seelong Jaya 15,  
81400 Senai, Kulai,  
Johor

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Dear Sirs and Madams

### **Independent Assessment of the Wholesale Distribution of Fresh Vegetable Industry**

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Farm Price Holdings Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling  
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

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Date of report: 1 April 2024

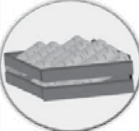
## INDEPENDENT ASSESSMENT OF THE WHOLESALE DISTRIBUTION OF FRESH VEGETABLE INDUSTRY

**1. INTRODUCTION**


- Farm Price Holdings Berhad and its subsidiaries (Farm Price Group) are primarily involved in the wholesale distribution of fresh vegetables comprising whole, prepacked and fresh-cut vegetables to wholesalers, retailers, food service operators and food manufacturers. A smaller proportion of Farm Price Group's business is also involved in the wholesale distribution of food and beverage products ("F&B") and other groceries to retailers while it has one retail store selling fresh vegetables, F&B products and other groceries. The operations of Farm Price Group are in Malaysia which shall form the focus of this report. As Farm Price Group also export its produce to Singapore, this report will also include some discussion of the Singapore market. In this report, references to vegetables are fresh vegetables, and gross domestic product (GDP) are nominal GDP, unless specified otherwise.

**2. THE FRESH VEGETABLE INDUSTRY****2.1 Fresh vegetables**


- Fresh vegetables refer to vegetables in their natural state which may undergo light processing such as trimming, washing, sorting, grading, weighing and packaging prior to distribution. Fresh vegetables are usually chilled to maintain their freshness during transportation and storage. It excludes all processes or the addition of other ingredients that will alter the properties or characteristics of vegetables from their natural state.
- Fresh vegetables**



Whole



Prepacked



Fresh-cut

Farm Price Group distributes mainly vegetables in the above segments
- Fresh vegetables are commonly available to consumers, manufacturers, food service operators, distributors or retailers in the following forms:
    - Whole vegetables** are sold in loose formats, which can be purchased by weight;
    - Prepacked vegetables** are packed in plastic bags or containers; and
    - Fresh-cut vegetables** are trimmed, peeled and/or cut into ready-to-cook vegetables, which are subsequently packed in plastic bags or containers.

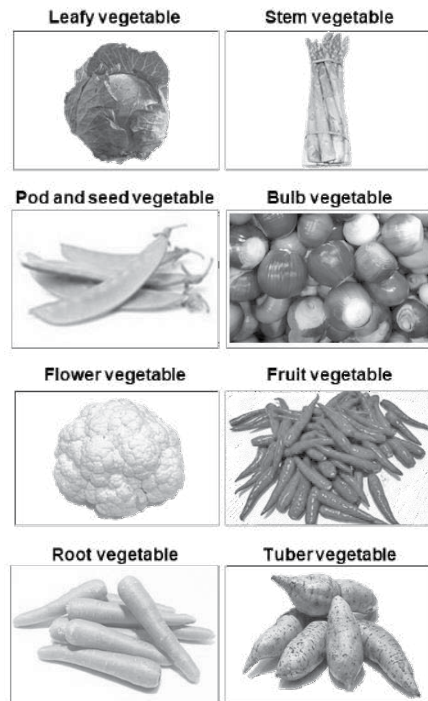
**2.2 Vegetable classification**

- Vegetables can be segmented based on the edible parts of the plants. Some vegetables can fall into several categories when various parts of the plant are edible, such as celery where its leaves and stalks can be consumed and are used in cooking. The main categories of vegetables are as follows:
  - Leafy vegetables** refer to edible leaves of plants, sometimes accompanied by their tender stalks and shoots. Examples include bok choy, kailan, kale, cabbage, spinach, lettuce and brussels sprouts.
  - Stem vegetables** refer to edible shoots from the roots or bulb, where the above-ground stalk is the main edible part of the vegetables. Examples include asparagus, celery and bamboo shoots.

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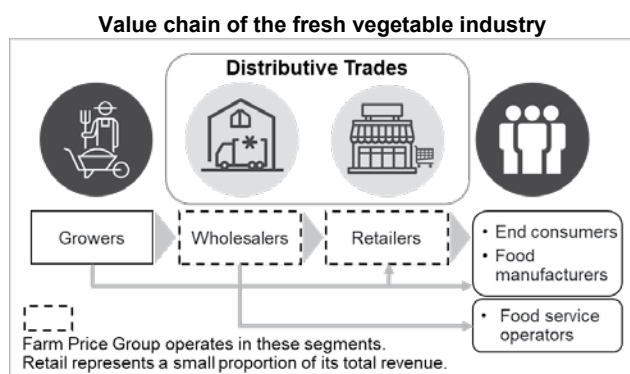
- **Pod and seed vegetables**, also known as legumes, refer to the fruit of the plant of which the seed and sometimes the pod is eaten. Examples include green peas, beans, lentils, chickpeas and soybeans.
  - **Bulb vegetables** refer to the part which grows in between the stem and the root, located just below the ground. Examples include onions, garlic, shallots and leeks.
  - **Flower vegetables** refer to edible flowers of plants. Examples include cauliflower, broccoli and artichokes.
  - **Fruit vegetables** are botanically classified as fruits but used as vegetables for culinary purposes. Examples include chillies, tomatoes, cucumbers and eggplants.
  - **Root vegetables** refer to edible roots that are grown under the ground and are commonly long or round-shaped taproots. Examples include carrots, radishes and beets.
  - **Tuber vegetables** refer to vegetables that grow underground on the root of a plant. Examples include potatoes, cassava and yam.
- Farm Price Group distributes different types of vegetables including fruit vegetables, leafy vegetables, bulb vegetables, tuber vegetables, flower vegetables, pod and seed vegetables, root vegetables and stem vegetables.



3. DISTRIBUTIVE TRADE INDUSTRY FOR FRESH VEGETABLE

3.1 Value chain of the fresh vegetable industry

- Distributive trade is the **intermediary stage** comprising all linkages and activities that channel goods for resale or to end consumers or end users. Goods passing through the distributive trade are sold without transformation. The distributive trade is segmented into wholesale and retail trade. Wholesale trade refers to the resale of goods to resellers, such as retailers or other wholesalers. Retail trade refers to the resale of goods mainly to the end consumer or end users. In some situations, wholesale trade also involves the sales of goods to industrial, commercial and institutional users.



- The main value chain of the fresh vegetable industry starts from the **growers** undertaking the planting, nurturing and harvesting of vegetables. Once harvested, the fresh vegetables are transported to **wholesalers** for breaking bulk and where relevant, packing, branding, storing and

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transporting to their customers such as **retailers**, food service operators such as restaurants, hotels and caterers, and/or food manufacturers.

- Wholesalers would also sell their fresh vegetables in wholesale markets. The storage and transportation of fresh vegetables would normally involve temperature-controlled facilities such as chiller storage space and chiller trucks. Some wholesalers also procure fresh vegetables from other wholesalers, either domestically or imported to expand their range of fresh vegetables.
- Wholesalers would mainly sell their products to retailers including the following formats:
  - **Modern retail** includes the following:
    - hypermarkets, supermarkets and minimarkets;
    - convenience and speciality stores;
  - **Traditional retail** includes grocery stores, street vendors and stalls in day and night markets; and
  - **Online grocery marts** where products are sold through online platforms or websites.
- In some situations, growers will sell their vegetables directly to retailers or end consumers mainly through farmers' markets. In this case, growers will undertake more value-added activities such as grading and packaging.
- Farm Price Group operates mainly as a wholesaler that sells to other wholesalers and modern and traditional retailers, as well as directly to foodservice operators. A small proportion of its sales is through its one retail outlet.

## 4. SOME KEY REGULATIONS AND POLICIES GOVERNING THE INDUSTRY

### 4.1 National policies that affect agriculture development in Malaysia

- The National Food Security Action Plan (2021-2025) includes five core strategies, namely expansion in the use of technology, enhancing research and studies, strengthening food security data, expansion of strategic collaborations, and strengthening governance among the departments and agencies. The plan is to ensure the sustainability of Malaysia's food supply at all times. (Source: Ministry of Agriculture and Food Industries (MAFI)).
- The National Agrofood Policy (2021-2030) focuses on the application of modern technology to attain higher productivity and income. The policy also focuses on meeting food self-sufficiency targets, thereby enhancing food security which will include strengthening availability, access, utilisation and stability. Among others, the outcome will include reduced dependency on imports and sustainable food production. (Source: MAFI).

### 4.2 Regulations relating to food safety, pricing and quality standards

#### Malaysia

- According to the Food Hygiene Regulations 2009, all food premises including all premises where food is prepared, processed, stored or served for sale have to be registered with the Ministry of Health Malaysia (MOH). Additionally, operators of food premises have to employ only food handlers who have undergone food handlers training and have been medically examined and vaccinated by a registered medical practitioner. According to the Food Regulations 1985, no person shall import, prepare for sale, or sell any food which includes fresh vegetables containing pesticide residue in a proportion greater than the proportion specified in the Food Regulations 1985.
- According to the Malaysian Quarantine and Inspection Services (MAQIS) Act 2011, all importers and exporters of plants (including fresh vegetables) are required to seek a permit, licence or certificate from the relevant Ministry in Malaysia. Upon arrival at Malaysia's entry or exit points,

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the imported or exported fresh vegetables are subjected to visual inspection examination and analysis by inspectors from MAQIS prior to import or export clearance. The Federal Agricultural Marketing Authority Act 1965 (Revised) 2004 mandates that all fresh vegetables be graded, packed, and labelled appropriately for import, export, wholesale, and retail sales.

- In addition, the Malaysian Government has also implemented the Festive Season Price-Controlled Scheme (SKHMP) since 2000 under the Price Control and Anti-Profiteering Act 2011, where the price of essential festive season goods will be controlled according to areas and districts for a specified period such as Hari Raya, Chinese New Year and Deepavali. SKHMP is enforced at the producer, wholesaler and retailer levels. Some examples of vegetables that were previously under the SKHMP include cabbage, potato, onion and garlic. Such lists are provided before each specified festive season and may vary from time to time.
- Quality management systems are established to assure food safety and quality throughout the food supply chain. Some of the relevant standards include:
  - Good Manufacturing Practice (GMP), a certification scheme developed by the MOH to recognise food processing and food service premises that practice good manufacturing practices. The validity period of GMP certification is three years and is renewable.
  - Hazard Analysis and Critical Control Point (HACCP), a globally recognised food safety system that focuses on identifying hazards and putting in place controls throughout the food supply chain. It is also required for exporting food to European countries. The validity period of HACCP certification is three years and MOH will conduct surveillance audits at least once during the certification period of the premises and is renewable.
- Farm Price Group has GMP and HACCP certifications for its processing and packing operations.

### Singapore

- All traders are required to register with the Singapore Food Agency (SFA) to seek a permit or licence for importing food for commercial sale, and the imported food may be subjected to inspection and sampling for food safety.
- According to the Control of Plants (Import and Transshipment of Fresh Fruits and Vegetables) Rules implemented under the Control of Plants Act 1994, the imported fresh vegetables must not contain any prohibited pesticide or levels of pesticide residue or toxic chemical residue exceeding the prescribed levels, and the imported fresh vegetables must be labelled accordingly. Submission of chemical and microbiological laboratory reports is required once in six months for the import of leafy vegetables for those that are processed, cut and peeled.

## 5. SUPPLY AND DEMAND CONDITIONS OF FRESH VEGETABLE INDUSTRY

- Trading in fresh vegetables is a global business as countries rely on imports to supplement their domestic production as well as to provide choice and variety to customers. Some countries have comparative advantages due to environmental conditions such as climate, soil conditions and sizeable agricultural land. These countries would rely on importing countries for the sales of their produce. For food security reasons, many countries would encourage domestic production even though production may not be cost competitive compared to imports. Some governments will provide various incentives and subsidies, as well as impose tariffs and other trade barriers on imported foods to support their domestic production.

### 5.1 Global conditions of fresh vegetables

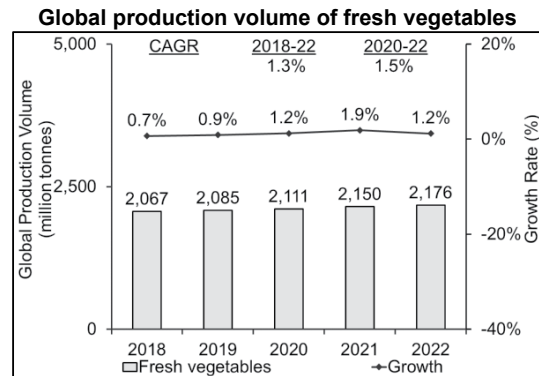
- As Malaysia is a net importer of fresh vegetables, global production of fresh vegetables is an important consideration which affects the supply conditions for fresh vegetables in Malaysia and Singapore. Farm Price Group sources its fresh vegetables domestically, as well as from foreign

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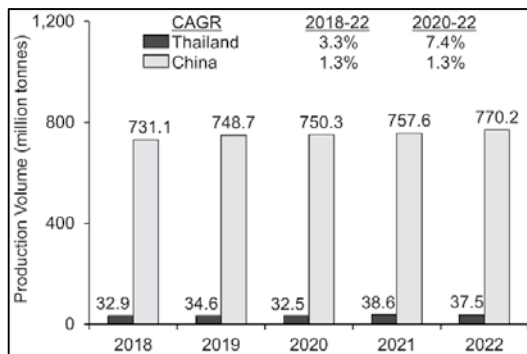
countries mainly Thailand and China to supply to the market in Malaysia and Singapore. Between 2018 and 2022, the global production volume of fresh vegetables grew at a CAGR of 1.3%, amounting to 2.2 billion tonnes in 2022.

- In 2022, production volume of fresh vegetables from Thailand and China represented 1.7% and 35.4%, respectively, of the global production volume.
- In 2022, export volume of fresh vegetables from Thailand and China accounted for 0.3% and 12.7%, respectively, of global export volume. In 2022, Malaysia represented the top export destination of fresh vegetables for Thailand which accounted for 45.7% of total export volume of fresh vegetables from Thailand. Meanwhile, Malaysia accounted for 11.3% of total export volume of fresh vegetables from China.

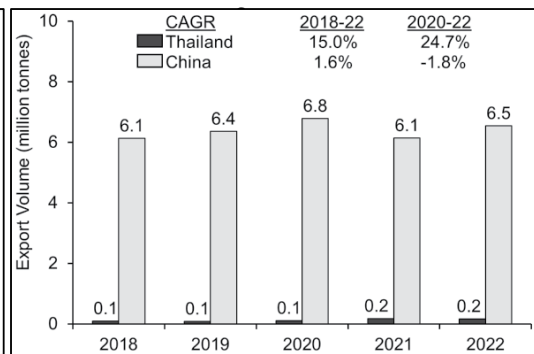


CAGR = compound annual growth rate; Note: Latest available data (Source: Vital Factor analysis)

Production volume of fresh vegetables in Thailand and China



Export volume of fresh vegetables from Thailand and China

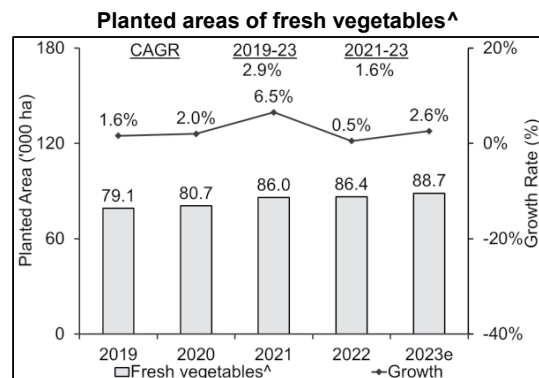


Note: Latest available data (Source: Vital Factor analysis)

5.2 Supply of fresh vegetables in Malaysia

- In 2023, the agriculture sector contributed to 7.7% of the GDP of Malaysia, whereby 64.1% was collectively contributed by rubber, palm oil and the livestock industries. The remaining 35.9% were from forestry and logging, marine fishing, aquaculture and other agriculture including, among others, vegetables, paddy, fruits and food crops (Source: Department of Statistics (DOSM)).

- Vegetable farming plays an important part in the value chain of a country's food security. In 2022, Malaysia had approximately 7.8 million hectares (ha) of agricultural land and only 13.0% was used for food crops including fresh vegetables, while the remainder was used for palm oil, rubber, pepper, cocoa and kenaf. In 2022, the planted areas of fresh vegetables accounted for 8.5% of the planted areas of food crops in Malaysia. (Latest available data. Source: Ministry of Plantation Industries and Commodities; DOA)

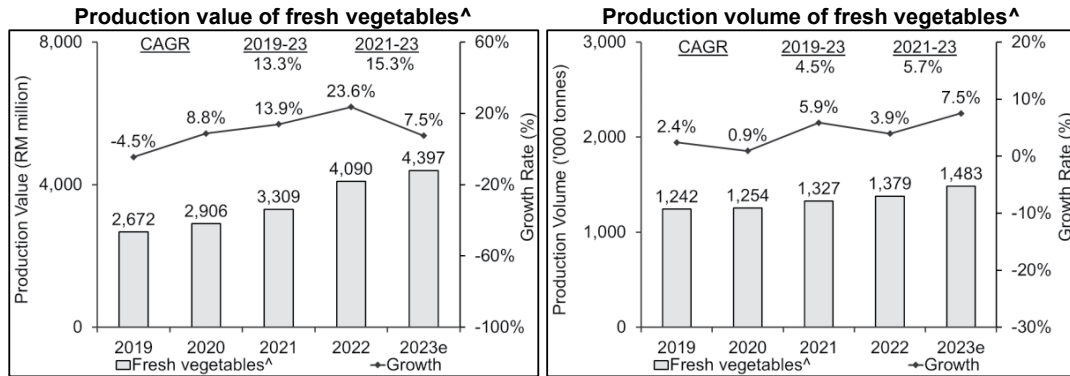


^ Include sugarcane and sweet corn which are not separated in the statistics; e = estimated (Source: Department of Agriculture (DOA))

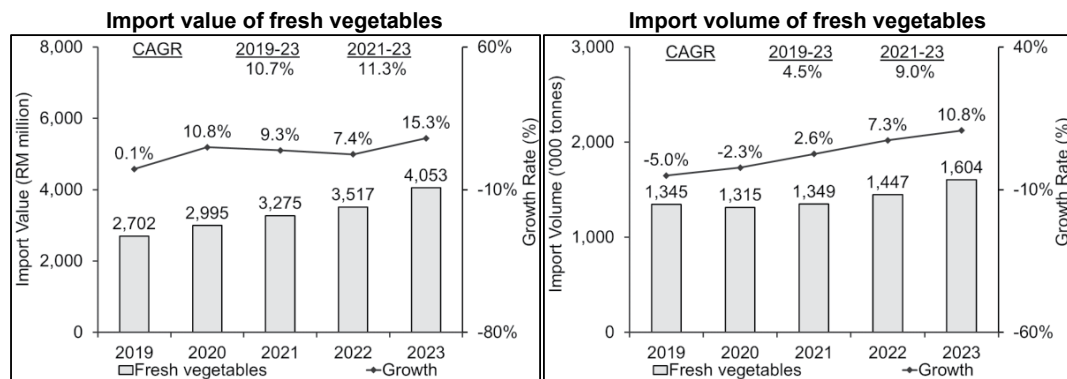
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- The supply side of fresh vegetables is also represented by the production value and volume of fresh vegetables. In 2023, both production value and volume grew by 7.5% compared to 2022. Between 2021 and 2023, the production value of fresh vegetables grew at a higher CAGR of 15.3%, compared to production volume with a CAGR of 5.7%.



^ Including sugarcane and sweet corn; e = estimated (Source: DOA)

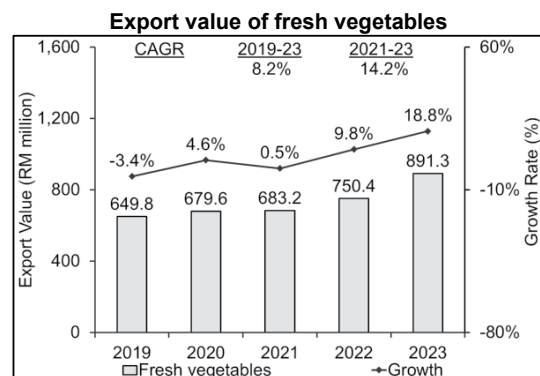


(Sources: DOSM; Vital Factor analysis)

- Malaysia is a net importer of fresh vegetables, where the total import and export values were RM4.1 billion and RM0.9 billion respectively in 2023 (Source: DOSM).

- In 2023, the import value of fresh vegetables grew by 15.3%. In 2023, Malaysia's top three countries of imports of fresh vegetables were China, India and Thailand which accounted for 64.8%, 13.7% and 6.5% of the import value of fresh vegetables respectively.

- In 2023, the export value of fresh vegetables grew by 18.8%. In 2023, Singapore was Malaysia's major export market for fresh vegetables which accounted for 83.0% of the total export value of fresh vegetables.



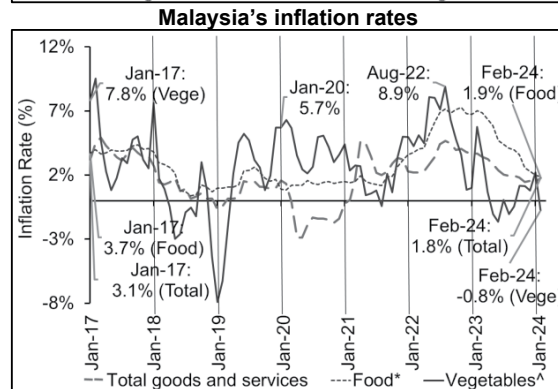
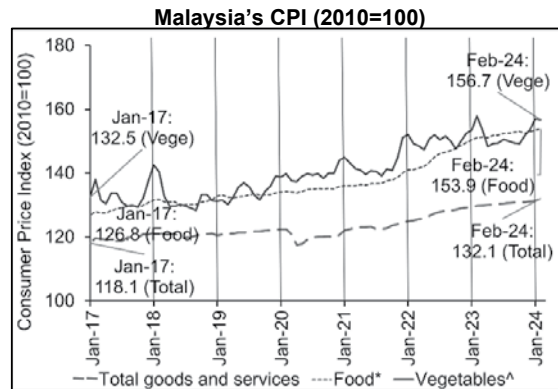
(Source: Vital Factor analysis)

- The consumer price index (CPI) is used as a proxy for the prices of overall vegetables. The CPI measures the weighted average of prices of a basket of consumer goods and services by tracking the changes in prices over time since the base year. Inflation refers to the annual percentage change in the CPI, which is used to measure the rate of change of the price movements compared to the previous year.

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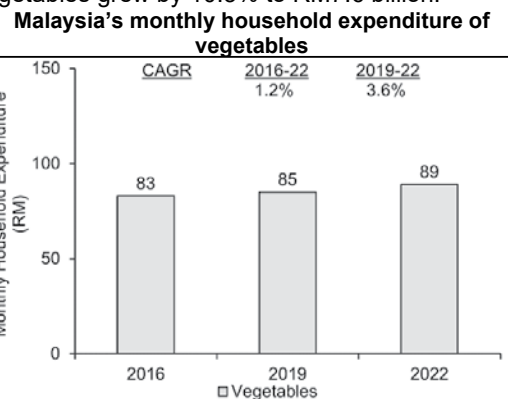
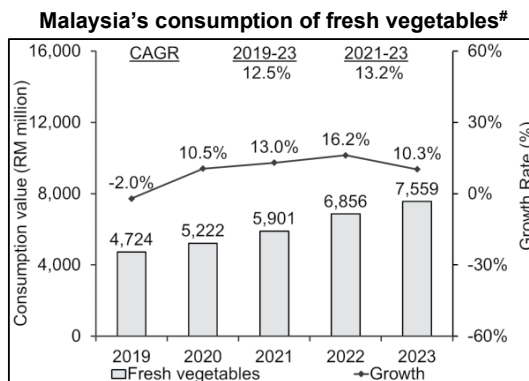
- Overall, the index for the food and non-alcoholic beverages group is higher than the other main groups such as clothing and footwear, transport and communication, except for alcoholic beverages and tobacco. Vegetables are a segment of the overall food and non-alcoholic beverages category, and it includes fresh vegetables, potatoes and other tubers, and preserved vegetables. Between 2021 and 2023, the CPI for total goods and services, food and non-alcoholic beverages, and vegetables grew at a CAGR of 2.9%, 5.3% and 3.1% respectively.
- The inflation rate of vegetables experienced wider fluctuations compared to total goods and services, and food and non-alcoholic beverages, indicating a high volatility in prices. Between 2020 and 2022, the CPI of vegetables was the highest compared to the other two categories, and the inflation rates were mostly positive during the period.
- The rising vegetable prices between 2020 and 2022 were mainly due to increase in demand for food at home during the COVID-19 pandemic, supply disruptions caused by shortages of labour during harvesting arising from the hiring freeze on foreign labour between June 2020 and August 2022, as well as the uncertain weather conditions, and increase in global fertiliser prices which resulted from the Russia-Ukraine conflict since early 2022. In February 2024, inflation rate of vegetables eased to negative 0.8% from a high of 8.9% in August 2022. The decline of inflation rate of vegetables in February 2024 was mainly due to stable supply and reduced demand during the school holiday season.



Charts above cover Jan 2017 to Feb 2024. \* Include food and non-alcoholic beverages; ^ Include fresh vegetables, potatoes and other tubers, and preserved vegetables (Source: DOSM)

5.3 Local demand for fresh vegetables in Malaysia

- The demand side for fresh vegetables is represented by the value of locally consumed fresh vegetables as well as the average monthly household expenditure spent on vegetables in Malaysia. In 2023, the local consumption of vegetables grew by 10.3% to RM7.6 billion.



# Based on production plus imports less exports (Sources: Vital Factor analysis) Note: Latest available data (Source: DOSM)



**7. IMR REPORT (Cont'd)**



- In 2022, on average, each Malaysian household spent RM5,150 per month, with RM841, or 16.3% for expenditure on foods and non-alcoholic beverages. Among the expenditure on food and non-alcoholic beverages, 10.6% was allocated for vegetables. Between 2016 and 2022, the average monthly household expenditure on vegetables increased at an average annual rate of 1.2%, amounting to a total expenditure of RM89 per month on average.

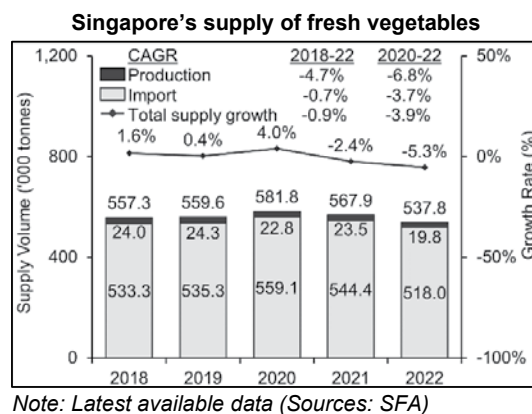
**5.4 Retail sales of non-specialised stores**

- Fresh vegetables are sold in non-specialised stores such as hypermarkets, supermarkets and mini markets, as well as traditional retail stores such as stalls in day and night markets.
- Between 2021 and 2023, retail sales value of retail activities in non-specialised stores (including hypermarkets, supermarkets, mini markets, convenience stores, departmental stores and other retail outlets) has been growing at a CAGR of 19.2%. In 2022, the sales value grew by 26.8% and this was supported by the full upliftment of containment measures and the gradual recovery of tourism activities amidst the reopening of international borders on 1 April 2022. In 2023, the sales value grew by 12.0%, driven by the growth in household spending and inbound tourism.



**5.5 Supply and demand conditions of fresh vegetables in Singapore**

- Farm Price Group also serves the Singapore market where it distributes fresh vegetables to Singapore. In view of this, the following section provides an assessment of the supply and demand conditions of fresh vegetables in Singapore.
- The supply (domestic and foreign) of fresh vegetables in Singapore has been decreasing at an average annual rate of 3.9% between 2020 and 2022. In 2022, the supply of fresh vegetables decreased by 5.3% to 537,800 tonnes, where imports accounted for 96.3% of the total supply of fresh vegetables in 2022. The decrease in the supply of fresh vegetables was mainly contributed by the decrease in the import volume of fresh vegetables from Malaysia in 2022 (Source: Vital Factor analysis). In 2022, imports of fresh vegetables decreased by 4.8% to approximately 518,000 tonnes, where the top 3 countries of import were China, India and Malaysia. (Source: SFA)



- The number of licensed food establishments increased by 1.5% from 51,809 establishments as at the end of 2021 to 52,599 establishments as at the end of 2022. Out of a total 52,599 establishments as at the end of 2022, 50,343 were retail establishments (including 21,953 food shops, 14,328 food stalls, 13,390 hawker stalls and 672 supermarkets), 2,256 were non-retail establishments (including 2,008 food processing/manufacturing, while 248 were other establishments including cold stores and slaughterhouse) (Latest available data. Source: SFA).

**7. IMR REPORT (Cont'd)****6. COMPETITIVE LANDSCAPE**

- The wholesale distribution of fresh vegetable industry in Malaysia is fragmented. As of 21 September 2023, it was estimated that there were approximately 40 to 50 members in the Johor Bahru Vegetable Wholesalers and Suppliers' Association (Persatuan Pemborong dan Pembekal Sayur-Sayuran Daerah Johor Bahru, Johor), and approximately 212 members in the Kuala Lumpur Vegetable Wholesalers' Association (*Source: Vital Factor analysis*). Farm Price Group is involved in the wholesale distribution of fresh vegetables in Johor and is a member of the Johor Bahru Vegetable Wholesalers and Suppliers' Association. As it is not compulsory to be a member of any association, the number of members in an association does not represent the total number of market players in the industry.
- The companies listed below carry out wholesale of fresh vegetables and may also include fruits. The list is sorted in descending order of revenue and is not exhaustive.

Company Name	<sup>(1)</sup> FYE	<sup>(2)</sup> Rev (RM'000)	<sup>(2)</sup> GP (RM'000)	<sup>(2)</sup> GP Margin	<sup>(2)</sup> NP (RM'000)	<sup>(2)</sup> NP Margin
Khaishen Trading S/B	Jun-23	274,632	21,957	8.0%	1,433	0.5%
MX Fruit & Vegetable (Malaysia) S/B	Mar-22	216,613	12,278	5.7%	85	#
Euro-Atlantic S/B	Dec-22	180,609	31,254	17.3%	1,691	0.9%
<b>Farm Price Group</b>	<b>Dec-23</b>	<b>114,199</b>	<b>23,078</b>	<b>20.2%</b>	<b>8,702</b>	<b>7.6%</b>
Keongco Malaysia S/B	Dec-22	109,781	19,002	17.3%	4,594	4.2%
Lian Hoe Huat Enterprise (M) S/B	Dec-22	94,338	24,115	25.6%	5,120	5.4%
Chin Sam Chiap S/B	Jul-23	78,128	7,562	9.7%	446	0.6%
YFC Trading (M) S/B	Dec-22	76,091	7,785	10.2%	1,674	2.2%
Fengyou Fruits and Vegetables (M) S/B	Mar-23	65,145	n.a.	n.a.	10	#
Yu Hui Vegetable Trading S/B	Jun-23	61,224	4,817	7.9%	1,052	1.7%

# less than 0.1%; FYE = financial year ended; Rev = revenue; GP = gross profit; NP = net profit after tax; S/B = Sdn Bhd, n.a. = information not available

**Notes:**

- (1) Latest available audited financials from Companies Commission of Malaysia and Farm Price Group.  
(2) Total company revenue is derived from the wholesale of fresh vegetables and may also include fruits, as well as other business activities and products.

- The methodology used to compile information on the companies listed above was based on secondary market research, such as published documents, company websites and industry directories. The criteria for the selection of competitors are based on the following:
  - involved in the wholesale of fresh vegetables, and may also include fruits with operations in Malaysia;
  - revenue of RM50 million and above; and
  - availability of recent financial statements.
The above list of companies excludes producers of vegetables.

**7. BARRIERS TO ENTRY**

- There are no onerous licences, regulations or restrictions governing the entry of new players into the industry. The wholesale distribution of fresh vegetables required for food storage including ambient temperature and chilled rooms, as well as food handling and transportation facilities. These facilities may be leased to reduce the initial capital cost for new entrants. The large number of operators in the wholesale distribution of fresh vegetable indicates the ease of entry into the industry.

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### 8. MARKET SIZE AND SHARE

- The market size in Malaysia and Singapore, and the respective market share of Farm Price Group are estimated below:

Malaysia - 2023	Consumption market size <sup>(a)</sup>	Farm Price Group	
		Wholesale revenue <sup>(b)</sup>	Market share <sup>(c)</sup> (%)
Fresh vegetables (RM million)	7,559 <sup>(1)</sup>	60 <sup>(2)</sup>	Less than 1
Singapore - 2022	Import market size <sup>(d)</sup>	Export to Singapore <sup>(b)</sup>	Market share <sup>(c)</sup> (%)
Fresh vegetables ('000 tonnes)	518 <sup>(3)</sup>	4 <sup>(4)</sup>	Less than 1

Sources: (a) DOSM; (b) Farm Price Group; (c) (b/a) x 100%; (d) SFA

(1) Based on Malaysia's consumption (production + imports – exports) value of fresh vegetables.

(2) Based on Farm Price Group's wholesale revenue of fresh vegetables for its Malaysia operations for the financial year ended 31 December 2023.

(3) Based on Singapore's import volume of fresh vegetables with the latest available data.

(4) Based on Farm Price Group's export volume of fresh vegetables into Singapore for the financial year ended 31 December 2022.

### 9. INDUSTRY CONSIDERATION FACTORS

- Fresh vegetables are regarded as an **essential industry** that directly affects the general population in terms of sustenance of life, health and cost of living. As such, the fresh vegetables industry is part of Malaysia's food security agenda. In 2022, vegetable industry accounted for 8.9% of the GDP of agriculture sector (*Latest available data. Source: DOSM*). In 2023, food and non-alcoholic beverages accounted for 29.8% of the CPI weight (*Source: DOSM*). The essential nature of the fresh vegetable industry will contribute to the business sustenance and growth of operators in the industry.
- The **large market size** of the fresh vegetable industry in Malaysia based on consumption amounted to RM7.6 billion in 2023. This would continue to provide growth opportunities for operators in the industry. In addition, on the supply side of the fresh vegetable industry, Malaysia's domestic production and import values were RM4.4 billion and RM4.1 billion respectively in 2023.
- Growth in imports** also provides an indication of an increase in consumption of fresh vegetables as Malaysia is generally a net importer of fresh vegetables where import value grew by 15.3% amounting to RM4.1 billion, while export value amounted to RM0.9 billion in 2023 (*Source: DOSM*).
- Although fresh vegetables are regarded as a necessity item, household spending on food items is generally affected by consumer sentiments and the economy. Overall, the **Malaysian economy** grew by 3.7% in 2023, and is forecasted to grow between 4.0% and 5.0% in 2024 (*Source: Bank Negara Malaysia*).
- The **price fluctuations** of fresh vegetables may reduce customer demand and consumption. The inflation rate of vegetables experienced wide fluctuations compared to total goods and services, and food and non-alcoholic beverages, indicating higher volatility in prices. Between 2020 and 2022, the CPI of vegetables was the highest compared to the other two groups, and the inflation rates were mostly positive during the period. The increase in the prices of certain fresh vegetables may prompt consumers to switch to alternative types of vegetables which are more affordable. In February 2024, inflation rate of vegetables eased to negative 0.8% from a high of 8.9% in August 2022.

## 8. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY OCCUR EITHER INDIVIDUALLY OR IN COMBINATION, AT THE SAME TIME OR AROUND THE SAME TIME) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.**

### 8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

#### 8.1.1 We are subject to operational risks including disruptions in power supply and shortage of labour which may cause interruptions to our business operations

We are subject to operational risks including but not limited to disruptions of power supply and shortage of labour which may cause interruptions to our business operations. As fresh vegetables are perishable items which are required to be brought to market and sold in a short period of time, we are required to ensure that the freshness of the vegetables from the time we receive the produce up to the delivery and receipt of the goods by our customers. As such, we are dependent on the consistent power supply for the continuing operations of our cold room facilities to retain the freshness of the vegetables, as well as the refrigerated trucks for the transportation to our customers. We are dependent on TNB for the power supply for our Senai Centralised Distribution Centre. We have also installed solar panel systems on our rooftop which generates 451 kWp of electricity.

In the event of a material or sustained disruption in our cold room facilities due to the intermittent disruptions in power supply or other events such as fire, flood, and pest infestations, our business operations and results of operations would be adversely affected. As at the LPD, we have not previously experienced any material disruptions or prolonged disruptions to our wholesale distribution operations pursuant to power supply issues.

We are also dependent on labour in our operations to carry out various activities including loading, sorting as well as processing of fresh vegetables such as manual washing, peeling, cutting, sorting and packing before delivery. Hence, a stable workforce is crucial to ensure that our operations are not disrupted. Our labour costs accounted for 2.48% (RM1.52 million), 2.28% (RM1.60 million) and 2.04% (RM1.61 million) and 3.06% (RM2.79 million) of our total cost of sales for FYE 2020, FYE 2021 and FYE 2022 and FYE 2023, respectively.

As at the LPD, we have 120 workers for our wholesale distribution operations in our Senai Centralised Distribution Centre. Out of the total of 120 workers, 91 were contract foreign workers while the remaining consists of 29 Malaysian permanent employees. We may experience shortage of workers from time to time due to the following factors including, among others, changes in government policies and regulations on the supply of foreign labour which are beyond our control and higher salary and remuneration package from competing industries. In the event there is a shortfall in the labour supply for our operations, our inability to maintain a stable workforce by replacing or hiring new foreign employees in a timely manner would adversely affect our business operations and financial performance.

As at the LPD, we have not experienced any material shortfall in labour supply as a result of the changes in government policies and regulations which affected our business operations.

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**8. RISK FACTORS (Cont'd)**

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**8.1.2 Our business operations may be subject to disruptions due to our non-compliance with the laws and regulations applicable to our Group's business including the risk of being prohibited from entering Singapore if we are found to contravene the requirements set by the SFA or other authorities**

Our business operations may be subject to the risk of disruptions caused by our non-compliance with the laws and regulations applicable to our Group's business as set out in further detail in Section 6.26 of this Prospectus. These include, among others, licences, permits and necessary documentation (i.e. declaration) to deliver fresh vegetables into Singapore which are issued by the SFA. Please refer to Section 6.22 of this Prospectus for details of our major licences, permits and registrations as well as our past non-compliances.

The laws, regulations and policies of government bodies and agencies are subject to changes, and our inability to adapt or comply with any changes in or new interpretations of applicable laws, regulations, standards and policies, which could have a material adverse effect on our application or renewal of registrations, licences, accreditations or Halal, GMP and HACCP certifications, business operations or business costs. In the event we are unable to obtain the renewal or maintain the Halal, GMP, HACCP and other certifications, this may adversely affect our operations including export of fresh vegetables to Singapore.

In addition, should there be any subsequent modifications of, additions or new restrictions to the current compliance standards, we may incur additional costs to comply with such new or modified standards. As a result, this may have a material adverse impact on our business, financial conditions and results of our operations.

Subsequent to the LPD, we have obtained and/or renewed all material licences, permits, accreditations or certifications and registrations for our business operations and have complied with all conditions imposed therein save as disclosed in Section 6.22 of this Prospectus.

Pursuant to Regulation 3(1)(a) of the RIER, we are prohibited from importing goods into Singapore except in accordance with a permit granted. Any importer that contravenes this regulation may be subject to the applicable penalties for non-compliance with the RIER. This would also adversely affect our reputation, results of operations, and financial performance. Please refer to Section 6.26.2 of this Prospectus for further details on the laws and regulations applicable to our Group.

During the Financial Years Under Review, we had encountered one (1) incident in March 2021 where we experienced an under declaration of weight of fresh vegetables imported into Singapore mainly due to an oversight by one (1) of our personnel. This has resulted in the SFA imposing a fine of SGD5,000 on our subsidiary, Topstar and its director, namely Dr. Tiong Lee Chian, respectively. While we have incorporated additional steps in our customs clearance declaration policy to strengthen the monitoring process to minimise the occurrence of similar occurrence in the future, there is no assurance that we would not experience any oversight or human error in the future which would result in penalties or prohibition by the SFA or other authorities.

Under the CPA 1993, we are prohibited from importing any fresh vegetables which contains levels of pesticide residue or toxic chemical residue which exceed the levels prescribed by the SFA. While we have obtained the licence to import fresh vegetables into Singapore from the SFA, our fresh vegetables are subject to inspection by the SFA, which has the authority to take samples for random testing to determine the levels of pesticide residue. In the event the samples tested exceeded the maximum limit of pesticide residue prescribed by the SFA, our fresh vegetables will not be permitted to enter Singapore and we would not be able to fulfil our customers' orders and may be subject to the applicable penalties for non-compliance with the CPA 1993 and its subsidiary legislations. This would adversely affect our reputation, results of operations and financial performance.

## 8. RISK FACTORS (Cont'd)

During the Financial Years Under Review, we had encountered two (2) incidents in July 2021 and March 2023 respectively, where Topstar was issued with stern warnings from the SFA in respect of consignments that had exceeded the permissible levels of pesticide residue prescribed by the SFA. While our Group has started carrying out voluntary random sampling of our fresh vegetables to test the presence and levels of prohibited pesticide residue or toxic chemical residue, there is no assurance that any similar incidents will not occur in the future, which would result in penalties or prohibition by the SFA or other regulating authorities.

Please refer to Section 6.22 of this Prospectus for further details on the abovementioned incidents and the additional steps taken by our Group in our efforts to prevent similar incidents from occurring in the future.

### 8.1.3 Our business is subject to the risk of foreign exchange fluctuations

As a wholesale distributor of fresh vegetables, F&B products and other groceries, we source our input materials domestically from growers of vegetables or suppliers of products in Malaysia as well as imports from suppliers in foreign countries.

In this respect, we are exposed to the risk of foreign exchange fluctuations where 59.38%, 58.22%, 53.52% and 57.71% of our total purchases of input materials for the FYE 2020, FYE 2021 and FYE 2022, respectively, were transacted in foreign currencies mainly USD. We regularly review the prices of our products taking into consideration the effect of the fluctuations in foreign exchange rates. For the Financial Years Under Review, we have experienced an increase in purchase costs of input materials arising from foreign exchange fluctuations. In the event we are unable to pass on the increases in costs to our customers in a timely manner, there is a risk that this may adversely affect our financial performance.

For the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, 20.36%, 23.32%, 25.32% and 25.46% of our revenue, respectively were transacted in foreign currency, namely SGD. In addition, the functional currency for our subsidiary, Topstar's accounting system and financial statements are denominated in SGD. As such, any unfavourable and adverse changes in the exchange rates between RM and foreign currencies such as SGD and USD would have a negative impact on our financial performance.

For the Financial Periods Under Review, the details of our foreign exchange gains and losses are set out below:

	Audited FYE			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Net realised gain on foreign exchange	278	146	140	495
Net unrealised gain/(loss) on foreign exchange	82	123	35	(19)
<b>Net gain on foreign exchange</b>	<b>360</b>	<b>269</b>	<b>175</b>	<b>476</b>

## 8. RISK FACTORS (Cont'd)

The following table demonstrates the sensitivity analysis to a reasonably possible change in the SGD, USD and CNY, with all other variables held constant on our Group's total equity and profit for the Financial Years Under Review:

	Audited FYE			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Effects on PAT</b>				
USD/RM				
- strengthen by 10%	(273)	(409)	(261)	(247)
- weakened by 10%	273	409	261	247
SGD/RM				
- strengthen by 10%	*	*	25	139
- weakened by 10%	(*)	(*)	(25)	(139)
CNY/RM				
- strengthen by 10%	-	-	(15)	(55)
- weakened by 10%	-	-	15	55

**Note:**

\* Denotes less than RM1,000.

### 8.1.4 We may not be able to effectively or successfully execute our business strategies and plans

Our business strategies and plans are focused on leveraging from our key strengths and capitalising on our core competencies in the wholesale distribution of fresh vegetables, F&B products and other groceries. Part of our strategies is to expand our Senai Centralised Distribution Centre including construction of additional operational and related facilities on Lot 55359, setting-up additional regional distribution centres in Peninsular Malaysia, as well as setting-up sales and marketing office in Singapore. Please refer to Section 6.20 of this Prospectus for further details on our business strategies and plans.

There can be no assurance that we will be successful in executing our business strategies and plans nor can we provide the assurance that we will be able to anticipate all the business and operational risks arising from our business strategies and plans. Some of the factors that may affect our timing in executing our business strategies and plans include, among others, the ability to secure sufficient funding and/or bank borrowings, limitations in human resources or experience, regulatory changes and other unanticipated delays. As at the LPD, we have accepted the letter of offer from a financial institution for the financing for the construction of additional operational and related facilities at our Senai Centralised Distribution Centre, renovation cost in relation to the expansion of the processing floor space with cold room facilities, purchase of machinery and equipment, as well as additional trucks. Please refer to Section 6.20 of this Prospectus for further details on our business strategies and plans. In the event of any delays or failures in executing our business strategies and plans effectively, our future business growth or expected financial prospects or returns may be adversely affected.

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**8. RISK FACTORS (Cont'd)**

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**8.1.5 We may not be able to sustain our growth rate and financial performance for our business in the future**

Our revenue grew from RM73.54 million in FYE 2020 to RM114.20 million in FYE 2023, representing a CAGR of 15.80%. Our PAT grew from RM2.86 million in FYE 2020 to RM8.70 million in FYE 2023, representing a CAGR of 44.89%, while PAT margin increased from 3.89% in FYE 2020 to 7.62% in FYE 2023.

Notwithstanding the above, there is no assurance that we will be able to achieve similar growth rates and financial performance in the future due to internal and/or external factors such as supply and demand conditions of the fresh vegetables industry, delays or failures in executing our business strategies and plans effectively, or any adverse changes in economic, social and/or regulatory conditions, as well as competition.

**8.1.6 Our business operations are dependent on our Managing Director, Executive Director and Key Senior Management**

Our business operations are dependent on the experience, business network, knowledge and skills of our Managing Director, Dr. Tiong Lee Chian and Executive Director, Liew Tsuey Er.

Dr. Tiong Lee Chian is responsible for the strategic direction, growth and development of our Group while Liew Tsuey Er is responsible for overseeing the overall operations as well as the sourcing and procurement of our Group. In addition, our business operations are supported by our Key Senior Management. Please refer to Section 5.1.2 of this Prospectus for further details on the profiles of our Managing Director, Executive Director and Key Senior Management.

The loss of services from any one (1) of our Managing Director, Executive Director or Key Senior Management without any suitable and timely replacement may adversely affect our business operations and financial performance. As such, it is critical for our Group to be able to continue to hire, develop, motivate and retain our employees who are capable and skilled in performing their roles and responsibilities to ensure continuity in our business operations.

**8.1.7 Our financial performance and profitability may be affected if we are unable to pass on the increases in the prices of fresh vegetables to our customers**

Generally, the prices of fresh vegetables are dependent on supply and demand conditions, quality of fresh vegetables as well as weather conditions. In addition, the prices of fresh vegetables are subject to the Price Control and Anti-Profiteering Act 2011 (formerly known as Price Control Act 1946) where the Government implemented the SKHMP. The prices of certain essential goods will be identified as price-controlled goods and maximum price will be determined for a specified period during the festive seasons. Generally, we pass on the increases in the prices of fresh vegetables to our customers as we revise the pricing on a daily or periodical basis. The selling price is commonly confirmed based on the purchase orders received from customers. Although our Group revises the pricing of fresh vegetables on a daily or periodical basis depending on the type of fresh vegetables, there is no assurance that we are able to pass on any of the price increases to the customers promptly. In the event we are unable to do so, our financial performance including profitability will be adversely affected.

During the COVID-19 pandemic condition in 2020, we have experienced fluctuations in the prices for the purchase of fresh vegetables at the highest quarterly average of RM3.43/kg in Q2 2020 and the lowest quarterly average purchase price of RM2.86/kg in Q4 2020. In addition, there were rising vegetable prices during the COVID-19 pandemic period due to, among others, an increase in demand for food at home during the COVID-19 pandemic, supply disruptions caused by shortages of labour during harvesting arising from the hiring freeze on foreign labour between 2020 and 2022 (*Source: IMR Report*). This was also reflected in our average quarterly purchase prices of fresh vegetables which increased by 24.79% at RM3.57/kg in Q4 2021 compared to RM2.86/kg in Q4 2020. While in Q4 2022, our average quarterly purchase prices of fresh vegetables were slightly lower at RM3.52/kg in Q4 2022 compared to RM3.57/kg in Q4 2021 contributed by lower average purchase prices of certain fresh vegetables during Q4 2022.



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**8. RISK FACTORS (Cont'd)**

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For the Financial Years Under Review, our GP margin was 16.39%, 14.19%, 16.34% and 20.21% for FYE 2020, FYE 2021, FYE 2022 and FYE 2023. The decrease in GP margin in FYE 2021 was mainly due to the higher cost of purchase of vegetables during the COVID-19 pandemic period and we were unable to pass on the increases in the cost of purchases fully to our customers. Our PBT margin decreased from 5.29% in FYE 2020 to 4.82% in FYE 2021, while PAT margin decreased from 3.89% in FYE 2020 to 3.80% in FYE 2021. Subsequently in FYE 2022, our GP margin, PBT margin and PAT margin improved to 16.34%, 6.50% and 5.03% respectively, and further improved to 20.21%, 10.32% and 7.62% respectively in FYE 2023. Please refer to Section 11.3.2 of this Prospectus for further details on our financial performance. Nevertheless, there is no assurance that we would be able to maintain or sustain our profitability including our margins and margin growth in the future in the event we are unable to pass on the price increases fully to our customers.

As at the LPD, we have a subsisting agreement which is renewed on a yearly basis with a food services operator namely Compass Group (Singapore) Pte Ltd, one (1) of our top five (5) customers for the supply of fresh vegetables. While we have agreement with this customer, sales are confirmed based on purchase orders. As the selling price for the supply of fresh vegetable is fixed and is not subject to any price changes during the contract period, we will not be able to pass on any increases in the price of fresh vegetables to this customer until the expiration of the contract. In this respect, if there are any material increases in the purchase price of the fresh vegetables during the contract period, it may adversely affect our financial performance. Revenue from Compass Group (Singapore) Pte Ltd accounted for 4.13%, 3.69%, 4.05% and 3.94% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. In addition, we are required to comply with the conditions of the agreement including, among others, compliance to health, safety and environment, safety regulations, service quality and delivery requirements. In the event we do not comply with the terms and conditions of the agreement, we are subject to penalties for each of the non-compliance. For the Financial Years Under Review, we have not experienced any penalties from the customer.

**8.1.8 We may be exposed to financial risks arising from impairment loss on trade receivables**

We are exposed to certain financial risks arising from impairment loss on trade receivables concerning customers' failure to pay their outstanding invoices which may adversely affect our financial condition and performance. We have in place a credit control policy to closely monitor our ageing report and regularly assess the collectability of the trade receivables for each customer. Nonetheless, there can be no assurance that we will be able to receive the full payment of our outstanding invoices. For the FYE 2022, there was an impairment loss on trade receivables of RM0.74 million mainly with Songmart Malaysia. We have discontinued our legal action against Songmart Malaysia and have submitted our proof of debt to the appointed liquidator in order to establish our claim for the outstanding sum payable by Songmart Malaysia to Farm Price. Please refer to Section 11.3.10 of this Prospectus for further details.

**8.1.9 We are exposed to interest rate risk that may result in financial distress if we fail to meet our financial obligations**

We are exposed to interest rate risk arises principally from our borrowings. As at 31 December 2020, our gearing ratio was at 2.66 times as we took on borrowings and draw down of term loans and bankers' acceptance of RM16.90 million in FYE 2020 for our working capital and capital expenditure. Subsequently, our gearing ratio decreased to 1.66 times as at 31 December 2021 and further decreased to 0.96 times as at 31 December 2022 and 0.52 times as at 31 December 2023 due to the decrease in term loans arising from the disposal of investment properties during the FYE 2021 and FYE 2022, repayment of term loans as well as improvement in our shareholders' equity during the FYE 2021, FYE 2022 and FYE 2023 respectively. Please refer to Section 11.4 of this Prospectus for further details on our gearing ratio.

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**8. RISK FACTORS (Cont'd)**

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Part of our business plans is to expand our Senai Centralised Distribution Centre which includes the constructing of additional operational and related facilities, expansion of value-added processing areas, purchasing of machinery and equipment and expanding of transportation fleet. These business plans will be funded using a combination of internally generated funds and/or bank borrowings and IPO proceeds as detailed in Section 6.20 of this Prospectus. As at the LPD, we have accepted the letter of offer from the financial institution for the financing of the abovementioned business plans. In this respect, this may increase our gearing ratio in the future as and when the borrowings are drawdown.

While we have pared down our loans in FYE 2021, FYE 2022 and FYE 2023, there is no assurance that we may not take on more loans in the future. In the event that we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which will affect our operations and financial performance. For the Financial Years Under Review and up to the LPD, we have not defaulted on any payments of either the principal and/or interests in relation to our borrowings.

**8.1.10 There is no assurance that our insurance coverage would be adequate**

In line with general business practices, we maintain general insurance policies where practicable, covering both our assets and employees, with policy specifications and insured limits which we believe are reasonable. As at the LPD, our Group's material insurance coverage includes fire insurance, public liability and employer's liability insurance. However, if the amount of such claims exceeds the coverage of general insurance policies which we have taken up, we may be liable for shortfalls in the amounts claimed. In such events, our financial position will be adversely and materially affected. For the Financial Year Under Review and up to the LPD, we have not encountered any events that resulted in any material insurance claims.

In ensuring such risks are kept to a minimum level, we continuously review and ensure there is an adequate coverage for our assets. Although we have taken the necessary steps to ensure that our assets are adequately insured, there can be no assurance that our insurance coverage would be adequate to compensate for the replacement costs of the assets or any consequential losses arising thereof.

**8.1.11 Our business operations and financial performance may be affected by virulent diseases, epidemics or pandemics**

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. The COVID-19 pandemic has resulted in, among others, travel and transportation restrictions, prolonged closures of work places, businesses and lockdowns in certain countries. The Government of Malaysia implemented several measures to reduce and control the spread of COVID-19 pandemic in the country, commencing on 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic and social activities.

Nonetheless, there was no material impact on our results of operations and financial conditions as our business was deemed as "essential services" and we were able to continue our operations in accordance with the specified guidelines and standard operating procedures throughout the various phases of MCO.

Although our business is regarded as "essential services", there is no assurance that similar future outbreaks with restrictive measures such as MCO would not adversely affect our business operations, results of operations or the implementation of our business strategies and plans.

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**8. RISK FACTORS (Cont'd)**

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**8.2 RISKS RELATING TO OUR INDUSTRY****8.2.1 The wholesale distribution of fresh vegetables and the fluctuations in prices of fresh vegetables in the industry are affected by supply and demand conditions**

The wholesale distribution of fresh vegetables and the fluctuations in the pricing of vegetables in the industry are affected by supply and demand conditions. In this respect, operators in the industry are dependent on the regular and uninterrupted supply of fresh vegetables from suppliers, demand from customers and affordable prices of fresh vegetables to sustain the continuous demand.

The supply conditions for fresh vegetables may be affected by, among others, natural causes such as weather conditions, pests and natural disasters including floods, supply chain disruptions and trade barriers as sources of supply are from foreign countries as well as domestic market. Our Group sources fresh vegetables from foreign countries as well as domestic market. For the Financial Years Under Review and up to the LPD, our Group has not experienced any material disruption in the supply of fresh vegetables arising from the shortages of fresh vegetables. Please refer to Section 6.6.4(i) of this Prospectus for further details on our Group's sources of supply.

Demand conditions may be affected by prices, and changes in consumer behaviour and consumption patterns. Prices may be affected by, among others, cost of fertilisers and pesticides, cost of labour, cost of transportation, government regulations such as import and export tariffs which could drive increases in the price of fresh vegetables, as well as inflation which affects our selling prices to end-consumers. Changes in consumer behaviour and consumption patterns may be influenced by health and safety considerations for example use of prohibited chemicals in certain countries, perception of the country of origin, dietary trends, convenience of preparation, ease of availability, cultural preferences and festive seasons. In the event there is any reduction in the demand for one or a group of fresh vegetables resulting from either changes in consumer behaviour and preferences, negative or adverse publicity coupled with failure to identify or respond promptly by offering suitable replacements, this may materially affect the operators in the industry.

Between 2021 and 2023, the consumer price index for total goods and services, food and non-alcoholic beverages, and vegetables grew at a CAGR of 2.9%, 5.3% and 3.1%, respectively. The rising vegetable prices between 2020 and 2022 were mainly due to increase in demand for food at home during the COVID-19 pandemic, supply disruptions caused by shortages of labour during harvesting sector arising from the hiring freeze on foreign labour between June 2020 and August 2022, as well as the uncertain weather conditions, and increase in global fertiliser prices which resulted from the Russia-Ukraine conflict since early 2022. In February 2024, inflation rate of vegetables eased to negative 0.8% from a high of 8.9% in August 2022. (Source: IMR Report)

While fresh vegetables are considered essential items and any reduction in demand or preference for certain types of fresh vegetables can be replaced with other types of fresh vegetables, there is no assurance that any of these unfavourable changes in supply and demand conditions as well as fluctuations in pricing of fresh vegetables in the industry will not affect the business and financial performance of the operators in this industry.

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**8. RISK FACTORS (Cont'd)**

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**8.2.2 We face competition from other operators in the industry**

We face competition from other operators in the industry who are involved in the wholesale distribution of fresh vegetables. The wholesale distribution of fresh vegetable industry in Malaysia is fragmented. As of 21 September 2023, it was estimated that there were approximately 40 to 50 members in the Johor Bahru Vegetable Wholesalers and Suppliers' Association (Persatuan Pemborong dan Pembekal Sayur-Sayuran Daerah Johor Bahru, Johor) and approximately 212 members in the Kuala Lumpur Vegetable Wholesalers' Association. Farm Price Group is involved in the wholesale distribution of fresh vegetables in Johor and is a member of the Johor Bahru Vegetable Wholesalers and Suppliers' Association. (Source: IMR Report)

As it is not compulsory to be a member of any association, the number of members in an association does not represent the total number of market players in the industry. There are no onerous licences, regulations or restrictions governing the entry of new players into the industry. The wholesale distribution of fresh vegetables requires food storage facilities including ambient temperature and chilled rooms, as well as food handling and transportation facilities. These facilities may be leased to reduce the initial capital cost for new entrants. The large number of operators in the wholesale distribution of fresh vegetable indicates the ease of entry into the industry. (Source: IMR Report)

Operators in the industry compete based on factors including, among others, pricing, variety of fresh vegetables, quality, customer service, value-added services, facilities and others. While we have our competitive advantages, there is no assurance that we will be able to compete effectively against other operators. In the event we are unable to remain competitive or unable to build on our competitive advantages and key strengths moving forward, our prospects and financial performance may be adversely affected.

**8.2.3 We are subject to economic, social, political and regulatory risks in the countries that we operate including Malaysia and Singapore, as well as other foreign countries which we source our products**

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia and Singapore as well as other countries which we source our products, could have a negative impact on our business operations and financial performance. We are also susceptible to the risk of local epidemics or pandemics where we may face business interruptions including, among others, temporary suspension of our business operations. Please refer to Section 6.19 of this Prospectus for further details on the impact of the COVID-19 pandemic.

Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import or export tariffs and related duties, increase in the statutory minimum wage, effects of inflation, and conditions governing licensing, registrations and permits to conduct business. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our products. As such, there can be no assurance that any adverse political, social, economic, fiscal and regulatory developments or outbreak of diseases which are beyond our control, will not materially affect our business operations and financial performance.

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## **8. RISK FACTORS (Cont'd)**

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### **8.3 RISKS RELATING TO INVESTING IN OUR SHARES**

#### **8.3.1 There has been no prior market for our Shares**

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

The IPO Price was determined after taking into consideration various factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

#### **8.3.2 Our Share price and trading volume may be volatile**

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- (i) material variations in our financial results and operations;
- (ii) success or failure in our management in implementing future plans, business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting the industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;
- (vi) natural disasters, health epidemics and outbreaks of contagious diseases;
- (vii) additions or departures of key senior management;
- (viii) fluctuations in stock market prices and volumes;
- (ix) involvement in claims, litigation, arbitration or other form of dispute resolution;
- (x) changes in government policy, legislation or regulation; and/or
- (xi) general operation and business risks.

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## 8. RISK FACTORS (Cont'd)

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### 8.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5.1 of this Prospectus, our Promoters will collectively hold in aggregate 70.00% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations.

### 8.3.4 There may be a potential delay to or cancellation of our Listing

The occurrence of any one (1) or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

- (i) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;
- (ii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or
- (iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the allotment and issuance of our IPO Shares:

- (1) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (2) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
  - (a) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
  - (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

## 9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

### 9.1 RELATED PARTY TRANSACTIONS

#### 9.1.1 Material related party transactions entered into by our Group

The following table sets out the material related party transactions that we had entered into with related parties in respect of the Financial Years Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(i)	Setia Kawan and Dr. Tiong Lee Chian	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Setia Kawan.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title HSD 204531, PT232683, Mukim of Hulu Kinta, District of Kinta, State of Perak bearing postal address No. 24, Jalan Menglembu Impiana 32, I-Park Menglembu, 31450 Ipoh, Perak by Setia Kawan to Dr. Tiong Lee Chian. <sup>(1) (2)</sup>	-	-	-	-	650	<sup>(3)</sup> 4.09	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(ii)	Setia Kawan and Heisalive	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Setia Kawan.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Heisalive.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title Geran 288730, Lot 16382, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 4, Jalan SS 2/6E, Taman Sri Saujana, 81900 Kota Tinggi, Johor by Setia Kawan to Heisalive. (1) (2)	-	-	-	-	-	-	580	(3) 2.35	-	-



**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(iii)	Setia Kawan and Heisalive	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Setia Kawan.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Heisalive.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title Geran 288778, Lot 16402, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 9, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor by Setia Kawan to Heisalive. (1) (2)	-	-	-	-	-	-	580	(3) 2.35	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(iv)	Setia Kawan and Liew Tsuey Er	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholder of Setia Kawan.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> </ul>	Disposal of property held under title HSD 524621, PTD 167098, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 10, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor by Setia Kawan to Liew Tsuey Er. <sup>(1)</sup> <sup>(2)</sup>	-	-	-	-	1,500	<sup>(3)</sup> 9.43	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(v)	Farm Price and Dr. Tiong Lee Chian	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Acquisition of Lot 55359 by Farm Price from Dr. Tiong Lee Chian. <sup>(4)</sup>	-	-	-	-	2,587	<sup>(3)</sup> 16.27	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(vi)	Farm Price and Heisalive	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Heisalive.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title Geran 288779, Lot 16403, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 11, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor by Farm Price to Heisalive. <sup>(2)</sup> <sup>(4)</sup>	-	-	-	-	580	<sup>(3)</sup> 3.65	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(vii)	Farm Price and Heisalive	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Heisalive.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title Geran 288780, Lot 16404, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 15, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor by Farm Price to Heisalive. <sup>(2)</sup> <sup>(4)</sup>	-	-	-	-	580	<sup>(3)</sup> 3.65	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(viii)	Farm Price and Heisalive	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Heisalive.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title Geran 288781, Lot 16405, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 17, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor by Farm Price to Heisalive. <sup>(2)</sup> <sup>(4)</sup>	-	-	-	-	600	<sup>(3)</sup> 3.77	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(ix)	Farm Price and Dr. Tiong Lee Chian	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Disposal of property held under title HSD 524620, PTD 167097, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 8, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor by Farm Price to Dr. Tiong Lee Chian. <sup>(2)</sup> <sup>(4)</sup>	-	-	-	-	1,500	<sup>(3)</sup> 9.43	-	-	-	-

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(x)	Farm Price and Liew Tsuey Er	<ul style="list-style-type: none"> <li>▪ Liew Tsuey Er and Dr Tiong Lee Chian are directors and substantial shareholders of Farm Price.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er. <sup>(2)</sup> <sup>(4)</sup></li> </ul>	Disposal of property held under title HSD 160240, PTD 58312, Mukim of Pulau, District of Johor Bahru, State of Johor bearing postal address No. 64, Jalan Shahbandar 8, Taman Ungku Tun Aminah, 81300 Skudai, Johor by Farm Price to Liew Tsuey Er. <sup>(2)</sup> <sup>(4)</sup>	-	-	-	-	1,300	<sup>(3)</sup> 8.18	-	-	-	-
(xi)	Dr. Tiong Lee Chian and Topstar	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian is a director and substantial shareholder of Topstar.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director.</li> </ul>	Interest income on loan provided to director	121	<sup>(3)</sup> 1.51	436	<sup>(3)</sup> 3.92	-	-	-	-	-	-



**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(xii)	Dr. Tiong Lee Chian and FP Foods	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of FP Foods.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Rental of property held under title HSD 204531 PT232683, Mukim of Hulu Kinta, District of Kinta, State of Perak bearing postal address No. 24, Jalan Menglembu Impiana 32, I-Park Menglembu, 31450 Ipoh, Perak by FP Foods from Dr. Tiong Lee Chian <sup>(9)</sup>	-	-	-	-	13	<sup>(5)</sup> #	38	<sup>(5)</sup> 0.32	10	*

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(xiii)	Farm Price, FP Foods and Nam Kee Group <sup>(8)</sup>	<ul style="list-style-type: none"> <li>▪ Liew Tsuey Er and Dr. Tiong Lee Chian are directors and substantial shareholders of Farm Price.</li> <li>▪ Liew Tsuey Er and Dr. Tiong Lee Chian are directors and substantial shareholders in FP Foods.</li> <li>▪ Nam Kee Trading Company is a business partnership owned by Liew Tsuey Er's siblings, namely Liew Chou Shong and Liew Sea Shong, and Liew Sea Shong's wife, namely Wong Huey Fong.</li> <li>▪ Nam Kee Trading and Transport Sdn Bhd is a company owned by Liew Tsuey Er's siblings, namely Liew Chou Shong and Liew Sea Shong, who are also the directors.</li> <li>▪ Nam Kee Wholesale Sdn Bhd is a company owned by Liew Tsuey Er's sibling and his wife, namely Liew Sea Shong and Wong Huey Fong, who are also the directors.</li> </ul>	Sale of goods by Farm Price to Nam Kee Trading Company <sup>(9)</sup>	145	<sup>(6)</sup> 0.20	368	<sup>(6)</sup> 0.45	364	<sup>(6)</sup> 0.39	318	<sup>(6)</sup> 0.28	48	*
			Provision of transportation services by Nam Kee Trading & Transport Sdn Bhd to FP Foods <sup>(9)</sup>	59	<sup>(7)</sup> 0.10	50	<sup>(7)</sup> 0.07	50	<sup>(7)</sup> 0.06	62	<sup>(7)</sup> 0.07	18	*
			Rental of property: No. 64, Jalan Shahbandar 8, Taman Ungku Tun Aminah, 81300, Skudai, Johor by Nam Kee Wholesale Sdn Bhd to Farm Price	-	-	32	<sup>(5)</sup> 0.81	23	<sup>(5)</sup> 0.37	-	-	-	-
			Purchase of goods by Farm Price from Nam Kee Trading Company <sup>(9)</sup>	-	-	-	-	-	-	7	#	12	*

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>											

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**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD		
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
(xiv)	Farm Price, FP Foods, Setia Kawan and JNJ Mini Mart	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are the directors and substantial shareholders of Farm Price.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are the directors and substantial shareholders of FP Foods.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are the directors and substantial shareholders of Setia Kawan.</li> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er were previously the co-owners of JNJ Mini Mart. JNJ Mini Mart is now a sole proprietor owned by Tiong Lee Ee. Tiong Lee Ee is Dr. Tiong Lee Chian's brother.</li> </ul>	Sale of goods by Farm Price to JNJ Mini Mart <sup>(9)</sup>	226	<sup>(6)</sup> 0.31	113	<sup>(6)</sup> 0.14	183	<sup>(6)</sup> 0.19	158	<sup>(6)</sup> 0.14	33	*	
			Purchase of goods by Farm Price from JNJ Mini Mart	3	#	-	-	-	-	-	-	-	-	-
			Sale of goods by FP Foods to JNJ Mini Mart <sup>(9)</sup>	90	<sup>(6)</sup> 0.12	53	<sup>(6)</sup> 0.06	73	<sup>(6)</sup> 0.08	70	<sup>(6)</sup> 0.06	13	*	
			Purchase of goods by Setia Kawan from JNJ Mini Mart <sup>(9)</sup>	-	-	-	-	#	#	#	#	-	-	

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

No	Transacting parties	Nature of relationship	Nature of transaction	FYE 2020		FYE 2021		FYE 2022		FYE 2023		From 1 January 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>											
(xv)	FP Foods and K & L Mini Mart	<ul style="list-style-type: none"> <li>▪ Dr. Tiong Lee Chian and Liew Tsuey Er are the directors and shareholders of FP Foods.</li> <li>▪ K &amp; L Mini Mart is a sole proprietorship owned by Dr. Tiong Lee Chian's brother, Tiong Lee Ee.</li> <li>▪ Dr. Tiong Lee Chian is our Promoter, Specified Shareholder, substantial shareholder and Managing Director. He is the spouse of Liew Tsuey Er.</li> <li>▪ Liew Tsuey Er is our Promoter, Specified Shareholder, substantial shareholder and Executive Director. She is the spouse of Dr. Tiong Lee Chian.</li> </ul>	Sale of goods by FP Foods to K & L Mini Mart <sup>(9)</sup>	11	<sup>(6)</sup> 0.01	8	<sup>(6)</sup> 0.01	#	#	2	#	-	-

## 9. RELATED PARTY TRANSACTIONS (Cont'd)

### Notes:

- \* *The percentage is not able to be ascertained as at the LPD as our Group's audited financial statements for 1 January 2024 up to the LPD is not available.*
- # *Negligible.*
- (1) *Sale and purchase agreements ("SPA") entered into by Setia Kawan in respect of the following transactions:*
- (i) *disposal of property with built-up area of approximately 2,898 sq. ft. held under title HSD 204531, PT232683, Mukim of Hulu Kinta, District of Kinta, State of Perak bearing postal address No. 24, Jalan Menglembu Impiana 32, I-Park Menglembu, 31450 Ipoh, Perak to Dr. Tiong Lee Chian pursuant to an SPA dated 18 March 2022 for a total cash consideration of RM0.65 million which was completed on 19 July 2022;*
  - (ii) *disposal of property with built-up area of approximately 3,242 sq. ft. held under title Geran 288730, Lot 16382, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 4, Jalan SS2/6E, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 4 January 2023 for a total cash consideration of RM0.58 million which was completed on 14 May 2023;*
  - (iii) *disposal of property with built-up area of approximately 3,615 sq. ft. held under title Geran 288778, Lot 16402, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 9, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 4 January 2023 for a total cash consideration of RM0.58 million which was completed on 31 May 2023; and*
  - (iv) *disposal of property with built-up area of approximately 4,871 sq. ft. held under title HSD 524621, PTD 167098, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 10, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Liew Tsuey Er pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM1.50 million which was completed on 17 January 2023.*
- (2) *For information purposes, save for item (i) of the table above, these are the disposals of investment properties, of which are not in used for the operation of our Group.*
- (3) *Computed based on our Group's NA as at the end of each of the respective financial years.*
- (4) *SPAs entered into by Farm Price in respect of the following transactions:*
- (i) *acquisition of Lot 55359 from Dr. Tiong Lee Chian pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM2.59 million. This transaction was completed on 16 November 2022;*
  - (ii) *disposal of property with built-up area of approximately 3,615 sq. ft. held under title Geran 288779, Lot 16403, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 11, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.58 million which was completed on 1 March 2023;*
  - (iii) *disposal of property with built-up area of approximately 3,615 sq. ft. held under title Geran 288780, Lot 16404, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 15, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.58 million which was completed on 1 March 2023;*

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

- (iv) *disposal of property with built-up area of approximately 4,195 sq. ft. held under title Geran 288781, Lot 16405, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 17, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.60 million which was completed on 27 February 2023;*
- (v) *disposal of property with built-up area of approximately 4,871 sq. ft. held under title HSD 524620, PTD 167097, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 8, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Dr. Tiong Lee Chian pursuant to a SPA dated 2 November 2022 for a total cash consideration of RM1.50 million which was completed on 15 December 2022; and*
- (vi) *disposal of property with built-up area of approximately 3,604 sq. ft. held under title HSD 160240, PTD 58312, Mukim of Pulai, District of Johor Bahru, State of Johor bearing postal address No. 64, Jalan Shahbandar 8, Taman Ungku Tun Aminah, 81300 Skudai, Johor to Liew Tsuey Er pursuant to a SPA dated 18 March 2022 for a total cash consideration of RM1.30 million which was completed on 16 August 2022.*
- (5) *Computed based on our Group's PBT as at the end of each of the respective financial years.*
- (6) *Computed based on our Group's revenue as at the end of each of the respective financial years.*
- (7) *Computed based on our Group's cost of goods sold as at the end of each of the respective financial years.*
- (8) *Nam Kee Group comprises Nam Kee Trading Company, Nam Kee Trading & Transport Sdn Bhd, and Nam Kee Wholesale Sdn Bhd, all of which are commonly controlled by members of Liew Tsuey Er's family as set out in the table above.*
- (9) *This arrangement will subsist after our Listing.*

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**9. RELATED PARTY TRANSACTIONS (Cont'd)**

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Our Directors confirm that the above transactions were transacted on an arm's length basis and based on normal commercial terms which are not more favourable to the related party and are not detrimental to our minority shareholders. This was determined after taking consideration of the followings:

- (a) the disposals and acquisitions of properties are supported by valuation reports in respect of the relevant properties;
- (b) the pricing for the sale and purchase of goods are supported by invoices issued by our Group to non-related customers which indicate that the prices charged by our Group to the related parties are not more favourable to the related parties;
- (c) the consideration paid by our Group in respect of transportation services from a related party are supported by quotations obtained from non-related transportation providers which indicate that the prices paid by our Group to the related party are not more favourable to the related party; and
- (d) the rental rates of properties are based on rates available on publicly available domains.

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation/asset or of various parcels of land contiguous to each other.

Upon our Listing, our Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

**9.1.2 Related party transactions that are unusual in nature or condition**

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years Under Review and up to the LPD.



**9. RELATED PARTY TRANSACTIONS (Cont'd)**

**9.1.3 Loans and/or financial assistance made to or for the benefit of related parties**

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Company and/or our subsidiary to or for the benefit of the related parties for the Financial Years Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at				
				31 December 2020	31 December 2021	31 December 2022	31 December 2023	LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(i)	Dr. Tiong Lee Chian, Liew Tsuey Er, and Setia Kawan	Dr. Tiong Lee Chian and Liew Tsuey Er are directors and substantial shareholders of Setia Kawan.	Loans to directors	266	98	417	-	-

The loans granted by our Group to Dr. Tiong Lee Chian and Liew Tsuey Er were not given on an arm's length basis and was fully settled by 31 May 2023. For information purposes, it was our Group's past practice to advance these loans to our Promoters who will then reallocate such advances to the company within our Group for cash flow management purpose. Moving forward, our Group has put in place strict internal control and compliance procedures in relation to advances and loans to related parties and third parties, and no further advances or loans will be given to any related parties of our Group unless such advances and loans are permitted under applicable law and the Listing Requirements and brought to our Audit and Risk Management Committee and our Board for deliberation and approval.

**9. RELATED PARTY TRANSACTIONS (Cont'd)**

**9.1.4 Loans and/or financial assistance from related parties to our Group**

Save as disclosed below, there are no outstanding loans and/or financial assistance (including guarantees of any kind) received by our Group from any related parties for the Financial Years Under Review and up the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at				
				31 December 2020	31 December 2021	31 December 2022	31 December 2023	LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
(i)	Dr. Tiong Lee Chian / Liew Tsuey Er and Farm Price, FP Foods and Topstar	Dr. Tiong Lee Chian and Liew Tsuey Er are the directors and substantial shareholders of Farm Price, FP Foods and Topstar	Advances from directors	4,162  (of which RM2.21 million is denominated in SGD based on the exchange rate of SGD1:RM3.0396)	4,368  (of which RM2.97 million is denominated in SGD based on the exchange rate of SGD1:RM3.0853)	3,762  (of which RM1.91 million is denominated in SGD based on the exchange rate of SGD1:RM3.2740)	-	-

The advances granted by Dr. Tiong Lee Chian and Liew Tsuey Er to Farm Price, FP Foods and Topstar were not made on an arm's length basis as they were interest-free, unsecured, and repayable on demand. These advances were settled in full by 31 May 2023.

Dr. Tiong Lee Chian and Liew Tsuey Er have also provided joint and several personal guarantees for certain outstanding banking facilities extended by Public Bank Berhad, Public Islamic Bank Berhad, Malayan Banking Berhad and Alliance Bank Malaysia Berhad ("**Financiers**") to our Group. The aggregate amount of banking facilities secured by our Group as at the LPD is approximately RM20.10 million.

We have applied to the Financiers to discharge the guarantees by substituting the same with a corporate guarantee from the Company and/or other securities from our Group acceptable to the Financiers. Until such discharge and substitution of guarantees have been implemented by the Financiers, our relevant substantial shareholders will continue to guarantee the banking facilities extended to our Group.

As at the LPD, we have received conditional approvals from all our Financiers to discharge the above guarantees upon the successful Listing by substituting the same with a corporate guarantee from our Company or such other securities acceptable to the Financiers.

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**9. RELATED PARTY TRANSACTIONS (Cont'd)**

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**9.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

**9.2.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interests situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Group to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Group on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Group's minority shareholders. Among others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

**9.2.2 Our Group's policy on related party transactions and conflicts of interest**

Some of our Directors and/or substantial shareholders are also directors and/or shareholders of a related party to our Group, as disclosed in Section 9.1.1 of this Prospectus. It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Group on an arm's length basis and are based on normal commercial terms not more favourable to the related party than those generally available to third parties and are not detrimental to the interest of our Group's minority shareholders. In respect of our Directors' interest in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, in line with the MCGG and the Corporate Governance Guide, our Directors are required to make an annual disclosure of any related party transactions and conflicts of interest with our Group and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and/or conflict of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

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**10. CONFLICT OF INTEREST**

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**10.1 CONFLICT OF INTEREST**

**10.1.1 Interest in similar business of our Group**

As at the LPD, none of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

Our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and review our Group's current and future related party transactions and ensure that such transactions will be carried out on an arm's length basis and on commercial terms that are not detrimental and are in the best interest of our Group.

Notwithstanding the above, the interests that are held by our Directors and/or substantial shareholders and the interests that may be held by our Directors and/or substantial shareholders in the future in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers may give rise to a conflict of interest situation within our business. Where such interests give rise to a conflict of interest situation, our Directors and/or substantial shareholders and persons connected to them shall abstain from deliberating and voting on the resolutions relating to these matters or transactions that require the approval of our shareholders in respect of their direct or indirect interests. Such transactions will be carried out on arm's length basis and on normal commercial terms.

Our Group will also seek such relevant shareholders' approval where required. We will also make disclosures in our annual report of the aggregate value of any recurrent related party transactions to be entered into by us (where required) based on the nature of the transactions made, names of the related parties involved and their relationship with our Group.

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## **10. CONFLICT OF INTEREST (Cont'd)**

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### **10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**

#### **10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent**

AIS and/or its related companies (“**Alliance Banking Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking and credit transaction services business. The Alliance Banking Group has engaged and may in the future, engage in transactions with and perform services for our Group and/or our Group’s affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Alliance Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, our shareholders, and/or our affiliates and/or any other entity or person, hold long or short positions in securities issued by our Group and/or our affiliates, and may trade or otherwise effect transactions for its own account or account of its other customer in debt or equity securities or loans of any member of our Group and/or our affiliates. This is the result of the businesses of Alliance Banking Group generally acting independently of each other and accordingly, there may be situations where parts of the Alliance Banking Group now have or in the future, may have an interest or take actions that may conflict with the interest of our Group. Nonetheless, Alliance Banking Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

For information purposes, the total outstanding financing to our Group as at the LPD amounting to RM3.96 million represents 16.03% of the audited NA of our Group as at 31 December 2023, and 0.06% of the latest available audited consolidated NA of Alliance Bank Malaysia Berhad as at 31 March 2023.

AIS has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent to our Group in relation to the Listing as the abovementioned total outstanding financing owed by our Group is not material as compared to the consolidated NA of Alliance Bank Malaysia Berhad. The Underwriting Agreement, which certain details are set out in Section 4.6 of this Prospectus, was entered into on arm’s length basis and on market terms.

#### **10.2.2 Solicitors to our Group as to the laws of Malaysia**

Cheang & Ariff has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Group as to the laws of Malaysia in relation to our Listing.

#### **10.2.3 Solicitors to our Group as to the laws of Singapore**

Infinitus Law Corporation has confirmed that it has no existing or potential interest in our Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Group as to the laws of Singapore in relation to our Listing.

**10. CONFLICT OF INTEREST (Cont'd)**

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**10.2.4 Auditors and Reporting Accountants**

Baker Tilly Monteiro Heng PLT has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to our Listing.

**10.2.5 Independent Business and Market Research Consultants**

Vital Factor has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to our Listing.

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**11. FINANCIAL INFORMATION**
**11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION**

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same Financial Years Under Review.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

The historical audited combined financial information included in this Prospectus does not reflect our Group's result of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

**(a) Historical audited combined statements of comprehensive income of our Group**

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Revenue	73,540	81,966	94,376	114,199
Cost of sales	(61,488)	(70,339)	(78,955)	(91,121)
<b>GP</b>	<b>12,052</b>	<b>11,627</b>	<b>15,421</b>	<b>23,078</b>
Other income	1,243	1,745	1,535	1,379
Administrative expenses	(8,638)	(8,624)	(10,181)	(12,097)
<b>Operating profit</b>	<b>4,657</b>	<b>4,748</b>	<b>6,775</b>	<b>12,360</b>
Finance costs	(768)	(798)	(637)	(577)
<b>PBT</b>	<b>3,889</b>	<b>3,950</b>	<b>6,138</b>	<b>11,783</b>
Income tax expense	(1,026)	(835)	(1,390)	(3,081)
<b>PAT</b>	<b>2,863</b>	<b>3,115</b>	<b>4,748</b>	<b>8,702</b>
<b>Other comprehensive income, net of tax</b>				
Exchange differences on translation of foreign operations	*	3	44	94
<b>Total comprehensive income for the financial year</b>	<b>2,863</b>	<b>3,118</b>	<b>4,792</b>	<b>8,796</b>
EBITDA <sup>(1)</sup>	5,499	5,521	8,237	13,998
Assumed no. of Shares in issue				
- After the Acquisitions <sup>(2)</sup> ('000)	348,000	348,000	348,000	348,000
- After the Public Issue <sup>(3)</sup> ('000)	450,000	450,000	450,000	450,000
Basic and diluted EPS				
- After the Acquisitions <sup>(4)</sup> (sen)	0.82	0.90	1.36	2.50
- After the Public Issue <sup>(5)</sup> (sen)	0.64	0.69	1.06	1.93
GP margin <sup>(6)</sup> (%)	16.39	14.19	16.34	20.21
EBITDA margin <sup>(7)</sup> (%)	7.48	6.74	8.73	12.26
PBT margin <sup>(8)</sup> (%)	5.29	4.82	6.50	10.32
PAT margin <sup>(9)</sup> (%)	3.89	3.80	5.03	7.62

**11. FINANCIAL INFORMATION (Cont'd)**

**Notes:**

(1) *EBITDA is calculated as follows:*

	<b>Audited FYE</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>PAT</i>	2,863	3,115	4,748	8,702
<i>Add: Income tax expense</i>	1,026	835	1,390	3,081
<i>Depreciation</i>	963	1,209	1,462	1,641
<i>Finance costs</i>	768	798	637	577
<i>Less: Interest income</i>	(121)	(436)	(*)	(3)
<b>EBITDA</b>	<b>5,499</b>	<b>5,521</b>	<b>8,237</b>	<b>13,998</b>

**Note:**

\* *Denotes less than RM1,000*

- (2) *Based on assumed number of Shares in issue of 348,000,000 after the Acquisitions, but before Public Issue.*
- (3) *Based on assumed number of Shares in issue of 450,000,000 after the Public Issue.*
- (4) *Based on PAT divided by the assumed number of Shares in issue of 348,000,000 for the Financial Years Under Review.*
- (5) *Based on PAT divided by the assumed number of Shares in issue of 450,000,000 for the Financial Years Under Review.*
- (6) *GP margin is calculated based on GP divided by revenue.*
- (7) *EBITDA margin is calculated based on EBITDA divided by revenue.*
- (8) *PBT margin is calculated based on PBT divided by revenue.*
- (9) *PAT margin is calculated based on PAT divided by revenue.*

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the Financial Years Under Review. The audited financial statements of our Group for the Financial Years Under Review were not subject to any qualification or modification.

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**11. FINANCIAL INFORMATION (Cont'd)**
**(b) Historical audited combined statements of financial position of our Group**

	<----- Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	17,486	18,414	22,419	25,022
Investment properties	7,813	8,139	<sup>(1)</sup> 2,248	<sup>(1)</sup> 522
	<b>25,299</b>	<b>26,553</b>	<b>24,667</b>	<b>25,544</b>
<b>Current assets</b>				
Inventories	2,110	3,105	2,703	4,821
Current tax assets	102	122	49	167
Trade and other receivables <sup>(2)</sup>	8,369	9,038	11,852	14,223
Cash and bank balances	6,248	5,272	4,066	3,705
	<b>16,829</b>	<b>17,537</b>	<b>18,670</b>	<b>22,916</b>
<b>Total assets</b>	<b>42,128</b>	<b>44,090</b>	<b>43,337</b>	<b>48,460</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Invested equity	3,791	3,791	3,791	3,791
Exchange reserve	2	5	49	143
Retained earnings	4,198	7,313	12,061	20,763
<b>Total equity</b>	<b>7,991</b>	<b>11,109</b>	<b>15,901</b>	<b>24,697</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	17,159	13,484	10,240	9,457
Deferred tax liabilities	310	626	869	916
	<b>17,469</b>	<b>14,110</b>	<b>11,109</b>	<b>10,373</b>
<b>Current liabilities</b>				
Loans and borrowings	4,132	5,127	5,268	3,588
Current tax liabilities	492	248	517	1,662
Trade and other payables <sup>(3)</sup>	12,044	13,496	10,542	8,140
	<b>16,668</b>	<b>18,871</b>	<b>16,327</b>	<b>13,390</b>
<b>Total liabilities</b>	<b>34,137</b>	<b>32,981</b>	<b>27,436</b>	<b>23,763</b>
<b>Total equity and liabilities</b>	<b>42,128</b>	<b>44,090</b>	<b>43,337</b>	<b>48,460</b>

**11. FINANCIAL INFORMATION (Cont'd)**
**Notes:**

- (1) *The decrease in investment properties in the FYE 2022 and FYE 2023 were part of our Group's asset rationalisation exercise.*
- (2) *The breakdown of trade and other receivables are as follows:*

	<b>Audited FYE</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Trade</i>	7,531	7,929	9,097	13,574
<i>Non-trade</i>	838	1,109	2,755	649
<b>Total trade and other receivables</b>	<b>8,369</b>	<b>9,038</b>	<b>11,852</b>	<b>14,223</b>

- (3) *The breakdown of trade and other payables are as follows:*

	<b>Audited FYE</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Trade</i>	6,781	7,890	5,523	6,746
<i>Non-trade</i>	5,263	5,606	5,019	1,394
<b>Total trade and other receivables</b>	<b>12,044</b>	<b>13,496</b>	<b>10,542</b>	<b>8,140</b>

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

- (i) as at 29 February 2024, after taking into account the Acquisitions but before the Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from the Public Issue.

	(Unaudited) As at 29 February 2024 RM'000	After the Public Issue and use of proceeds RM'000
<b>INDEBTEDNESS</b>		
<u>Current</u>		
Secured and guaranteed:		
- Bankers' acceptance	835	835
- Term loans	1,457	1,457
- Lease liabilities <sup>(1)</sup>	772	772
Unsecured and unguaranteed:		
- Lease liabilities <sup>(2)</sup>	155	155
	<b>3,219</b>	<b>3,219</b>
<u>Non-current</u>		
Secured and guaranteed:		
- Term loans	7,552	7,552
- Lease liabilities <sup>(1)</sup>	1,577	1,577
Unsecured and unguaranteed:		
- Lease liabilities <sup>(2)</sup>	55	55
	<b>9,184</b>	<b>9,184</b>
<b>Total Indebtedness</b>	<b>12,403</b>	<b>12,403</b>
<b>Total Indebtedness (excluding lease liabilities on right-of-use assets)</b>	<b>12,193</b>	<b>12,193</b>
<b>CAPITALISATION</b>		
Shareholders' equity	25,952	48,380
<b>Total capitalisation and indebtedness</b>	<b>38,355</b>	<b>60,783</b>
Gearing ratio (times) *	0.47	0.25

**Notes:**

\* Computed based on total indebtedness (excluding lease liabilities on right-of-use assets) divided by our shareholders' equity.

(1) Lease liabilities comprising hire purchase.

(2) Lease liabilities comprising lease liabilities on right-of-use assets.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

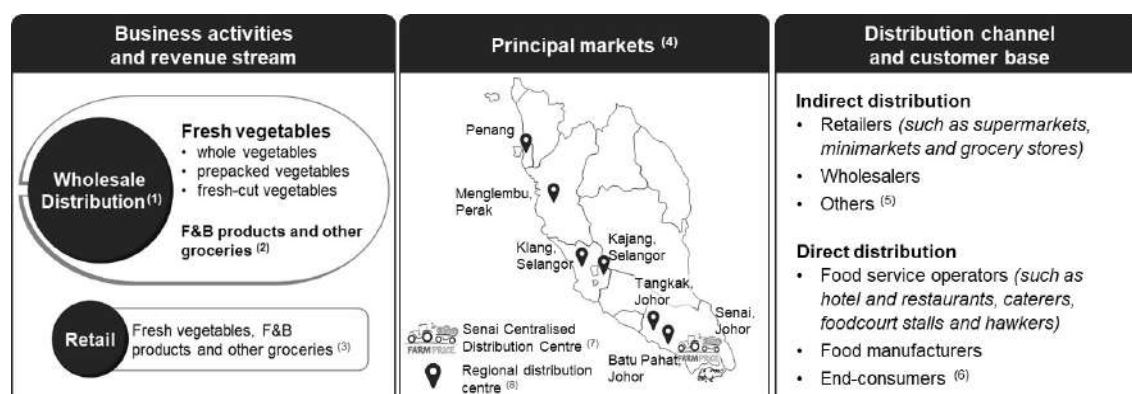
The following discussion and analysis should be read together with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

#### 11.3.1 Overview of our operations

Our Company is an investment holding company and through our subsidiaries are principally involved in the wholesale distribution and retailing of fresh vegetables, F&B products and other groceries in Malaysia and Singapore.

A summary of our business model is set out as follows:



#### Notes:

- (1) Revenue from wholesale distribution accounted for 96.71%, 95.64%, 95.93% and 93.62% of our total revenue for the Financial Years Under Review while the remaining was from retailing operations.
- (2) Include packaged beverages, spices and seasonings, other food products as well as personal care products.
- (3) For the Financial Years Under Review and up to the LPD, we operate one (1) retail store in Ulu Tiram, Johor, Malaysia.
- (4) For the Financial Years Under Review, revenue was mainly derived from Malaysia which accounted for 79.64%, 76.68%, 74.68% and 74.54% of our total revenue for the Financial Years Under Review. The remainder of our revenue was from Singapore which accounted for 20.36%, 23.32%, 25.32% and 25.46% of our total revenue for the Financial Years Under Review.
- (5) Includes ship chandlers and army camp suppliers.
- (6) Refers to walk-in customers at our retail store.
- (7) Our Senai Centralised Distribution Centre serves both Malaysia and Singapore markets for the wholesale distribution of fresh vegetables, F&B products and other groceries.
- (8) Each of our regional distribution centres focus on the wholesale distribution of F&B products and other groceries in their respective regions including northern region, central region as well as southern region of Peninsular Malaysia.

Please refer to Section 6.4 of this Prospectus for further details on our business overview.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3.2 Review of operations

#### (a) Revenue

Our revenue is derived from the following:

- wholesale distribution of fresh vegetables comprising whole vegetables, prepacked vegetables and fresh-cut vegetables to wholesalers, retailers, food service operators and manufacturers;
- wholesale distribution of F&B products and other groceries such as packaged beverages, spices and seasonings, other food products and personal care products to retailers including minimarkets and grocery stores; and
- retailing of fresh vegetables, F&B products and other groceries via our retail store in Puteri Mart in Ulu Tiram, Johor.

For the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, the wholesale distribution segment was our largest revenue contributor which accounted for 96.71%, 95.64%, 95.93% and 93.62% of our total revenue, respectively, while the retail segment contributed the remaining 3.29%, 4.36%, 4.07% and 6.38% of our total revenue, respectively.

We utilise both indirect and direct distribution channels to market and sell our products:

- via indirect distribution channel, we market and sell our fresh vegetables, F&B products and other groceries to intermediaries which comprises wholesalers, retailers including supermarkets, minimarkets and grocery stores who would then resell our products to their respective customers. A small proportion of our products are also sold through other suppliers such as ship chandlers and suppliers to army camps.
- via direct distribution channel, we market and sell our fresh vegetables, F&B products and other groceries directly to consumers or end-users including food service operators such as caterers, hotels, hawker and food court stalls, restaurants as well as food manufacturers. We also sell our products directly to end-consumers through the operation of our retail store.

Our operations in Malaysia is transacted with revenue reported in Ringgit Malaysia (RM) while our operations in Singapore is transacted with revenue reported in Singapore Dollar (SGD). Our revenue was mainly derived from Malaysia which accounted for 79.64%, 76.68%, 74.68% and 74.54% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively while the remainder of our revenue was from Singapore which accounted for 20.36%, 23.32%, 25.32% and 25.46% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

Generally, our revenue from the sales of fresh vegetables, F&B products and other groceries are recognised at the point in time when the control of our products has been transferred, being when our customers accepting the delivery of the goods.

Our revenue is mainly driven by the following key factors:

- the performance of the wholesale distribution of fresh vegetables industry in Malaysia which may affect the demand for our products;
- the competition from other operators that are involved in the wholesale distribution and retailing of fresh vegetables, F&B products and other groceries which may affect the selling prices and sales of our products; and

**11. FINANCIAL INFORMATION (Cont'd)**

- our ability to retain existing customers and/or secure new customers based on the quality, price competitiveness and availability as well as range of our fresh vegetables, F&B products and other groceries.

**(i) Analysis of contribution to revenue by products under wholesale distribution and retail segment**

The breakdown of our Group's revenue by products under wholesale distribution and retail segment for the Financial Years Under Review is as follows:

	<-----Audited FYE ----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Wholesale distribution</b>	<b>71,123</b>	<b>96.71</b>	<b>78,393</b>	<b>95.64</b>	<b>90,535</b>	<b>95.93</b>	<b>106,914</b>	<b>93.62</b>
▪ Fresh vegetables	58,736	79.87	66,935	81.66	77,857	82.50	88,626	77.61
○ Whole fresh vegetables	42,623	57.96	46,816	57.12	54,142	57.37	58,268	51.02
○ Prepacked fresh vegetables	12,176	16.56	14,680	17.91	15,619	16.55	17,499	15.33
○ Fresh-cut vegetables	3,937	5.35	5,439	6.63	8,096	8.58	12,859	11.26
▪ F&B products and other groceries	12,387	16.84	11,458	13.98	12,678	13.43	18,288	16.01
○ Packaged beverages	8,654	11.77	7,851	9.58	8,160	8.64	11,041	9.67
○ Other F&B products and groceries	3,733	5.07	3,607	4.40	4,518	4.79	7,247	6.34
<b>Retail segment</b>	<b>2,417</b>	<b>3.29</b>	<b>3,573</b>	<b>4.36</b>	<b>3,841</b>	<b>4.07</b>	<b>7,285</b>	<b>6.38</b>
▪ Fresh vegetables	1,148	1.56	1,872	2.28	1,822	1.93	4,692	4.11
▪ F&B products and other groceries	1,269	1.73	1,701	2.08	2,019	2.14	2,593	2.27
<b>Total revenue</b>	<b>73,540</b>	<b>100.00</b>	<b>81,966</b>	<b>100.00</b>	<b>94,376</b>	<b>100.00</b>	<b>114,199</b>	<b>100.00</b>

**(ii) Analysis of contribution to revenue by geographical region**

	<----- Audited FYE ----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	58,567	79.64	62,848	76.68	70,480	74.68	85,120	74.54
Singapore	14,973	20.36	19,118	23.32	23,896	25.32	29,079	25.46
<b>Total revenue</b>	<b>73,540</b>	<b>100.00</b>	<b>81,966</b>	<b>100.00</b>	<b>94,376</b>	<b>100.00</b>	<b>114,199</b>	<b>100.00</b>

For the Financial Years Under Review, the average foreign currency exchange rates used in our audited combined statements of comprehensive income to convert values denominated in SGD to RM are as follows:

	<----- Audited FYE ----->			
	2020	2021	2022	2023
Exchange rate of SGD 1 to RM	RM3.0462	RM3.0842	RM3.1913	RM3.3982

**11. FINANCIAL INFORMATION (Cont'd)**

For information purposes, the highest and lowest exchange rates of SGD 1 to RM for each month during the last six (6) months from the date of this Prospectus are as follows:

	<b>High (RM)</b>	<b>Low (RM)</b>
<b>2023</b>		
October	3.5008	3.4373
November	3.4992	3.4450
December	3.5157	3.4822
<b>2024</b>		
January	3.5309	3.4800
February	3.5681	3.5368
March	3.5311	3.5032
The exchange rate of SGD 1 to RM as at the LPD		3.5100

**Commentary:**Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total revenue increased by RM8.43 million or 11.46% to RM81.97 million (FYE 2020: RM73.54 million). The increase in total revenue for the FYE 2021 was due to the increase in revenue from both our wholesale distribution and retail segments as follows:

**Wholesale distribution**

Despite the decrease in the number of active customers due to the reasons as mentioned in Section 6.14 of this Prospectus, our revenue from the wholesale distribution increased by RM7.27 million or 10.22% to RM78.39 million (FYE 2020: RM71.12 million).

This was due to the increase in revenue from the sale of fresh vegetables by RM8.20 million or 13.96% to RM66.94 million (FYE 2020: RM58.74 million) mainly attributable to the following:

- (i) higher average selling prices for fresh vegetables in FYE 2021 by approximately 8.05% as compared to FYE 2020 which was mainly due to disruption of vegetables supply as a result of supply chain issues and shortage of labour at the vegetable farms which led to lower output of fresh vegetables during the COVID-19 pandemic;
- (ii) increased in overall demand for our whole fresh vegetables in particular the leafy vegetables such as cabbage during the FYE 2021 which were due to the increase in demand for food at home during the COVID-19 pandemic; and
- (iii) increased in sales for prepacked fresh vegetables due to the increase in demand for food at home as well as increased in sales for fresh-cut vegetables due to higher demand as a result of shortage of workers in the food service sectors during the COVID-19 pandemic.

However, such an increase was partly offset by a decrease in revenue from the distribution of F&B products and other groceries by RM0.93 million or 7.51% to RM11.46 million (FYE 2020: RM12.39 million) mainly due to lower sales on the packaged beverages and other groceries given a lower demand during the COVID-19 pandemic as a result of the hiring freeze on foreign workers and containment measures imposed during COVID-19 pandemic where the target market for packaged beverages are mainly for foreign workers.

**11. FINANCIAL INFORMATION (Cont'd)****Retail segment**

Our revenue from the retail segment increased by RM1.15 million or 47.52% to RM3.57 million (FYE 2020: RM2.42 million) mainly due to increase in revenue of fresh vegetables and other groceries products in our retail store as a result of several stages MCOs implementation where such restrictive periods had led consumers to frequent local grocers, minimarkets, or supermarkets to purchase the necessary essentials and food items.

**Geographical locations**

For the FYE 2021, the revenue from our Malaysia operations increased by RM4.28 million or 7.31% to RM62.85 million (FYE 2020: RM58.57 million). This was mainly due to increase in demand for our fresh vegetables and higher selling price during the FYE 2021. For the FYE 2021, the revenue from our Singapore operations increased by RM4.15 million or 27.72% to RM19.12 million (FYE 2020: RM14.97 million). This was mainly due to increase in orders from our Singapore customers for prepacked fresh vegetables and fresh-cut vegetables. The increase in demand for prepacked fresh vegetables was due to the increase in demand for food at home as well as increased in sales for fresh-cut vegetables due to higher demand as a result of shortage of workers in the food service sectors during the COVID-19 pandemic.

**Comparison between FYE 2021 and FYE 2022**

For the FYE 2022, our total revenue increased by RM12.41 million or 15.14% to RM94.38 million (FYE 2021: RM81.97 million). The increase in total revenue for the FYE 2022 was due to the increase in revenue from both our wholesale distribution and retail segments as follows:

**Wholesale distribution**

Despite the decrease in the number of active customers due to the reasons as mentioned in Section 6.14 of this Prospectus, our revenue from the wholesale distribution increased by RM12.15 million or 15.50% to RM90.54 million (FYE 2021: RM78.39 million). This was mainly due to the following factors:

- (i) increase in revenue from the distribution of fresh vegetables by RM10.92 million or 16.31% to RM77.86 million (FYE 2021: RM66.94 million) mainly due to the following:
  - (a) increase in sales for the whole fresh vegetables in particular the fruit vegetables such as chillies and bulb vegetables such as onion as we managed to source good quality produce at competitive pricing mainly from our major suppliers as set out in Section 6.15 of this Prospectus;
  - (b) increase in sales for the prepacked fresh vegetables and fresh-cut vegetables as we increased our processing efficiency by purchasing additional six (6) units of packing and processing machines in the FYE 2022 to cater for the increase in demand for such value-added service products in Singapore; and
  - (c) addition of cold room facilities by 5,406 sq. ft. in our Senai Centralised Distribution Centre in May 2021 to cater for more demand in the FYE 2022; and
- (ii) increase in revenue from the distribution of F&B products and other groceries by RM1.22 million or 10.65% to RM12.68 million (FYE 2021: RM11.46 million) mainly due to higher sales of packaged beverages following the recovery of economy post COVID-19 pandemic.



**11. FINANCIAL INFORMATION (Cont'd)****Retail segment**

The revenue from the retailing segment increased slightly by RM0.27 million or 7.56% to RM3.84 million (FYE 2021: RM3.57 million) mainly due to the increase in revenue of F&B products and other groceries which was partly offset by a slight decrease in revenue from the sales of fresh vegetables for the FYE 2022.

**Geographical locations**

For the FYE 2022, the revenue from the Malaysia operations increased by RM7.63 million or 12.14% to RM70.48 million (FYE 2021: RM62.85 million). This was mainly due to higher sales and demand for the wholesale distribution of fresh vegetables supported by the new addition of cold room facilities.

For the FYE 2022, the revenue from Singapore operations increased by RM4.78 million or 25.00% to RM23.90 million (FYE 2021: RM19.12 million). This was mainly due to increase of 13 new customers during the FYE 2022 and increased orders from the existing Singapore customers for prepacked fresh vegetables and fresh-cut vegetables following the upliftment of all COVID-19 restrictions by Singapore Government in early 2022.

**Comparison between FYE 2022 and FYE 2023**

For the FYE 2023, our total revenue increased by RM19.82 million or 21.00% to RM114.20 million (FYE 2022: RM94.38 million). The increase in total revenue for the FYE 2023 was mainly attributable to our continuous marketing efforts as well as our increased focus in developing sales for our value-added services such as prepacked vegetables and fresh-cut vegetables. The increase in revenue was derived from both our wholesale distribution and retail segments as follows:

**Wholesale distribution**

Our revenue from the wholesale distribution increased by RM16.37 million or 18.08% to RM106.91 million (FYE 2022: RM90.54 million). This was mainly due to the following factors:

- (i) increase in revenue from the distribution of fresh vegetables by RM10.77 million or 13.83% to RM88.63 million (FYE 2022: RM77.86 million) mainly due to the following:
  - (a) increase in sales and demand for the whole fresh vegetables in particular such as chillies, ginger and potato as our Group was able to source quality produces in bulk at competitive pricing;
  - (b) increase in the sales for fresh-cut vegetables mainly due to increased orders as well as revision in the selling price for customers in Singapore during the FYE 2023; and
  - (c) increase in sales of prepacked vegetables following the addition of new packing machines and equipment in FYE 2023; and
- (ii) increase in revenue from the distribution of F&B products and other groceries by RM5.61 million or 44.24% to RM18.29 million (FYE 2022: RM12.68 million) mainly due to higher sales and demand for packaged beverages as well as other F&B products and groceries.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**Retail segment**

The revenue from the retailing segment increased by RM3.45 million or 89.84% to RM7.29 million (FYE 2022: RM3.84 million) mainly due to higher sales of fresh vegetables and other groceries where we recorded higher sales to customers who bought fresh vegetables and other groceries in larger quantity to be delivered to their premises.

**Geographical locations**

For the FYE 2023, the revenue from Malaysia operations increased by RM14.64 million or 20.77% to RM85.12 million (FYE 2022: RM70.48 million) mainly due to increase sales of fresh vegetables in Johor and Sarawak as well as packaged beverages in other states in Malaysia.

For the FYE 2023, the revenue from Singapore operations increased by RM5.18 million or 21.67% to RM29.08 million (FYE 2022: RM23.90 million). This was mainly due to increase in selling price and orders from our Group's customers in Singapore.

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**11. FINANCIAL INFORMATION (Cont'd)**

**(b) Cost of sales, GP and GP margin**

Our cost of sales comprises mainly the material costs, freight and forwarding costs, labour costs as well as packaging and labelling costs.

▪ **Material costs**

Material costs constituted the largest component in our cost of sales which accounted for 91.55% (or RM56.29 million), 91.82% (or RM64.59 million), 93.49% (or RM73.82 million) and 92.86% (or RM84.62 million) of our total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. Material costs consist of the purchase of whole fresh vegetables, F&B products and other groceries as follows:

Categories	Details
Fresh vegetables	<ul style="list-style-type: none"> <li>▪ fruit vegetables (such as chilli, tomato and cucumber)</li> <li>▪ leafy vegetables (such as cabbage, lettuce and spinach)</li> <li>▪ bulb vegetables (such as onion, garlic and spring onion)</li> <li>▪ tuber vegetables (such as potato, sweet potato and yam)</li> <li>▪ flower vegetables (such as broccoli and cauliflower)</li> <li>▪ seed vegetables (such as beans, sweet corn and peas)</li> <li>▪ root vegetables (such as carrot, turnip and radish)</li> <li>▪ stem vegetables (such as celery, leek and asparagus)</li> <li>▪ others (such as mushroom, fruits and herbs including ginger)</li> </ul>
F&B products	<ul style="list-style-type: none"> <li>▪ packaged beverages such as energy and fruit drinks</li> <li>▪ processed vegetables/food</li> <li>▪ spices and seasonings</li> <li>▪ dry and preserved vegetables (such as dried chilli)</li> <li>▪ noodles and snack foods</li> </ul>
Other groceries	<ul style="list-style-type: none"> <li>▪ personal care products (such as hair care, bath and body as well as oral care)</li> </ul>

▪ **Freight and forwarding costs**

Freight and forwarding costs relate to forwarding charges and cargo container charges for our import of goods and carriage inwards.

Freight and forwarding costs accounted for RM3.34 million (or 5.43%), RM3.67 million (or 5.22%), RM2.98 million (or 3.78%) and RM3.02 million (or 3.32%) of our total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

▪ **Labour costs**

Labour costs relate to salaries and wages, allowances, bonuses and other workers' related expenses for workers at the packing and processing facilities in our Senai Centralised Distribution Centre.

Labour costs accounted for RM1.52 million (or 2.48%), RM1.60 million (or 2.28%), RM1.61 million (or 2.04%) and RM2.79 million (or 3.06%) of our total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

**11. FINANCIAL INFORMATION (Cont'd)**

▪ **Packaging and labelling costs**

Packaging and labelling costs include expenses for the purchase of mesh bags, plastic bags with or without perforation, clamshells and plastic trays with film used for our prepacked fresh vegetable, sticker, label as well as repackage for our fresh vegetable, F&B products, and other groceries for storage purpose.

Packaging and labelling costs accounted for RM0.33 million (or 0.54%), RM0.48 million (or 0.68%), RM0.54 million (or 0.69%) and RM0.69 million (or 0.76%) of our total cost of sales for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

Our cost of sales, GP and GP margin are mainly affected by the following key factors:

- our pricing strategy and ability to continually source and purchase quality fresh vegetables in bulk at competitive prices;
- the fluctuations in the pricing of fresh vegetables and F&B products arising from among others, the demand and supply conditions of the fresh vegetables and F&B products, of which such material costs constitute the major component of our cost of sales;
- the composition of sales by geographical region where we command higher GP margin for the sales to Singapore as compared to the sales in Malaysia. In addition, the mode of distribution channels also may affect our GP margin where direct distribution channel usually will command higher GP margin as compared to indirect distribution channel;
- our sales mix structure where certain range of our fresh vegetables commands better GP margin such as leafy vegetables and fruits vegetables as we mainly source these fresh vegetables directly from the vegetable farms with good quality at competitive price. In addition, our value-added services products such as our prepacked vegetables and fresh-cut vegetables generally command better GP margin as compared to distribution of whole fresh vegetables; and
- our ability to maintain long-term relationships with our major suppliers to provide consistent and wide variety of fresh vegetables to meet the demand of our customers.

**(i) Analysis of cost of sales by cost component**

A breakdown of our cost of sales by cost component for the Financial Years Under Review is as follows:

Type of cost component	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	56,292	91.55	64,587	91.82	73,816	93.49	84,616	92.86
Freight and forwarding	3,340	5.43	3,669	5.22	2,984	3.78	3,024	3.32
Labour cost	1,523	2.48	1,601	2.28	1,614	2.04	2,790	3.06
Packaging and labelling	333	0.54	482	0.68	541	0.69	691	0.76
<b>Total cost of sales</b>	<b>61,488</b>	<b>100.00</b>	<b>70,339</b>	<b>100.00</b>	<b>78,955</b>	<b>100.00</b>	<b>91,121</b>	<b>100.00</b>

**11. FINANCIAL INFORMATION (Cont'd)**

**(ii) Analysis of cost of sales by products under wholesale distribution and retail segment**

A breakdown of our cost of sales by products under wholesale distribution and retail segment for the Financial Years Under Review is as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Wholesale distribution</b>	<b>59,963</b>	<b>97.52</b>	<b>67,690</b>	<b>96.23</b>	<b>76,242</b>	<b>96.56</b>	<b>85,896</b>	<b>94.27</b>
▪ Fresh vegetables	50,181	81.61	58,884	83.71	66,237	83.89	71,306	78.25
○ <i>Whole fresh vegetables</i>	37,382	60.80	43,072	61.23	47,222	59.81	49,672	54.51
○ <i>Prepacked fresh vegetables</i>	10,430	16.96	11,793	16.77	13,358	16.92	13,866	15.22
○ <i>Fresh-cut vegetables</i>	2,369	3.85	4,019	5.71	5,657	7.16	7,768	8.52
▪ F&B products and other groceries	9,782	15.91	8,806	12.52	10,005	12.67	14,590	16.02
○ <i>Packaged beverages</i>	6,820	11.09	5,942	8.45	6,412	8.12	9,059	9.95
○ <i>Other F&amp;B products and groceries</i>	2,962	4.82	2,864	4.07	3,593	4.55	5,531	6.07
<b>Retail segment</b>	<b>1,525</b>	<b>2.48</b>	<b>2,649</b>	<b>3.77</b>	<b>2,713</b>	<b>3.44</b>	<b>5,225</b>	<b>5.73</b>
▪ Fresh vegetables	662	1.08	1,417	2.02	1,383	1.75	3,163	3.47
▪ F&B product and other groceries	863	1.40	1,232	1.75	1,330	1.69	2,062	2.26
<b>Total cost of sales</b>	<b>61,488</b>	<b>100.00</b>	<b>70,339</b>	<b>100.00</b>	<b>78,955</b>	<b>100.00</b>	<b>91,121</b>	<b>100.00</b>

**(iii) Analysis of cost of sales by geographical region**

A breakdown of our cost of sales by geographical region for the Financial Years Under Review is as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	50,140	81.54	55,391	78.75	60,957	77.20	71,663	78.65
Singapore	11,348	18.46	14,948	21.25	17,998	22.80	19,458	21.35
<b>Total cost of sales</b>	<b>61,488</b>	<b>100.00</b>	<b>70,339</b>	<b>100.00</b>	<b>78,955</b>	<b>100.00</b>	<b>91,121</b>	<b>100.00</b>

**11. FINANCIAL INFORMATION (Cont'd)**
**(iv) Analysis of GP and GP margins by products under wholesale distribution and retail segment**

The breakdown of our Group's GP and GP margin by products under wholesale distribution and retail segment for the Financial Years Under Review are as follows:

GP	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Wholesale distribution</b>	<b>11,160</b>	<b>92.60</b>	<b>10,703</b>	<b>92.05</b>	<b>14,293</b>	<b>92.68</b>	<b>21,018</b>	<b>91.07</b>
▪ Fresh vegetables	8,555	70.98	8,051	69.24	11,620	75.35	17,320	75.05
○ <i>Whole fresh vegetables</i>	5,241	43.49	3,744	32.20	6,920	44.87	8,596	37.25
○ <i>Prepacked fresh vegetables</i>	1,746	14.48	2,887	24.83	2,261	14.66	3,633	15.74
○ <i>Fresh-cut vegetables</i>	1,568	13.01	1,420	12.21	2,439	15.82	5,091	22.06
▪ F&B products and other groceries	2,605	21.62	2,652	22.81	2,673	17.33	3,698	16.02
○ <i>Packaged beverages</i>	1,834	15.22	1,909	16.42	1,748	11.33	1,982	8.59
○ <i>Other F&amp;B products and groceries</i>	771	6.40	743	6.39	925	6.00	1,716	7.43
<b>Retail segment</b>	<b>892</b>	<b>7.40</b>	<b>924</b>	<b>7.95</b>	<b>1,128</b>	<b>7.32</b>	<b>2,060</b>	<b>8.93</b>
▪ Fresh vegetables	486	4.03	455	3.91	439	2.85	1,529	6.63
▪ F&B products and other groceries	406	3.37	469	4.04	689	4.47	531	2.30
<b>Total GP</b>	<b>12,052</b>	<b>100.00</b>	<b>11,627</b>	<b>100.00</b>	<b>15,421</b>	<b>100.00</b>	<b>23,078</b>	<b>100.00</b>

GP margin	<-----Audited FYE----->			
	2020	2021	2022	2023
	%	%	%	%
<b>Wholesale distribution</b>	<b>15.69</b>	<b>13.65</b>	<b>15.79</b>	<b>19.66</b>
▪ Fresh vegetables	14.57	12.03	14.92	19.54
○ <i>Whole fresh vegetables</i>	12.30	8.00	12.78	14.75
○ <i>Prepacked fresh vegetables</i>	14.34	19.67	14.48	20.76
○ <i>Fresh-cut vegetables</i>	39.83	26.11	30.13	39.59
▪ F&B products and other groceries	21.03	23.15	21.08	20.22
○ <i>Packaged beverages</i>	21.19	24.32	21.42	17.95
○ <i>Other F&amp;B products and groceries</i>	20.65	20.60	20.47	23.68
<b>Retail segment <sup>(1)</sup></b>	<b>36.91</b>	<b>25.86</b>	<b>29.37</b>	<b>28.28</b>
▪ Fresh vegetables	42.33	24.31	24.09	32.59
▪ F&B products and other groceries	31.99	27.57	34.13	20.48
<b>Overall GP margin</b>	<b>16.39</b>	<b>14.19</b>	<b>16.34</b>	<b>20.21</b>

**Note:**

- (1) The retail segment command a better margin as compared to the wholesale distribution segment as the retail market sell directly to the end-consumers.

**11. FINANCIAL INFORMATION (Cont'd)****(v) Analysis of GP and GP margins by geographical region**

The breakdown of our Group's GP and GP margin by geographical region for the Financial Years Under Review are as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	8,427	69.92	7,457	64.14	9,523	61.75	13,457	58.31
Singapore	3,625	30.08	4,170	35.86	5,898	38.25	9,621	41.69
<b>Total GP</b>	<b>12,052</b>	<b>100.00</b>	<b>11,627</b>	<b>100.00</b>	<b>15,421</b>	<b>100.00</b>	<b>23,078</b>	<b>100.00</b>

	<-----Audited FYE----->			
	2020	2021	2022	2023
<b>GP Margin</b>	%	%	%	%
Malaysia	14.39	11.87	13.51	15.81
Singapore	24.21	21.81	24.68	33.09
<b>Overall GP margin</b>	<b>16.39</b>	<b>14.19</b>	<b>16.34</b>	<b>20.21</b>

**Commentary:**Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total cost of sales increased by RM8.85 million or 14.39% to RM70.34 million (FYE 2020: RM61.49 million). The increase in total cost of sales for the FYE 2021 was in line with the increase in revenue by RM8.43 million or 11.46%.

Despite our Group recorded a higher revenue, our overall GP for the FYE 2021 decreased slightly by RM0.42 million or 3.49% to RM11.63 million (FYE 2020: RM12.05 million) where our GP from wholesale distribution recorded a decrease of RM0.46 million or 4.12% to RM10.70 million (FYE 2020: RM11.16 million). This was mainly due to the following:

- (i) higher cost of purchase of vegetables due to disruption of vegetables supply during the COVID-19 pandemic arising from the shortage of labour and rising shipping costs and that our Company was unable to pass on the price hike fully to the customers in order to remain competitive; and
- (ii) our Group entered into a subsisting agreement with Compass Group (Singapore) Pte Ltd for the supply of fresh vegetables at fixed price and our Group was unable to pass on the increase in cost of purchase to this customer.

For the FYE 2021, the GP from retail segment recorded a slight increase of RM0.03 million or 3.37% to RM0.92 million (FYE 2020: RM0.89 million) which was in line with higher sales recorded during the various phases of MCOs.

**11. FINANCIAL INFORMATION (Cont'd)**

In view of the above, the overall GP margin also decreased from 16.39% in the FYE 2020 to 14.19% in the FYE 2021. However, such a decrease in GP margin was partly mitigated by the increase in the sales of prepacked vegetables and fresh-cut vegetables which was of higher overall GP margin of 19.67% and 26.11% respectively albeit lower GP margin recorded for sales of fresh-cut vegetables in FYE 2021 as compared to FYE 2020.

For the FYE 2021, the GP from Malaysia operations decreased by RM0.97 million or 11.51% to RM7.46 million (FYE 2020: RM8.43 million) and recorded GP margin of 11.87% for the FYE 2021 (FYE 2020: 14.39%) while the GP from our Singapore operations increased by RM0.54 million or 14.88% to RM4.17 million (FYE 2020: RM3.63 million) and recorded GP margin of 21.81% for the FYE 2021 (FYE 2020: 24.21%).

**Comparison between FYE 2021 and FYE 2022**

For the FYE 2022, the total cost of sales increased by RM8.62 million or 12.25% to RM78.96 million (FYE 2021: RM70.34 million). The increase in total cost of sales for the FYE 2022 was in line with the increase in revenue by RM12.41 million or 15.14%.

The overall GP for the FYE 2022 increased by RM3.79 million or 32.59% to RM15.42 million (FYE 2021: RM11.63 million) in line with the increase in the revenue. For the FYE 2022, the GP from wholesale distribution recorded an increase of RM3.59 million or 33.55% to RM14.29 million (FYE 2021: RM10.70 million) in line with the increase in sales from the wholesale distribution of fresh vegetables where the prices of vegetables also stabilised in the FYE 2022. The stabilisation of the price of vegetables was mainly due to the improved supply conditions as a result of higher farm output as well as gradual normalisation of global freight and shipping cost.

For the FYE 2022, the GP from retail segment recorded an increase of RM0.21 million or 22.83% to RM1.13 million (FYE 2021: RM0.92 million) which was in line with the increase in sales for our packaged beverages.

The overall GP margin improved from 14.19% in the FYE 2021 to 16.34% in the FYE 2022 mainly due to the following:

- (i) higher sales of prepacked vegetables and fresh-cut vegetables which was of higher GP margin;
- (ii) higher sales of fruits vegetables such as chillies which commanded higher GP margin due to bulk volume discount; and
- (iii) higher sales made to Singapore which was of higher GP margin contribution.

However, such an increase was partly offset by lower GP margin recorded for the wholesale distribution of F&B products and other groceries due to higher cost of purchase for packaged beverages arising from unfavourable foreign exchange. In addition, we did not increase our selling price during the FYE 2022 to remain competitive.



**11. FINANCIAL INFORMATION (Cont'd)**

For the FYE 2022, the GP from the Malaysia operations increased by RM2.06 million or 27.61% to RM9.52 million (FYE 2021: RM7.46 million) and recorded GP margin of 13.51% for the FYE 2022 (FYE 2021: 11.87%). For the FYE 2022, the GP from Singapore operations increased by RM1.73 million or 41.49% to RM5.90 million (FYE 2021: RM4.17 million) and recorded GP margin of 24.68% for the FYE 2022 (FYE 2021: 21.81%). The higher GP margin for Singapore operations was mainly due to higher sales mix of prepacked vegetables and fresh-cut vegetables, which was of better GP margin as well as overall higher selling price.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, the total cost of sales increased by RM12.16 million or 15.40% to RM91.12 million (FYE 2022: RM78.96 million). The increase in total cost of sales for the FYE 2023 was in line with the increase in revenue by RM19.82 million or 21.00%.

The overall GP for the FYE 2023 increased by RM7.66 million or 49.68% to RM23.08 million (FYE 2022: RM15.42 million) in line with the increase in the revenue. For the FYE 2023, the GP from wholesale distribution recorded an increase of RM6.73 million or 47.10% to RM21.02 million (FYE 2022: RM14.29 million) in line with the increase in sales from the wholesale distribution of fresh vegetables.

For the FYE 2023, the GP from retail segment recorded an increase of RM0.93 million or 82.30% to RM2.06 million (FYE 2022: RM1.13 million) which was in line with the increase in sales for our fresh vegetables.

The overall GP margin improved from 16.34% in the FYE 2022 to 20.21% in the FYE 2023 mainly due to the following:

- (i) decrease in the average purchase price of fresh vegetables mainly due to favourable supply condition in the FYE 2023 resulting in much better GP margin for the wholesale distribution of fresh vegetables;
- (ii) revision of selling price for fresh-cut vegetables to customers in Singapore where we managed to renew our supply agreement with a revised selling price in early FYE 2023 with one (1) of our top customers in Singapore and increase the selling price for other customers in Singapore taking into consideration the market acceptance price level as well as higher sales of fresh vegetables including fresh-cut vegetables and prepacked vegetables to customer in Singapore which was of higher GP margin;
- (iii) increase efficiency in prepacked vegetables production through the addition of new packing machines and equipment; and
- (iv) higher GP margin for retail sales of fresh vegetables due to lower cost of purchase.

However, such an increase was partly offset by lower GP margin recorded for the wholesale distribution of F&B products and other groceries mainly due to higher cost of purchase for packaged beverages arising from unfavourable foreign exchange and we did not revise our selling price in order to maintain price competitiveness, thus, the GP margin for retail segment of F&B products and other groceries were adversely affected as well. For clarity purpose, our cost of sales and GP margin for fresh vegetables was not materially affected as the average purchase price for our import purchases of fresh vegetables was lower which offset the unfavourable foreign exchange to a certain extent.

## 11. FINANCIAL INFORMATION (Cont'd)

For the FYE 2023, the GP from the Malaysia operations increased by RM3.94 million or 41.39% to RM13.46 million (FYE 2022: RM9.52 million) and recorded GP margin of 15.81% for the FYE 2023 (FYE 2022: 13.51%). For the FYE 2023, the GP from Singapore operations increased by RM3.72 million or 63.05% to RM9.62 million (FYE 2022: RM5.90 million) and recorded GP margin of 33.09% for the FYE 2023 (FYE 2022: 24.68%) where such improvement was mainly attributable to higher selling price and favourable foreign exchange rate for fresh-cut vegetables as well as higher sales of our value-added services products such as fresh-cut vegetables and prepacked vegetables which was of higher GP margin.

### (c) Other income

Our Group recorded other income of RM1.24 million, RM1.75 million, RM1.54 million and RM1.38 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. The breakdown of our other income for the Financial Years Under Review is as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	121	9.73	436	24.98	*	-	3	0.22
Rental income	194	15.61	290	16.62	306	19.94	66	4.78
Income from subleasing right-of-use assets	8	0.64	16	0.92	-	-	-	-
Wage subsidies <sup>(1)</sup>	311	25.02	14	0.80	-	-	-	-
Net realised foreign exchange gain	278	22.36	146	8.37	140	9.12	495	35.90
Net unrealised foreign exchange gain	82	6.60	123	7.05	35	2.28	-	-
Gain on disposal of PPE	82	6.60	58	3.32	94	6.12	-	-
Gain on disposal of investment properties	-	-	513	29.40	925	60.26	788	57.14
Others	<sup>(2)</sup> 167	13.44	<sup>(2)</sup> 149	8.54	<sup>(2)</sup> 35	2.28	<sup>(3)</sup> 27	1.96
<b>Total</b>	<b>1,243</b>	<b>100.00</b>	<b>1,745</b>	<b>100.00</b>	<b>1,535</b>	<b>100.00</b>	<b>1,379</b>	<b>100.00</b>

#### Notes:

\* Denotes less than RM1,000

(1) Wage subsidies received from both SOCSO under the Wage Subsidy Programme and Jobs Support Scheme by the Singapore Government.

(2) Mainly comprise food preparation for our foreign workers during the lockdown periods which subsequently such arrangement was started to cease in FYE 2022.

(3) Mainly comprise of reversal of provision of doubtful debts and other miscellaneous.

**11. FINANCIAL INFORMATION (Cont'd)****Commentary:**Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in other income by RM0.51 million or 41.13% to RM1.75 million (FYE 2020: RM1.24 million). The increase in other income was mainly due to the following:

- (i) increase in interest income by RM0.32 million or 266.67% to RM0.44 million (FYE 2020: RM0.12 million) mainly due to interest charged by Topstar for advances to Director;
- (ii) increase in rental income by RM0.10 million or 52.63% to RM0.29 million (FYE 2020: RM0.19 million) mainly due to higher take up rate for the rental of our investment properties; and
- (iii) increase in gain on disposal of investment properties by RM0.51 million (FYE 2020: nil) mainly due to the disposal of an investment property in the FYE 2021.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded a decrease in other income by RM0.21 million or 12.00% to RM1.54 million (FYE 2021: RM1.75 million). The decrease in other income was mainly due to the decrease in interest income following the repayment of advances by director to Topstar.

However, such decrease in other income was partly offset by an increase in gain on disposal of investment properties by RM0.42 million to RM0.93 million (FYE 2021: RM0.51 million) mainly in relation to the disposal of investment properties.

Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded a decrease in other income by RM0.16 million or 10.39% to RM1.38 million (FYE 2022: RM1.54 million). The decrease in other income was mainly due to the following:

- (i) decrease in rental income following the disposal of investment properties; and
- (ii) lower gain on disposal of investment properties in FYE 2023 as compared to FYE 2022.

However, such decrease in other income was partly offset by an increase in net realised foreign exchange gain for the settlement of outstanding purchases made in USD due to strengthening of RM against USD in the first half of FYE 2023 as well as the collection for sales made in SGD.

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**11. FINANCIAL INFORMATION (Cont'd)**

**(d) Administrative expenses**

Our Group incurred administrative expenses of RM8.64 million, RM8.62 million, RM10.18 million and RM12.10 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. The breakdown of our administrative expenses for the Financial Years Under Review is as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	2,620	30.33	2,959	34.31	3,153	30.97	3,621	29.93
Directors' remuneration	985	11.40	1,057	12.26	883	8.67	797	6.59
Depreciation of PPE and investment properties	963	11.15	1,209	14.02	1,462	14.36	1,641	13.57
Travelling and transportation costs	789	9.13	810	9.39	750	7.37	944	7.80
Utilities	625	7.24	686	7.95	733	7.20	812	6.71
Impairment loss on trade receivables	-	-	-	-	738	7.25	180	1.49
Office expenses <sup>(1)</sup>	565	6.54	545	6.32	542	5.32	740	6.12
Professional fees	502	5.81	320	3.71	646	6.35	1,924	15.90
Upkeep of PPE	410	4.75	471	5.46	622	6.11	725	5.99
Rental	130	1.50	104	1.21	90	0.88	83	0.69
Bad debts written-off	372	4.31	104	1.21	49	0.48	28	0.23
PPE written-off	356	4.12	-	-	1	0.01	55	0.45
Net unrealised foreign exchange loss	-	-	-	-	-	-	19	0.16
Others <sup>(2)</sup>	321	3.72	359	4.16	512	5.03	528	4.37
<b>Total</b>	<b>8,638</b>	<b>100.00</b>	<b>8,624</b>	<b>100.00</b>	<b>10,181</b>	<b>100.00</b>	<b>12,097</b>	<b>100.00</b>

**Notes:**

- (1) *Mainly comprise printing and stationery, insurance charges, business licences and registration fees, quit rent and assessment, pest control, security charges and other office related expenses.*
- (2) *Mainly comprise bank charges and foreign workers levy and permits and other foreign workers' related expenses such as health screening, workers' amenities, etc.*

**11. FINANCIAL INFORMATION (Cont'd)****Commentary:**Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a slight decrease in administrative expenses by RM0.02 million or 0.23% to RM8.62 million (FYE 2020: RM8.64 million) which was mainly attributable by the following:

- (i) a one-off PPE write-off of RM0.36 million in the FYE 2020 due to write off of certain furniture and fittings in previous premise following the shift of our operations to new premise in Senai Centralised Distribution Centre in end 2019;
- (ii) lower bad debts written-off of RM0.10 million as compared to RM0.37 million in the FYE 2020; and
- (iii) decrease in professional fees by RM0.18 million to RM0.32 million (FYE 2020: RM0.50 million) mainly due to consultant fee paid in relation to term loans secured from financial institutions under the temporary bridging loan programme (“**TBLP**”) introduced by the Singapore Government under the Solidarity Budget announced on 6 April 2020 to support companies in their cashflow needs to overcome the prolonged impact of COVID-19 pandemic.

However, the marginal decrease in the administrative expenses was partly offset by an increase in the following:

- (i) increase in depreciation of PPE and investment properties by RM0.25 million to RM1.21 million (FYE 2020: RM0.96 million) due to the new addition of PPE during the FYE 2021;
- (ii) increase in staff costs by RM0.34 million to RM2.96 million (FYE 2020: RM2.62 million) mainly due to additional administrative and operations staff recruited during the FYE 2021; and
- (iii) increase in directors’ remuneration by RM0.07 million to RM1.06 million (FYE 2020: RM0.99 million) mainly due to revision of directors’ fees for Topstar.

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in administrative expenses by RM1.56 million or 18.10% to RM10.18 million (FYE 2021: RM8.62 million) which was mainly attributable by the following:

- (i) increase in staff costs by RM0.19 million to RM3.15 million (FYE 2021: RM2.96 million) mainly due to higher bonus and revision of salary during the FYE 2022;
- (ii) increase in depreciation of PPE and investment properties by RM0.25 million to RM1.46 million (FYE 2021: RM1.21 million) due to the new addition of PPE during the FYE 2022;
- (iii) impairment loss on trade receivables of RM0.74 million incurred during the FYE 2022 mainly in relation to Songmart Malaysia. Please refer to Section 13.6 of this Prospectus for further details;
- (iv) increase in professional fees by RM0.33 million to RM0.65 million (FYE 2021: RM0.32 million) mainly attributed to the Listing; and
- (v) increase in others mainly in respect of increased foreign workers levy due to new foreign workers’ quotas secured.

## 11. FINANCIAL INFORMATION (Cont'd)

However, the increase in the administrative expenses was partly offset by a decrease in the directors' remuneration mainly due to lower director's fee paid from Topstar.

### Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in administrative expenses by RM1.92 million or 18.86% to RM12.10 million (FYE 2022: RM10.18 million) which was mainly attributable by the following:

- (i) increase in staff costs by RM0.47 million to RM3.62 million (FYE 2022: RM3.15 million) mainly due to revision of salary and hiring of additional employees to support our Group's business expansion; and
- (ii) increase in professional fees by RM1.27 million to RM1.92 million (FYE 2022: RM0.65 million) mainly due to the professional fees incurred in relation to the Listing;

However, the increase in the administrative expenses was partly offset by the decrease in the impairment loss on trade receivables in relation to the provision made for Songmart Malaysia in FYE 2022.

### (e) Finance costs

Our Group incurred finance costs of RM0.77 million, RM0.80 million, RM0.64 million and RM0.58 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. The breakdown of our finance costs for the Financial Years Under Review is as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	609	79.30	618	77.44	457	71.74	401	69.50
Lease liabilities	107	13.93	145	18.17	143	22.45	118	20.45
Bankers' acceptance	49	6.38	35	4.39	36	5.65	57	9.88
Overdraft interest	3	0.39	*	-	1	0.16	1	0.17
<b>Total</b>	<b>768</b>	<b>100.00</b>	<b>798</b>	<b>100.00</b>	<b>637</b>	<b>100.00</b>	<b>577</b>	<b>100.00</b>

#### **Note:**

\* Denotes less than RM1,000.

#### **Commentary:**

### Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a marginal increase in finance costs of RM0.03 million or 3.90% to RM0.80 million (FYE 2020: RM0.77 million). The increase in the finance costs was mainly due to increase in lease liabilities in relation to addition of motor vehicles under hire purchase during the FYE 2021.

### Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded a decrease in finance costs of RM0.16 million or 20.00% to RM0.64 million (FYE 2021: RM0.80 million). The decrease in the finance costs was mainly due to the higher repayment of term loans following the disposal of investment properties and settlement of certain term loans.

**11. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded a decrease in finance costs of RM0.06 million or 9.38% to RM0.58 million (FYE 2022: RM0.64 million). The decrease in the finance costs was mainly due to reduction in the outstanding term loans and lease liabilities following the disposal of investment properties in the FYE 2022 and full repayment of lease liabilities for cold room facilities during the FYE 2023.

The decrease was partly offset by an increase in the finance cost for bankers' acceptance as a result of higher utilisation of such banking facility due to higher purchases of materials from overseas suppliers to cater for the increased demand for our Group's fresh vegetables.

**(f) Income tax expense**

The breakdown of our income tax expense for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
Group tax expense (RM'000)	1,026	835	1,390	3,081
Group effective tax rate (%)	26.38	21.14	22.65	26.15
<b><u>Malaysia operations</u></b>				
Effective tax rate (%)	27.67	22.20	23.90	27.87
Statutory tax rate (%)	24.00	24.00	24.00	24.00
<b><u>Singapore operations</u></b>				
Effective tax rate (%)	14.88	5.85	7.57	12.97
Statutory tax rate (%)	17.00	17.00	17.00	17.00

**Malaysia Operations**

Our effective tax rate for the FYE 2020 was 3.67% more than the statutory tax rate mainly due to the higher non-deductible expenses incurred in relation to bad debt written off, depreciation of PPE and investment properties, PPE written off, wage subsidies received from SOCSO under its wage subsidy programme as well as term loan interest. Notwithstanding the above, the higher tax rate was partly offset by the tax saving on the first tranche of chargeable income of RM0.60 million at tax rate of 17.00% for the subsidiaries of our Company namely FP Foods and Setia Kawan, for which the issued share capital are not more than RM2.50 million.

Our effective tax rate for the FYE 2021 was 1.80% less than the statutory tax rate respectively, mainly due to following:

- (i) tax saving on the first tranche of chargeable income of RM0.60 million at tax rate of 17.00% for two (2) of our subsidiaries, namely, FP Foods and Setia Kawan, for which the issued share capital are not more than RM2.50 million;
- (ii) utilisation of investment tax allowance in relation to the installation of photovoltaic solar system amounting to RM0.79 million; and
- (iii) non-taxable income in respect of the gain on disposal of motor vehicles and investment properties.

Our effective tax rate for the FYE 2022 approximates the statutory tax rate of 24.00%.

**11. FINANCIAL INFORMATION (Cont'd)**

Our effective tax rate for the FYE 2023 was 3.87% more than the statutory tax rate of 24.00% mainly due to higher non-deductible expenses in relation to depreciation of PPE and professional fees. The higher tax rate was partly offset by the tax saving on the first tranche of chargeable income of RM0.15 million at tax rate of 15.00% whereby the next RM0.45 million at tax rate of 17.00% for the subsidiaries of our Company namely FP Foods and Setia Kawan, for which the issued share capital are not more than RM2.50 million.

**Singapore Operations**

Our effective tax rate for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 2.12%, 11.15%, 9.43% and 4.03% less than the statutory tax rate of 17.00% respectively, mainly due to partial tax exemption entitled by Topstar, where 75% exemption on the first SGD0.01 million of chargeable income and a further 50% exemption on the next SGD0.19 million of chargeable income.

All companies, including companies limited by guarantee, are eligible for partial tax exemption under Section 43 of the Income Tax Act 1947, unless the companies are claiming the tax exemption for new start-up companies. For year of assessment 2020 onwards, 75% exemption on the first SGD10,000 of normal chargeable income (which refers to income to be taxed at the prevailing Corporate Income Tax rate of Singapore of 17%), a further 50% exemption on the next SGD190,000 of normal chargeable income. There is no validity period for the tax allowance until further notice by relevant authorities of Singapore.

**(g) PBT, PBT margin, PAT and PAT margin**

Our Group recorded PBT of RM3.89 million, RM3.95 million, RM6.14 million and RM11.78 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. In addition, we recorded PAT of RM2.86 million, RM3.12 million, RM4.75 million and RM8.70 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

	<-----Audited FYE----->			
	2020	2021	2022	2023
PBT (RM'000)	3,889	3,950	6,138	11,783
PAT (RM'000)	2,863	3,115	4,748	8,702
PBT margin (%)	5.29	4.82	6.50	10.32
PAT margin (%)	3.89	3.80	5.03	7.62
Adjusted PBT (RM'000)	(1) 3,768	(2) 3,015	(3) 5,530	(4) 12,762
Adjusted PAT (RM'000)	(1) 2,771	(2) 2,281	(3) 4,064	(4) 9,327
Adjusted PBT margin (%)	(1) 5.12	(2) 3.68	(3) 5.86	(4) 11.18
Adjusted PAT margin (%)	(1) 3.77	(2) 2.78	(3) 4.31	(4) 8.17

**Notes:**

- (1) After adjusted for the loan interest income of RM0.12 million for the FYE 2020.
- (2) After adjusted for the other income mainly comprising one-off net gain from the disposal of investment properties of RM0.51 million, the loan interest income of RM0.44 million, the other related expenses in relation to the said disposals of RM0.01 million and incidental tax adjustments (if applicable), for the FYE 2021.
- (3) After adjusted for the other income mainly comprising one-off net gain from the disposal of investment properties of RM0.93 million, expenses in relation to the said disposals of RM0.01 million, expenses incurred for the Listing of RM0.30 million for the FYE 2022 and incidental tax adjustments (if applicable) and other expenses.



**11. FINANCIAL INFORMATION (Cont'd)**

- (4) *After adjusted for other income mainly comprising one-off gain from the disposal of investment properties of RM0.69 million, other related expenses in relation to the disposals of investment properties of RM0.12 million, expenses incurred for the Listing of RM1.55 million and incidental tax adjustments (if applicable) for the FYE 2023.*

**Commentary:**Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in PBT by RM0.06 million or 1.54% to RM3.95 million (FYE 2020: RM3.89 million) and an increase in PAT by RM0.26 million or 9.09% to RM3.12 million (FYE 2020: RM2.86 million). The increase in both PBT and PAT was mainly due to higher other income and lower income tax expenses despite a lower GP recorded in the FYE 2021 as set out in Section 11.3.2(b) above and the one-off net gain from the disposal of investment properties.

Our PBT margin decreased slightly from 5.29% for the FYE 2020 to 4.82% for the FYE 2021. Our PAT margin also decreased marginally from 3.89% for the FYE 2020 to 3.80% for the FYE 2021. The decrease in the PBT margin and PAT margin was mainly due to lower GP margin recorded for the FYE 2021 as set out in Section 11.3.2(b) above.

For illustration purposes, if the non-recurring items, such as the one-off gain from the disposal of investment properties of RM0.51 million, the loan interest income of RM0.44 million and the other related expenses in relation to the said disposals of RM0.01 million are excluded from the PBT for the FYE 2021, our Group would have recorded an adjusted PBT of RM3.02 million, representing a decrease of RM0.75 million or 19.98% as compared to FYE 2020. Hence, our Group recorded a lower adjusted PBT margin of 3.68% for FYE 2021 (FYE 2020: 5.12%). Correspondingly, our Group recorded an adjusted PAT of RM2.28 million, i.e. a decrease of RM0.49 million or 17.68% as compared to FYE 2020, and recorded a lower adjusted PAT margin of 2.78% for FYE 2021 (FYE 2020: 3.77%).

Comparison between FYE 2021 and FYE 2022

For the FYE 2022, our Group recorded an increase in PBT by RM2.19 million or 55.44% to RM6.14 million (FYE 2021: RM3.95 million) and an increase in PAT by RM1.63 million or 52.24% to RM4.75 million (FYE 2021: RM3.12 million). The increase in both PBT and PAT was mainly due to higher GP recorded for the FYE 2022 as set out in Section 11.3.2(b) above and the one-off net gain from the disposal of investment properties.

Our PBT margin improved from 4.82% for the FYE 2021 to 6.50% for the FYE 2022. The PAT margin also improved from 3.80% for the FYE 2021 to 5.03% for the FYE 2022. The improvement in the PBT margin and PAT margin was mainly due to higher GP margin recorded for the FYE 2022 as set out in Section 11.3.2(b) above and the one-off net gain from the disposal of investment properties.

If the non-recurring items of one-off gain from the disposal of investment properties of RM0.93 million, expenses in relation to the said disposals of RM0.01 million, expenses incurred for the Listing of RM0.30 million and other incidental expenses are excluded from the PBT for the FYE 2022, our Group would have recorded an adjusted PBT of RM5.53 million, representing an increase of RM2.52 million or 83.42% as compared to FYE 2021, mainly due to higher GP recorded for the FYE 2022. Our Group recorded a higher adjusted PBT margin of 5.86% for FYE 2022 (FYE 2021: 3.68%) in tandem with the higher GP recorded during the said financial year. Correspondingly, our Group recorded an adjusted PAT of RM4.06 million or an increase of RM1.78 million or 78.17% as compared to FYE 2021, and recorded a higher adjusted PAT margin of 4.31% for FYE 2022 (FYE 2021: 2.78%).

**11. FINANCIAL INFORMATION (Cont'd)**

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Comparison between FYE 2022 and FYE 2023

For the FYE 2023, our Group recorded an increase in PBT by RM5.64 million or 91.86% to RM11.78 million (FYE 2022: RM6.14 million) and an increase in PAT by RM3.95 million or 83.16% to RM8.70 million (FYE 2022: RM4.75 million). The increase in both PBT and PAT was mainly due to higher GP recorded for the FYE 2023 as set out in Section 11.3.2(b) above.

Our PBT margin improved from 6.50% for the FYE 2022 to 10.32% for the FYE 2023. The PAT margin also improved from 5.03% for the FYE 2022 to 7.62% for the FYE 2023. The improvement in the PBT margin and PAT margin was mainly due to higher GP margin recorded for the FYE 2023 as set out in Section 11.3.2(b) above.

If the non-recurring items of one-off gain from the disposal of investment properties of RM0.69 million, other related expenses in relation to the disposals of investment properties of RM0.12 million and expenses incurred for the Listing of RM1.55 million for the FYE 2023 were excluded from the PBT for the FYE 2023, our Group would have recorded an adjusted PBT of RM12.76 million, representing an increase of RM7.23 million or 130.74% as compared to FYE 2022, mainly due to higher GP recorded for the FYE 2023. Our Group recorded a higher adjusted PBT margin of 11.18% for FYE 2023 (FYE 2022: 5.86%) in tandem with the higher GP recorded during the said financial year. Correspondingly, our Group recorded an adjusted PAT of RM9.33 million or an increase of RM5.27 million or 129.80% as compared to FYE 2022, and recorded a higher adjusted PAT margin of 8.17% for FYE 2023 (FYE 2022: 4.31%).

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**11. FINANCIAL INFORMATION (Cont'd)****11.3.3 Significant factors materially affecting our operations and financial results**

Our business operations and financial conditions have been and will continue to be affected by factors including, but not limited to, the following:

**(a) Supply and demand conditions of fresh vegetables industry**

Our business, performance and results of operations are dependent on the supply and demand conditions of fresh vegetables industry. The wholesale distribution of fresh vegetables is affected by supply and demand conditions. Revenue contribution from wholesale distribution of fresh vegetables of our Group accounted for 79.87%, 81.66%, 82.50% and 77.61% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.

The supply conditions for fresh vegetables may be affected by, among others, natural causes such as weather conditions, pests and natural disasters including floods, supply chain disruptions, availability of labour and trade barriers as our sources of supply are from foreign countries as well as domestic market. According to the IMR Report, the supply of fresh vegetables is represented by the production value and volume of fresh vegetables. In 2023, both production value and volume grew by 7.5% compared to 2022. Malaysia is a net importer of fresh vegetables, where the total import and export values were RM4.1 billion and RM0.9 billion respectively in 2023. The supply (domestic and foreign) of fresh vegetables in Singapore has been decreasing at an average annual rate of 3.9% between 2020 and 2022. The decrease in the supply of fresh vegetables was mainly contributed by the decrease in the import volume of fresh vegetables from Malaysia in 2022. In 2022, the supply of fresh vegetables decreased by 5.3% to 537,800 tonnes, while imports of fresh vegetables decreased by 4.8% to approximately 518,000 tonnes.

The demand conditions may be affected by fluctuations in the prices of fresh vegetables, changes in consumer behaviour and consumption patterns influenced by health, convenience and safety considerations. Products such as fresh vegetables are seeing an increase in demand to meet the needs and preference of the consumers. According to the IMR Report, the demand for fresh vegetables is represented by the value of locally consumed fresh vegetables as well as the average monthly household expenditure spent on fresh vegetables in Malaysia. In 2023, the local consumption of vegetables grew by 10.3% to RM7.6 billion. The demand conditions in Singapore is represented by the number of licenced food establishments. As at the end of 2022, the number of licenced food establishments increased by 1.5% to 52,599 establishments, comprising 50,343 retail establishments and 2,256 non-retail establishments.

Notwithstanding the above, there is no assurance that any unfavourable changes in supply and demand conditions in the vegetables industry will not affect our business and financial performance. Please refer to Sections 7 and 8.2.1 of this Prospectus for further details on the supply and demand conditions of fresh vegetables industry and the associated risk factors.

**(b) Sales mix and distribution channel**

We are principally involved in the wholesale distribution and retailing of fresh vegetables, F&B products and other groceries in Malaysia and Singapore. We provide value-added services for our wholesale distribution of fresh vegetables processed in our Senai Centralised Distribution Centre such as prepacked vegetables and fresh-cut vegetables. Generally, we command higher profit margin for the sales of prepacked fresh vegetables and fresh-cut vegetables as compared to the sales of whole fresh vegetables where we do not carry out any value-added services.

**11. FINANCIAL INFORMATION (Cont'd)**

In addition, we adopt a combination of indirect and direct distribution channels for our wholesale distribution and retailing of fresh vegetables, F&B products and other groceries. Sales via a direct distribution channel are directly to consumers or end-users including food service operators such as caterers, hotels, hawker and food court stalls, restaurants as well as food manufacturers or through the operation of our retail store. We usually command a better profit margin through direct distribution channels as compared to sales via indirect distribution channel where we market and sell our fresh vegetables, F&B products and other groceries to intermediaries which comprise wholesalers, retailers including supermarkets, minimarkets and grocery stores who would then resell our products to their respective customers.

Further, our sales made to Singapore usually also command a better profit margin as compared to sales in Malaysia. Hence, any significant change in our sales mix and composition of sales via different mode of distribution channel may impact our revenue and profit margin, and as a result will affect our overall financial performance.

**(c) Competition**

Our Group is operating in the wholesale distribution of fresh vegetables industry in Malaysia and Singapore where the markets are relatively fragmented and thus, we are subject to competition from other operators that are involved in the same business and industry in terms of pricing, variety of fresh vegetables, quality, customer and value-added services, facilities and others.

Notwithstanding this, we will leverage on our competitive advantages and key strengths as set out in Section 6.1.2 of this Prospectus to maintain our competitiveness. However, there is no assurance that our business, profit margin, performance and results of operations will not be materially and adversely affected if we are unable to do so. Please refer to Section 7 of this Prospectus for further details on the industry assessment on the wholesale distribution of fresh vegetables industry.

**(d) Fluctuation in prices of materials cost**

Materials costs for our wholesale distribution and retailing of fresh vegetables, F&B products and other groceries is the main component of our cost of sales, representing more than 90% of our total cost of sales for the Financial Years Under Review.

Fluctuations in the pricing of vegetables in the industry are affected by supply conditions which may be caused by various factors including, among others, natural causes such as weather conditions, pests and natural disasters including floods, supply chain disruptions, availability of labour and trade barriers. Hence, any fluctuations in the prices of our materials and goods for distribution would affect our cost of sales as well as our financial performance.

Nevertheless, we constantly monitor the daily movement of the vegetables prices and maintain a global network of suppliers for sourcing of fresh vegetables in order for us to plan ahead for our procurement decision and pricing strategy to ensure consistent and uninterrupted supply of fresh vegetables to meet and sustain the continuous demand from our customers. Please refer to Section 8.2.1 of this Prospectus for further details on the risk factor.

**(e) Impact of interest rates**

As at 31 December 2023, our Group's total borrowings of RM13.05 million consist of term loans, lease liabilities, bank overdrafts and bankers' acceptance at the interest rates ranging from 2.02% to 7.92% per annum.

## 11. FINANCIAL INFORMATION (Cont'd)

Our Group's objective in managing our interest rate is to ensure an acceptable level of exposure to interest rate fluctuations. As at the LPD, our borrowings have fixed and determinable payments. Save for the finance lease liabilities, which are charged on a fixed rate, the interest rates for our term loans, bank overdrafts and bankers' acceptance are based on the prevailing bank's base lending rate or base financing rate plus or minus a margin agreed upon by our bankers when the respective loans and financings were granted.

There is no material impact from the fluctuations in interest rates on our profits for the Financial Years Under Review. However, any hikes in interest rates would raise the cost of borrowings which may have adverse effect on our financial performance. The sensitivity analysis for interest rate risk is set out in the Accountants' Report under Section 12 of this Prospectus.

### (f) Impact of foreign exchange

Our sales are primarily denominated in RM and SGD whilst our purchases are transacted primarily in RM, USD and to a lesser extent CNY, SGD and THB. As such, we are exposed to foreign currency risk and any unfavourable foreign currency exchange rate fluctuation may materially affect our business operations and financial performance.

For information purposes, the breakdown of our revenue and purchases transacted in RM and other currencies for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 are summarised as follows:

	<-----Audited FYE----->							
	2020		2021		2022		2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	58,567	79.64	62,848	76.68	70,480	74.68	85,120	74.54
SGD	14,973	20.36	19,118	23.32	23,896	25.32	29,079	25.46
<b>Total revenue</b>	<b>73,540</b>	<b>100.00</b>	<b>81,966</b>	<b>100.00</b>	<b>94,376</b>	<b>100.00</b>	<b>114,199</b>	<b>100.00</b>
RM	22,833	40.62	27,399	41.78	34,119	46.48	36,679	42.29
USD	33,378	59.38	38,188	58.22	38,149	51.96	46,288	53.37
CNY	-	-	-	-	638	0.87	3,641	4.20
SGD	-	-	-	-	508	0.69	49	0.05
THB	-	-	-	-	-	-	77	0.09
<b>Total purchases</b>	<b>56,211</b>	<b>100.00</b>	<b>65,587</b>	<b>100.00</b>	<b>73,414</b>	<b>100.00</b>	<b>86,734</b>	<b>100.00</b>

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review, which arose due to timing differences between our suppliers' invoices and actual payments to our suppliers, are as follows:

	<-----Audited FYE----->			
	2020	2021	2022	2023
Net realised and unrealised gain on foreign exchange (RM'000)	360	269	175	476
As a percentage of PBT (%)	9.26	6.81	2.85	4.04

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**11. FINANCIAL INFORMATION (Cont'd)**

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We closely monitor the movement of the USD against RM to manage our foreign exchange currency risks and if the need arises, we may enter into hedging arrangement such as forward contract to minimise the impact of such risk.

We have not incurred any material losses arising from foreign currency translation for the Financial Years Under Review.

**(g) Impact of inflation**

Our business, financial condition or results of operations for the Financial Years Under Review were not materially affected by the impact of inflation. Nonetheless, there can be no assurance that future inflation would not have any impact on our business operations and financial performance.

**(h) Impact of government/economic/fiscal/monetary policies**

Any unfavourable change in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to these policies. Nonetheless, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies in the future. Please refer to Section 8.2.2 of this Prospectus for further details of the risk factor.

**(i) Impact of outbreaks of diseases such as the COVID-19 pandemic**

As we are involved in the wholesale distribution of fresh vegetables, F&B products and other groceries, our business falls within essential services. During the various phases of MCO, we continued our business operations and adopted precautionary measures to safeguard our operations and employees. Our business, financial condition or results of operations for the Financial Years Under Review were not materially affected by the impact of various phases of MCO and the COVID-19 pandemic. Please refer to Section 6.19.2 of this Prospectus for further details of the impact of COVID-19 on our financial performance.

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.3.4 Liquidity and capital resources

Our operations are funded through cash generated from our operating activities, credit extended by our suppliers, credit facilities granted by financial institutions as well as our existing cash and bank balances.

As at 31 December 2023, our Group has cash and bank balances of RM3.71 million, available banking facilities of RM20.10 million, which encompass RM6.00 million of trade line earmarked for working capital, of which RM4.76 million has yet to be utilised and working capital of RM9.53 million, being the difference between current assets of RM22.92 million and current liabilities of RM13.39 million.

Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

#### Cash flow

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years Under Review:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	6,665	4,039	3,602	6,458
Net cash (used in)/from investing activities	(1,836)	(936)	2,448	(51)
Net cash used in financing activities	(332)	(4,433)	(7,247)	(6,864)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,497</b>	<b>(1,330)</b>	<b>(1,197)</b>	<b>(457)</b>
<b>Cash and cash equivalents at the beginning of the financial years</b>	<b>1,773</b>	<b>6,248</b>	<b>5,077</b>	<b>4,066</b>
Effect of exchange rate changes on cash and cash equivalents	(22)	159	186	96
<b>Cash and cash equivalents at the end of the financial years</b>	<b>6,248</b>	<b>5,077</b>	<b>4,066</b>	<b>3,705</b>

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

**11. FINANCIAL INFORMATION (Cont'd)****Commentary:****Net cash from operating activities****FYE 2020**

For the FYE 2020, our operating cash flows before working capital changes were RM6.09 million. After adjusting for the following key items, our net cash from our operating activities was RM6.67 million:

- (i) decrease in inventories of RM0.08 million;
- (ii) increase in receivables of RM1.48 million of which trade receivables increased by RM1.36 million mainly due to higher sales recorded in December 2020 while other receivables increased by RM0.12 million mainly due to higher deposits paid to suppliers for the orders of packaged beverages;
- (iii) increase in payables of RM2.23 million of which trade payables increased by RM1.92 million mainly due to higher purchases made in December 2020 to meet the sales demand and slower repayment to suppliers as our Group also adopted a prudent cash management during the COVID-19 pandemic while other payables increased by RM0.31 million mainly due to provision made for director's fee;
- (iv) income tax payment of RM0.37 million; and
- (v) interest income received of RM0.12 million.

**FYE 2021**

For the FYE 2021, our operating cash flows before working capital changes were RM4.94 million. After adjusting for the following key items, our net cash from our operating activities was RM4.04 million:

- (i) increase in inventories of RM1.00 million mainly due to higher stocking of vegetables following the addition of new cold room facilities in our Senai Centralised Distribution Centre;
- (ii) increase in receivables of RM0.92 million of which trade receivables increased by RM0.48 million mainly due to higher sales recorded during the year-end period while other receivables increased by RM0.44 million mainly due to higher deposit paid to supplier for the order of packaged beverages and higher other receivables in relation to the deposit of RM0.11 million paid for the purchase of a regional distribution centre in Nilai;
- (iii) increase in payables of RM1.37 million of which trade payables increased by RM1.23 million mainly due to higher purchases made in December 2021 to meet the sales demand while other payables increased by RM0.14 million mainly due to higher accruals made for staff costs;
- (iv) income tax payment of RM0.78 million; and
- (v) interest income received of RM0.44 million.



**11. FINANCIAL INFORMATION (Cont'd)****FYE 2022**

For the FYE 2022, our operating cash flows before working capital changes were RM7.97 million. After adjusting for the following key items, our net cash from our operating activities was RM3.60 million:

- (i) decrease in inventories of RM0.40 million mainly due to faster inventories turnover period;
- (ii) increase in receivables of RM1.72 million of which trade receivables increased by RM1.84 million mainly due to higher sales during the year-end period while other receivables decreased by RM0.12 million mainly due to the offset of deposit against progress billing for the purchase of regional distribution centre in Nilai;
- (iii) decrease in payables of RM2.25 million of which trade payables decreased by RM2.25 million mainly due to prompt repayment to our suppliers to maintain good relationship; and
- (iv) income tax payment of RM0.80 million.

**FYE 2023**

For the FYE 2023, our operating cash flows before working capital changes were RM13.59 million. After adjusting for the following key items, our net cash from our operating activities was RM6.46 million:

- (i) increase in inventories of RM2.12 million mainly due to higher stocking of vegetables and packaged beverages as part of our inventory and procurement planning purpose to cater for anticipated increase in demand for our fresh vegetables and packaged beverages;
- (ii) increase in receivables of RM4.25 million of which trade receivables increased by RM4.49 million mainly due to higher sales recorded during the year-end period while other receivables decreased by RM0.24 million;
- (iii) increase in payables of RM1.25 million of which trade payables increased by RM1.13 million mainly due to higher purchases made to meet the sales demand while other payables increased by RM0.12 million mainly due to accrual made for staff costs; and
- (iv) income tax payment of RM2.01 million.

**Net cash (used in)/from investing activities****FYE 2020**

Our Group recorded net cash used in investing activities of RM1.84 million for the FYE 2020 mainly due to the net cash payment on purchase of PPE of RM1.95 million which include, among others, motor vehicles, a regional distribution centre in Nilai, Negeri Sembilan, processing machineries and equipment as well as renovation for workers' accommodation facilities. However, the cash outflow was partly offset by the proceeds from the disposal of motor vehicles of RM0.11 million.

**FYE 2021**

Our Group recorded net cash used in investing activities of RM0.94 million for the FYE 2021 mainly due to the net cash payment on purchase of PPE of RM2.00 million which include, among others, addition of new cold room facilities, processing machineries and equipment, installation of PV solar system and motor vehicles. However, the cash outflow was partly offset by the proceeds from the disposal of motor vehicles and an investment property of RM1.06 million.

**11. FINANCIAL INFORMATION (Cont'd)****FYE 2022**

Our Group recorded net cash from investing activities of RM2.45 million for the FYE 2022 mainly due to the proceeds from the disposal of motor vehicles and investment properties of RM6.80 million. The cash inflow was partly offset by the net cash payment on purchase of PPE of RM4.35 million which include, among others, the acquisition of a Lot 55359, motor vehicles, processing machineries and equipment and renovation work for our Senai Centralised Distribution Centre.

**FYE 2023**

Our Group recorded net cash used in investing activities of RM0.05 million for the FYE 2023 mainly due to the purchase of PPE of RM2.46 million which include, among others, motor vehicles, packing machineries and equipment. The cash outflow was partly offset by the proceeds from the disposal of investment properties of RM2.41 million.

**Net cash used in financing activities****FYE 2020**

Our Group recorded net cash used in financing activities of RM0.33 million mainly due to repayment of terms loans, bankers' acceptance, lease liabilities of RM17.22 million, dividend payment of RM1.04 million and interest payment of RM0.77 million. However, the cash outflow was partly offset by the drawdown of term loans and bankers' acceptance of RM16.90 million, net change in amount owing to our Managing Director and Executive Director of RM1.74 million and proceeds from issuance of ordinary shares in a subsidiary of RM0.06 million.

**FYE 2021**

Our Group recorded net cash used in financing activities of RM4.43 million mainly due to repayment of term loans, bankers' acceptance and lease liabilities of RM9.31 million and interest payment of RM0.80 million. However, the cash outflow was partly offset by the drawdown of term loans and bankers' acceptance of RM5.34 million and net change in amount owing to our Managing Director and Executive Director of RM0.34 million.

**FYE 2022**

Our Group recorded net cash used in financing activities of RM7.25 million mainly due to repayment of term loans, bankers' acceptance and lease liabilities of RM10.90 million, interest payment of RM0.64 million, net change in amount owing to our Managing Director and Executive Director of RM1.09 million and net change in amount due from a company in which directors have interest of RM1.17 million in respect of the disposal of investment properties. However, the outflow was partly offset by the drawdown of term loans and bankers' acceptance of RM6.55 million.

**FYE 2023**

Our Group recorded net cash used in financing activities of RM6.86 million mainly due to repayment of term loans, bankers' acceptance and lease liabilities of RM17.85 million, interest payment of RM0.58 million, net change in amount owing to our Managing Director and Executive Director of RM3.42 million. However, the outflow was partly offset by the drawdown of term loans and bankers' acceptance of RM13.33 million and the settlement of balance purchase consideration of RM1.65 million in respect of the disposal of investment properties by company in which directors have interest.

**11. FINANCIAL INFORMATION (Cont'd)****11.3.5 Borrowings**

As at 31 December 2023, our total outstanding borrowings (excluding lease liabilities arising from right-of-use assets) amounted to RM12.80 million comprising term loans, lease liabilities and banker's acceptance, can be analysed further as follows:

Type of borrowings	Tenure	Maturity	Interest rates (per annum)	Financiers	Payable within 12 months	Payable after 12 months	Total
					RM'000	RM'000	RM'000
<b>Term loans</b>							
▪ Farm Price	5 to 20 years	2025 - 2039	3.50% to 5.67%	Alliance Bank Malaysia Berhad ("ABMB") and Public Bank Berhad ("PBB")	1,206	4,617	5,823
▪ FP Foods	5.5 to 20 years	2026 - 2042	3.50% to 5.17%	ABMB, PBB and Malayan Banking Berhad	133	3,066	3,199
▪ Setia Kawan	5.5 years	2025	3.50%	PBB	102	112	214
<b>Lease liabilities #</b>							
▪ Farm Price	5 to 7 years	2023 - 2028	2.02% to 4.72%	PBB, Mercedes-Benz Services Malaysia Sdn Bhd ("MBSM") and Affin Bank Berhad ("ABB")	581	1,097	1,678
▪ FP Foods	5 years	2023 - 2028	2.72% to 3.61%	PBB and ABB	153	468	621
▪ Setia Kawan	5 years	2027	3.14%	PBB	7	17	24
<b>Bankers' acceptance</b>							
▪ Farm Price	90 to 120 days	2024	4.12% to 4.23%	PBB	1,242	-	1,242
<b>Bank overdraft</b>							
▪ FP Foods	Payment on demand	2024	7.92%	ABMB	*	-	*
<b>Total borrowings</b>					<b>3,424</b>	<b>9,377</b>	<b>12,801</b>
Gearing ratio as at 31 December 2023 (times) ^							0.52

**Notes:**

# Excluding lease liabilities on right-of-use assets.

^ Computed based on total borrowings over our pro forma shareholders' equity (after the Acquisitions but before the Public Issue and use of proceeds) as at 31 December 2023 of RM24.70 million.

\* Denotes less than RM1,000

**11. FINANCIAL INFORMATION (Cont'd)**

As at the LPD, all our bank borrowings are secured, interest bearing and denominated in RM. Our credit facilities are secured by the following:

- (i) charge over the freehold and leasehold land and buildings of our Group;
- (ii) guarantee by the Government of Malaysia under the Bank Negara Malaysia's fund for Small & Medium Enterprises – Special Relief Facility;
- (iii) third party Mortgage Reducing Term Assurance for the sum insured to cover for directors. and
- (iv) joint and several guarantees by our Managing Director and Executive Director.

We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

The short-term banking facilities available to our Group include bankers' acceptance and bank overdraft, which are generally used for working capital purposes. The long-term banking facilities of our Group include term loans and lease liabilities, which are used for the purchase of PPE including land and buildings, investment property, motor vehicles, machineries and factory equipment and rental of properties classified as right-of-use assets.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

**11.3.6 Type of financial instruments used**

As at the LPD, save for bank borrowings as disclosed in Section 11.3.5 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, trade and other receivables, as well as financial liabilities such as borrowings, lease obligations and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at the LPD, we do not use any financial instrument for hedging purposes.

**11.3.7 Treasury policies and objectives**

We finance our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit term granted from suppliers as well as short-term and long-term bank borrowings.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manages its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

**11. FINANCIAL INFORMATION (Cont'd)****11.3.8 Material commitment**

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquiries, confirm that there are no material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group.

	(RM'000)
Approved and contracted for:	
- Property under construction *	141

**Note:**

- \* Refers to a single-storey semi-detached factory with a two-storey office held under title HSD252513, PT34009, Mukim Setul, Daerah Seremban, Negeri Sembilan that we have agreed to purchase at a purchase consideration of approximately RM2.82 million from Sime Darby Property (Nilai) Sdn Bhd. This property is intended to operate as our regional distribution centre in Nilai.

**11.3.9 Material contingent liabilities**

As at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

**11.3.10 Material litigation**

As at the LPD, save as disclosed below, our Group is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material and/or adverse effect on the financial position or business of our Group:

- (i) On 31 May 2023, Farm Price had filed a statement of claim against Songmart Malaysia claiming for an outstanding sum of RM825,588.20 owing by Songmart Malaysia to Farm Price as at 28 February 2023. We have since discontinued our legal action against Songmart Malaysia and have submitted our proof of debt to the appointed liquidator in order to establish our claim for the outstanding sum payable by Songmart Malaysia to Farm Price. On 2 June 2023, Farm Price had also filed a statement of claim against Granville Grocery claiming for an outstanding sum of RM54,042.74 owing by Granville Grocery to Farm Price as at 28 February 2023. On 1 February 2024, we received a summary judgement in favour of Farm Price in respect of our legal action against Granville Grocery. Please refer to Section 13.6 of this Prospectus for further details on these claims.

On 27 July 2023, Mercurius Capital had announced that its wholly-owned subsidiaries comprising the Songmart Group had, ceased all of its business operations on 30 June 2023. Songmart Holdings and Songmart Malaysia have since been served with winding-up petitions by some of its creditors between June 2023 to July 2023. Pursuant to a winding-up petition heard before the High Court of Malaya on 7 August 2023, the High Court of Malaya had ruled that Songmart Malaysia is to be subject to a compulsory winding-up. As at 18 August 2023, Mercurius Capital announced that it had on the even date, received copies of the orders of court for, among others, (a) for Songmart Holdings and its related companies to be wound up under the provisions of the Act; and (b) a liquidator has been appointed over Songmart Holdings assets that are involved in the winding-up. As at the LPD, the liquidation process is still ongoing.

## 11. FINANCIAL INFORMATION (Cont'd)

### 11.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:

	<-----Audited FYE----->			
	2020	2021	2022	2023
Trade receivables turnover period (days)	37	35	35	43
Trade payables turnover period (days)	40	41	26	27
Inventories turnover period (days)	13	16	12	19
Current ratio (times)	1.01	0.93	1.14	1.71
Gearing ratio (times)	2.66	1.66	0.96	0.52
Interest coverage ratio (times) #	6.09	5.99	10.74	21.72

**Note:**

# Excluding lease liabilities interest on right-of-use assets.

#### **Trade receivables**

A summary of our trade receivables for the Financial Years Under Review is set out below:

	<-----Audited FYE ----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Revenue	73,540	81,966	94,376	114,199
Trade receivables <sup>(1)</sup>	7,531	7,929	9,097	13,574
Trade receivables turnover period (days) <sup>(2)</sup>	<b>37</b>	<b>35</b>	<b>35</b>	<b>43</b>

**Notes:**

(1) After taking into consideration the impairment losses.

(2) Computed based on trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

The credit period granted to our customers ranges from date of invoices to 60 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by taking into consideration various factors such as the business relationship with our customers, the customers' payment history and creditworthiness as well as transaction volume while new customers are subject to our credit verification and assessment process.

Our trade receivables turnover period for the Financial Years Under Review ranges from 35 days to 43 days which fell within the normal credit terms granted to our customers.

**11. FINANCIAL INFORMATION (Cont'd)**

As at 31 December 2023, the trade receivables of our Group amounted to RM14.48 million, the ageing analysis in respect of trade receivables are analysed as follows:

	Within credit period	<-----Exceed credit period by----->				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	4,675	5,335	2,571	619	1,275	14,475
Less: Impairment losses	-	-	-	-	(901)	(901)
<b>Net trade receivables</b>	<b>4,675</b>	<b>5,335</b>	<b>2,571</b>	<b>619</b>	<b>374</b>	<b>13,574</b>
% of total trade receivables	34.44	39.30	18.94	4.56	2.76	100.00
Subsequent collections up to the LPD	4,463	5,283	2,513	565	73	12,897
<b>Outstanding net trade receivables</b>	<b>212</b>	<b>52</b>	<b>58</b>	<b>54</b>	<b>301</b>	<b>677</b>

Our total net trade receivables stood at RM13.57 million as at 31 December 2023, out of which RM8.90 million or approximately 65.59% exceeded the normal credit term. As at the LPD, we have collected RM12.90 million or 95.06% of the total net trade receivables as at 31 December 2023.

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with the customers. We had made impairment loss on trade receivables of RM0.18 million incurred during the FYE 2023 in relation to Songmart Malaysia.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM0.68 million is recoverable and no further impairment of trade receivables is required after taking into consideration these customers' credentials, payment track record as well as our relationship with them.

**Trade payables**

A summary of our trade payables for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Cost of sales	61,488	70,339	78,955	91,121
Trade payables	6,781	7,890	5,523	6,746
<b>Trade payables turnover period (days) <sup>(1)</sup></b>	<b>40</b>	<b>41</b>	<b>26</b>	<b>27</b>

**Note:**

(1) Computed based on trade payables of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

**11. FINANCIAL INFORMATION (Cont'd)**

The normal credit period extended by our suppliers ranges from the date of invoices to 60 days. Our trade payables turnover period for the Financial Years Under Review ranges from 26 days to 41 days which fell within the credit period extended by our suppliers to us. It is our practice to make prompt payments to our suppliers to maintain good relationship.

As at 31 December 2023, the trade payables of our Group amounted to RM6.75 million, the ageing of which are analysed as follows:

	Within credit period	<-----Exceed credit period by----->				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	3,976	2,658	38	-	74	6,746
% of total trade payables	58.94	39.40	0.56	-	1.10	100.00
Subsequent payments up to the LPD	3,971	2,658	38	-	74	6,741
<b>Outstanding trade payables</b>	<b>5</b>	-	-	-	-	<b>5</b>

As at the LPD, we have settled RM6.74 million or 99.93% of the outstanding trade payables as at 31 December 2023. We will settle the balance of RM5,000 outstanding trade payables which is within the credit period in due course. There is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the Financial Years Under Review.

**Inventories**

A summary of our inventories for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Cost of sales	61,488	70,339	78,955	91,121
Inventories	2,110	3,105	2,703	4,821
<b>Inventories turnover period (days) <sup>(1)</sup></b>	<b>13</b>	<b>16</b>	<b>12</b>	<b>19</b>

**Note:**

(1) Computed based on inventories of the respective financial years over the cost of sales of the respective financial years, multiplied by 365 days.

Our inventories comprise fresh vegetables, F&B products and other groceries and are measured at the lower of cost and net realisable value. Due to the nature of our business, it is important for us to maintain a certain level of inventories to ensure availability of inventories and varieties of products to meet our customers' demand and delivery lead time requirements. In addition, our inventories are mostly perishable and fresh produces and have short shelf life and are generally fast moving. Hence, our inventories turnover period ranges between 12 days to 19 days for the Financial Years Under Review.

We perform daily physical stock count to identify inconsistency in terms of quantity to the inventory system as well as for inventory and procurement planning purpose. Damaged and/or non-sellable inventories are written-off in accordance to our inventory management policy.



**11. FINANCIAL INFORMATION (Cont'd)****Current ratio**

A summary of our current ratio for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current assets	16,829	17,537	18,670	22,916
Current liabilities	16,668	18,871	16,327	13,390
<b>Current ratio (times)</b>	<b>1.01</b>	<b>0.93</b>	<b>1.14</b>	<b>1.71</b>

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the Financial Years Under Review which has been fairly consistent ranging between 0.93 times and 1.71 times.

Our current ratio decreased from 1.01 times as at 31 December 2020 to 0.93 times as at 31 December 2021. This was mainly attributable to the following:

- (i) increase in trade payables due to the higher purchases made during the year-end period to meet the sales demand;
- (ii) increase in other payables due to higher accruals made for staff costs; and
- (iii) higher short term borrowings during the year.

Our current ratio increased from 0.93 times as at 31 December 2021 to 1.14 times as at 31 December 2022. This was mainly attributable to the following:

- (i) increase in trade receivables mainly due to higher sales during the year-end period;
- (ii) decrease in trade payables mainly due to prompt repayment to our suppliers to maintain good relationship; and
- (iii) decrease in the amount owing to our Managing Director and Executive Director during the year.

Our current ratio increased from 1.14 times as at 31 December 2022 to 1.71 times as at 31 December 2023. This was mainly attributable to the following:

- (i) increase in inventories mainly due to higher stocking of vegetables and packaged beverages to meet customer demand;
- (ii) increase in trade receivables mainly due to higher sales during the year-end period; and
- (iii) settlement of amount owing to our Managing Director and Executive Director.

## 11. FINANCIAL INFORMATION (Cont'd)

### Gearing ratio

A summary of our gearing ratio for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings #	21,260	18,430	15,311	12,801
Shareholders' equity	7,991	11,109	15,901	24,697
<b>Gearing ratio (times)</b>	<b>2.66</b>	<b>1.66</b>	<b>0.96</b>	<b>0.52</b>

**Note:**

# Excluding lease liabilities on right-of-use assets.

Our gearing ratio has decreased from 2.66 times as at 31 December 2020 to 1.66 times as at 31 December 2021 mainly due to the decrease in term loans arising from the disposal of investment property and repayment of term loans and bankers' acceptance as well as the improvement in our shareholders' equity during the FYE 2021.

Our gearing ratio has further decreased from 1.66 times as at 31 December 2021 to 0.96 times as at 31 December 2022 mainly due to the decrease in term loans arising from the disposal of investment properties and repayment of term loans as well as the improvement in our shareholders' equity during the FYE 2022.

Our gearing ratio decreased from 0.96 times as at 31 December 2022 to 0.52 times as at 31 December 2023 mainly due to the decrease in term loans arising from the repayment of term loans as well as the improvement in our shareholders' equity during the FYE 2023.

### Interest coverage ratio

A summary of our interest coverage ratio for the Financial Years Under Review is set out below:

	<-----Audited FYE----->			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Earnings before interest and taxes	4,657	4,748	6,775	12,360
Total interest expenses #	765	792	631	569
<b>Interest coverage ratio (times)</b>	<b>6.09</b>	<b>5.99</b>	<b>10.74</b>	<b>21.72</b>

**Note:**

# Excluding lease liabilities interest on right-of-use assets.

Our interest coverage ratio has decreased from 6.09 times as at 31 December 2020 to 5.99 times as at 31 December 2021 mainly due to the increase in total interest expenses and offset by the marginal improvement in our earnings before interest and taxes during the FYE 2021.

Our interest coverage ratio has increased from 5.99 times as at 31 December 2021 to 10.74 times as at 31 December 2022 mainly due to the increase in our earnings before interest and taxes and the decrease in the total interest expenses arising from the repayment of term loans during the FYE 2022.

## **11. FINANCIAL INFORMATION (Cont'd)**

Our interest coverage ratio has increased from 10.74 times as at 31 December 2022 to 21.72 times as at 31 December 2023 mainly due to the increase in our earnings before interest and taxes and the decrease in the total interest expenses arising from the repayment of term loans during the FYE 2023.

### **11.5 TREND INFORMATION**

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expects to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 6 and 8 of this Prospectus;
- (b) material commitment for capital expenditure save as disclosed in Section 11.3.8 of this Prospectus;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Section 8 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been discussed in this section and in Section 8 of this Prospectus; and
- (e) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Section 8 of this Prospectus.

### **11.6 ORDER BOOK**

Due to the nature of our business which is the wholesale distribution and retailing of fresh vegetables, F&B products and other groceries, our Group does not maintain an order book.

### **11.7 SIGNIFICANT CHANGES**

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FYE 2023 and up to the LPD. Please refer to Section 6.19.1 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

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## 11. FINANCIAL INFORMATION (Cont'd)

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### 11.8 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

Our Group declared dividends of RM1.04 million in the FYE 2020, which represented 36.36% of our Group's PAT in the FYE 2020. We do not intend to declare and pay any dividend prior to our Listing.

Notwithstanding the above, our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as required under Section 132 of the Act;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Group to do so. The level of dividends should also not be treated as an indication of our Group's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. There is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



1 April 2024

The Board of Directors  
**Farm Price Holdings Berhad**  
Lot 55358, Jalan Seelong Jaya 15  
81400 Senai, Kulai  
Johor, Malaysia.

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA)  
Chartered Accountants (AF 0117)  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000  
F : +603 2282 9980

info@bakertilly.my  
www.bakertilly.my

Dear Sirs,

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**FARM PRICE HOLDINGS BERHAD (“Farm Price Holdings” or the “Company”)**

**REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

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We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of Farm Price Holdings and the combining entities, namely Farm Price Sdn. Bhd., Setia Kawan Marketing Sdn. Bhd., FP Foods Sdn. Bhd. and Topstar Trading Pte. Ltd. (collectively referred to as the “Group”) for which the Board of Directors of Farm Price Holdings are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 December 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Board of Directors of Farm Price Holdings have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia (“Prospectus Guidelines”) (“Applicable Criteria”).

The pro forma combined statements of financial position of the Group has been compiled by the Board of Directors of Farm Price Holdings, for illustrative purposes only, for inclusion in the prospectus of Farm Price Holdings (“Prospectus”) in connection with the initial public offering (“IPO”) in conjunction with the listing and quotation of the entire enlarged issued share capital of Farm Price Holdings on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale (collectively referred to as “IPO Shares”), after making certain assumptions and such adjustments to show the effects on the pro forma combined financial position of the Group as at 31 December 2023 adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.

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**11. FINANCIAL INFORMATION (Cont'd)**

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**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

Reporting Accountants' Report on the Compilation of the  
Pro Forma Combined Statements of Financial Position  
as at 31 December 2023 Included in a Prospectus

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As part of this process, information about the Group's pro forma combined financial position has been extracted by the Board of Directors of Farm Price Holdings from the audited combined financial statements of the Group for the financial year ended ("FYE") 31 December 2023, on which a reporting accountants' report dated 1 April 2024 has been issued.

The audited combined financial statements of the Group for the FYE 31 December 2023 were reported by us to the Board of Directors without any modifications.

**Directors' Responsibility for the Pro Forma Combined Statements of Financial Position**

The Board of Directors of Farm Price Holdings are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the Board of Directors of Farm Price Holdings based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board 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 of Farm Price Holdings have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

Reporting Accountants' Report on the Compilation of the  
Pro Forma Combined Statements of Financial Position  
as at 31 December 2023 Included in a Prospectus

**Reporting Accountants' Responsibilities (Continued)**

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined 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 combined statements of financial position.

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

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors of Farm Price Holdings in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing and the acquisition of the combining entities as described in Note 1.2 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 31 December 2023, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2023; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

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

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

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

**11. FINANCIAL INFORMATION (Cont'd)**



**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

Reporting Accountants' Report on the Compilation of the  
Pro Forma Combined Statements of Financial Position  
as at 31 December 2023 Included in a Prospectus

**Opinion**

In our opinion:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited financial statements of the Group for the FYE 31 December 2023 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its financial statements for the FYE 31 December 2023; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

**Other matter**

This report has been prepared for inclusion in the Prospectus of Farm Price Holdings in connection with the IPO. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or 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.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong  
No. 03459/11/2025 J  
Chartered Accountant



**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****1. INTRODUCTION**

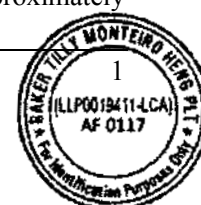
The pro forma combined statements of financial position of Farm Price Holdings Berhad (“Farm Price Holdings” or the “Company”) and its combining entities, namely Farm Price Sdn. Bhd. (“Farm Price”), Setia Kawan Marketing Sdn. Bhd. (“Setia Kawan”), FP Foods Sdn. Bhd. (“FP Foods”) and Topstar Trading Pte. Ltd. (“Topstar”) (hereinafter collectively referred to as the “Group”) has been compiled by the Board of Directors of Farm Price Holdings, for illustrative purposes only, for inclusion in the prospectus of Farm Price Holdings in connection with the listing and quotation of the entire enlarged issued share capital of RM40,453,204 comprising 450,000,000 ordinary shares in Farm Price Holdings (“Farm Price Holdings Share(s)” or “Share(s)”) on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

- 1.1 In conjunction with the admission of Farm Price Holdings to the Official List and Listing, Farm Price Holdings had undertaken the following transactions:

**1.2 Listing Scheme****1.2.1 Acquisitions**

On 12 June 2023 and 18 August 2023, Farm Price Holdings had entered into a conditional share sale agreements and supplemental share sale agreements for the followings:

- (i) acquisition of the entire issued share capital of Farm Price of RM2,450,000 comprising 2,450,000 ordinary shares from the shareholders of Farm Price for a total purchase consideration of RM9,661,950 satisfied entirely via the allotment and issuance of 210,500,000 new Farm Price Holdings Shares at an issue price of approximately RM0.0459 per Farm Price Holdings Share (“Acquisition of Farm Price”);
- (ii) acquisition of the entire issued share capital of FP Foods of RM800,000 comprising 800,000 ordinary shares from the shareholders of FP Foods for a total purchase consideration of RM3,364,424 satisfied entirely via the allotment and issuance of 73,299,000 new Farm Price Holdings Shares at an issue price of approximately RM0.0459 per Farm Price Holdings Share (“Acquisition of FP Foods”);
- (iii) acquisition of the entire issued share capital of Setia Kawan of RM480,002 comprising 480,002 ordinary shares from the shareholders of Setia Kawan for a total purchase consideration of RM1,946,160 satisfied entirely via the allotment and issuance of 42,400,000 new Farm Price Holdings Shares at an issue price of approximately RM0.0459 per Farm Price Holdings Share (“Acquisition of Setia Kawan”); and
- (iv) acquisition of the entire issued share capital of Topstar of RM61,266 comprising 20,002 ordinary shares from the shareholder of Topstar for a total purchase consideration of RM1,000,620 satisfied entirely via the allotment and issuance of 21,800,000 new Farm Price Holdings Shares at an issue price of approximately RM0.0459 per Farm Price Holdings Share (“Acquisition of Topstar”).

**Pro Forma Combined Statements of Financial Position**

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

1. (Continued)

1.2 (Continued)

**1.2.1 Acquisitions (continued)**

The Acquisition of Farm Price, Acquisition of Setia Kawan, Acquisition of FP Foods and Acquisition of Topstar are collectively referred to as the “Acquisitions”.

For information purposes, the purchase consideration of the Acquisitions was arrived at based on a “willing-buyer willing-seller” after taking into consideration of the audited net assets (“NA”) of the target companies as at 31 December 2022. The summary information in relation to the Acquisitions are as follows:

No	Target companies	Shareholders of the target companies	Audited NA as at 31 December 2022 (RM million)	Purchase consideration (RM million)	No. of Farm Price Holdings Shares issued (‘000)
(i)	Farm Price	a) Dr. Tiong Lee Chian (50%) b) Liew Tsuey Er (50%)	9.66	9.66	210,500
(ii)	FP Foods	a) Dr. Tiong Lee Chian (50%) b) Liew Tsuey Er (50%)	3.36	3.36	73,299
(iii)	Setia Kawan	a) Dr. Tiong Lee Chian (50%) b) Liew Tsuey Er (50%)	1.95	1.95	42,400
(iv)	Topstar	a) Dr. Tiong Lee Chian (100%)	1.00	1.00	21,800

**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

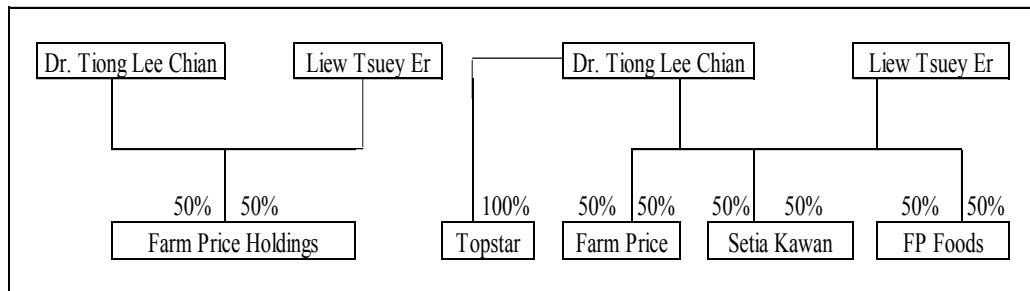
1. (Continued)

1.2 (Continued)

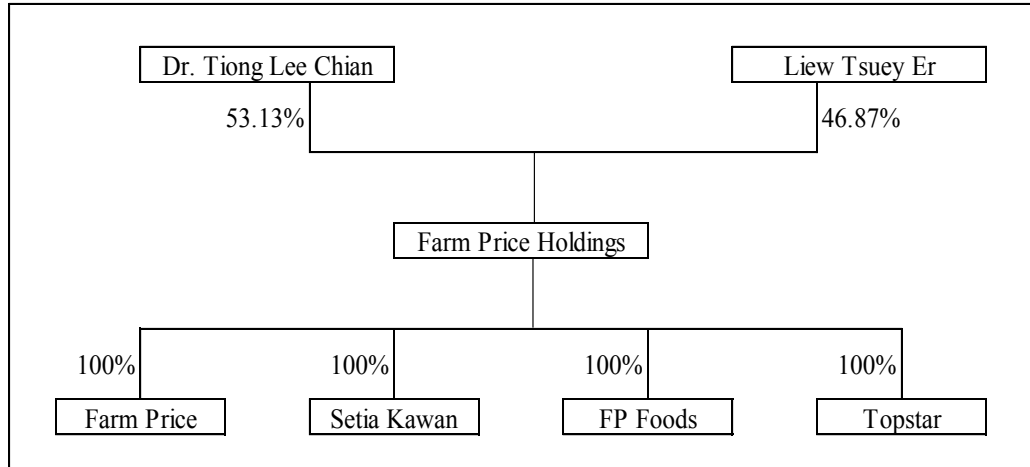
**1.2.1 Acquisitions (continued)**

The Group structure before and after the Acquisitions are illustrated below:

**As at 31 December 2023 (Before Acquisitions)**



**After the Acquisitions**



**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

1. (Continued)

1.2 (Continued)

**1.2.2 Public Issue**

The Public Issue of 102,000,000 new Farm Price Holdings Shares at the issue price of RM0.24 per Share (“IPO Price”), representing 22.67% of the enlarged share capital of Farm Price Holdings, will be allocated in the following manner:

- (i) 22,500,000 new shares to be issued under the Public Issue (“Issue Share(s)”), representing 5.00% of enlarged share capital, will be offered to the Malaysian Public;
- (ii) 11,250,000 Issue Shares, representing approximately 2.50% of enlarged share capital, will be made available for application by the eligible Directors, employees of the Group and persons who have contributed to the success of the Group; and
- (iii) 68,250,000 Issue Shares, representing 15.17% of enlarged share capital, will be made available for private placement to the selected investors.

(Collectively hereinafter referred to as “Public Issue”).

**1.2.3 Offer for Sale**

A total of 33,000,000 existing Farm Price Holdings Shares to be offered under Offer for Sale, representing 7.33% of enlarged share capital, are offered by the offerors, namely Tiong Lee Chian and Liew Tsuey Er to selected investors by way of private placement at IPO Price.

**1.2.4 Proposed Share Transfer**

The Proposed Share Transfer, an internal reorganisation exercise of Farm Price Holdings, which involves a transfer of Farm Price Holdings Shares by Tiong Lee Chian and Liew Tsuey Er to TLC Consolidation Sdn. Bhd., during the prescription period.

**1.2.5 Listing**

Upon completion of the IPO, Farm Price Holdings’s entire enlarged issued share capital of approximately RM40.45 million comprising 450,000,000 Shares will be listed on the ACE Market of Bursa Securities.



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**11. FINANCIAL INFORMATION (Cont'd)**

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**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

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**2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**

- 2.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of the Group as at 31 December 2023, adjusted for the Acquisitions, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2.1, 1.2.2, 1.2.3 and 3.2.2 respectively.
- 2.2 The pro forma combined statements of financial position have been prepared based on the audited combined financial statements of the Group for the financial year ended (“FYE”) 31 December 2023.
- 2.3 The audited combined financial statements of the Group for the FYE 31 December 2023 were reported by the auditors to the members without any modifications.
- 2.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FYE 31 December 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.



**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

- 3.1 The pro forma combined statements of financial position of the Group as set out below, for which the directors of Farm Price Holdings are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statement of financial position of the Group as at 31 December 2023, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Combined Statements of Financial Position as at 31 December 2023 <sup>#</sup> RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	25,022	25,022	25,022	25,022
Investment properties	522	522	522	522
<b>Total non-current assets</b>	<b>25,544</b>	<b>25,544</b>	<b>25,544</b>	<b>25,544</b>
<b>Current assets</b>				
Inventories	4,821	4,821	4,821	4,821
Current tax assets	167	167	167	167
Trade and other receivables	14,223	14,223	14,223	14,223
Cash and bank balances	3,705	3,705	28,185	26,133
<b>Total current assets</b>	<b>22,916</b>	<b>22,916</b>	<b>47,396</b>	<b>45,344</b>
<b>TOTAL ASSETS</b>	<b>48,460</b>	<b>48,460</b>	<b>72,940</b>	<b>70,888</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Group</b>				
Share capital	-	15,973	40,453	39,569
Invested equity	3,791	-	-	-
Exchange reserve	143	143	143	143
Reorganisation reserve	-	(12,182)	(12,182)	(12,182)
Retained earnings	20,763	20,763	20,763	19,595
<b>TOTAL EQUITY</b>	<b>24,697</b>	<b>24,697</b>	<b>49,177</b>	<b>47,125</b>

**Pro Forma Combined Statements of Financial Position**

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

## 3.1 (Continued)

	Combined Statements of Financial Position as at 31 December 2023 <sup>#</sup> RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
<b>Non-current liabilities</b>				
Loans and borrowings	9,457	9,457	9,457	9,457
Deferred tax liabilities	916	916	916	916
<b>Total non-current liabilities</b>	<b>10,373</b>	<b>10,373</b>	<b>10,373</b>	<b>10,373</b>
<b>Current liabilities</b>				
Loans and borrowings	3,588	3,588	3,588	3,588
Current tax liabilities	1,662	1,662	1,662	1,662
Trade and other payables	8,140	8,140	8,140	8,140
<b>Total current liabilities</b>	<b>13,390</b>	<b>13,390</b>	<b>13,390</b>	<b>13,390</b>
<b>TOTAL LIABILITIES</b>	<b>23,763</b>	<b>23,763</b>	<b>23,763</b>	<b>23,763</b>
<b>TOTAL EQUITY AND LIABILITIES</b>				
	<b>48,460</b>	<b>48,460</b>	<b>72,940</b>	<b>70,888</b>
Number of ordinary shares assumed to be in issue ('000)	3,751 <sup>S</sup>	348,000	450,000	450,000

NA <sup>^</sup> (RM'000)	24,697	24,697	49,177	47,125
NA per ordinary share (RM)	6.58	0.07	0.11	0.10
<sup>^</sup> attributable to owners of the Group				

<sup>#</sup> Extracted from Group's audited combined financial statements for the FYE 31 December 2023.

<sup>S</sup> Representing invested equity of the Group as at FYE 31 December 2023.

**Pro Forma Combined Statements of Financial Position**

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma combined statements of financial position are as follows:

3.2.1 The pro forma combined statements of financial position of the Group, for which the directors of Farm Price Holdings are solely responsible, have been prepared for illustrative purposes only, to show the effects on the combined audited statements of financial position of the Group as at 31 December 2023, had the transactions as described in Note 1.2 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be used in the following manner:

Purpose	RM'000	%	Estimated timeframe for utilisation from the date of listing
<b>Not reflected in pro forma combined statements of financial position</b>			
Construction of new facilities <sup>(1)</sup>	6,400	26.14	Within 24 months
Purchase of machinery, equipment and fleet <sup>(1)</sup>	2,000	8.17	Within 24 months
Planned regional distribution and procurement centre <sup>(1)</sup>	1,600	6.54	Within 18 months
Working capital	10,580	43.22	Within six (6) months
<b>Reflected in pro forma combined statements of financial position</b>			
Estimated listing expenses <sup>(2)</sup>	3,900	15.93	Within three (3) months
<b>Gross proceeds</b>	<b>24,480</b>	<b>100.00</b>	

Notes:

(1) As at 27 March 2024, being latest practicable date for this letter, the Group has yet to enter into any contractual binding agreement or issue any purchase order in relation to the construction of new facilities, purchase of machinery, equipment and fleet and planned regional distribution and procurement centre. Accordingly, the utilisation of proceeds earmarked for the construction of new facilities, purchase of machinery, equipment and fleet and planned regional distribution and procurement centre are not reflected in the pro forma combined statements of financial position.



**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

Notes:

(2) *The estimated listing expenses totaling RM3.90 million to be borne by the Company comprise of, among others, underwriting, placement and brokerage fees, professional fees as well as other miscellaneous expenses.*

*As at 31 December 2023, out of the RM3.90 million relating to the listing exercise earmarked for listing expenses, RM1.85 million has been incurred and charged to the Retained Earnings Account.*

*For the remaining estimated listing expenses of RM2.05 million to be incurred, RM1.17 million will be charged to Retained Earnings Account and the remaining RM0.88 million will be capitalised in Share Capital Account as these are directly attributable expenses relating to the new issuance of Shares.*

3.2.3 The pro forma combined statements of financial position should be read in conjunction with the notes below:

**(a) Pro Forma I**

Pro Forma I incorporates the effects of the incorporation of Farm Price Holdings and Acquisitions as described in Note 1.2.1 on the audited combined statements of financial position of the Group as at 31 December 2023.

**Incorporation of Farm Price Holdings**

Farm Price Holdings was incorporated on 23 May 2023 as a private limited liability company with 2 ordinary shares at price of RM1 per Farm Price Holdings Share. On 9 June 2023, the Company issued 998 new ordinary shares at price of RM0.0481 per Farm Price Holdings Share.



**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(a) Pro Forma I (continued)**

**Acquisition of Farm Price**

The reorganisation reserve arising from the Acquisition of Farm Price are as below:

	<b>RM'000</b>
Purchase consideration	9,662
Less: Share capital of Farm Price	(2,450)
Reorganisation reserve	<u>7,212</u>

**Acquisition of Setia Kawan**

The reorganisation reserve arising from the Acquisition of Setia Kawan are as below:

	<b>RM'000</b>
Purchase consideration	1,946
Less: Share capital of Setia Kawan	(480)
Reorganisation reserve	<u>1,466</u>

**Acquisition of FP Foods**

The reorganisation reserve arising from the Acquisition of FP Foods are as below:

	<b>RM'000</b>
Purchase consideration	3,364
Less: Share capital of FP Foods	(800)
Reorganisation reserve	<u>2,564</u>

**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(a) **Pro Forma I (continued)**

**Acquisition of Topstar**

The reorganisation reserve arising from the Acquisition of Topstar are as below:

	<b>RM'000</b>
Purchase consideration	1,001
Less: Share capital of Topstar	(61)
Reorganisation reserve	<u>940</u>

The Acquisitions will have the following impact on the audited combined statements of financial position of the Group as at 31 December 2023:

	<b>Increase/(Decrease)</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Share capital	-	15,973
Invested equity	-	(3,791)
Reorganisation reserve	-	(12,182)
	<u>-</u>	<u>-</u>

**11. FINANCIAL INFORMATION (Cont'd)**

**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(b) Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue as described in Notes 1.2.2 and 1.2.3 respectively.

The Public Issue will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2023:

	<b>Increase</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	24,480	-
Share capital	-	24,480
	24,480	24,480

**(c) Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM24.48 million and after netting off RM3.90 million of estimated listing expenses.

The remaining proceeds expected from the Public Issue of RM20.58 million will be used in the manner as described in Note 3.2.2.

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

**(c) Pro Forma III (continued)**

The proceeds arising from the Public Issue earmarked for the construction of new facilities, purchase of machinery, equipment and fleet, planned regional distribution and procurement centre and Group's working capital purposes of RM20.58 million will be included in the Cash and Bank Balances Account.

As at 31 December 2023, out of the RM3.90 million for listing expenses, RM1.85 million has been incurred and charged to the Retained Earnings Account.

For the remaining estimated listing expenses of RM2.05 million to be incurred, RM1.17 million will be charged to Retained Earnings Account and the remaining RM0.88 million will be capitalised in Share Capital Account as these are directly attributable expenses relating to the new issuance of Shares.

The utilisation of proceeds will have the following impact on the pro forma combined statements of financial position of the Group as at 31 December 2023:

	<b>Decrease</b>	
	<b>Effects on Total Assets RM'000</b>	<b>Effects on Total Equity RM'000</b>
Cash and bank balances	(2,052)	-
Share capital	-	(884)
Retained earnings	-	(1,168)
	(2,052)	(2,052)

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Invested equity RM'000	Exchange reserve RM'000	Reorganisation reserve RM'000	Retained earnings RM'000
Combined statements of financial position of the Group as at 31 December 2023 <sup>#</sup>	-	3,791	143	-	20,763
Arising from the Acquisitions	15,973	(3,791)	-	(12,182)	-
Per Pro Forma I	15,973	-	143	(12,182)	20,763
Arising from the Public Issue	24,480	-	-	-	-
Per Pro Forma II	40,453	-	143	(12,182)	20,763
Arising from the defrayment of estimated listing expenses in relation to the Listing	(884)	-	-	-	(1,168)
Per Pro Forma III	39,569	-	143	(12,182)	19,595

**11. FINANCIAL INFORMATION (Cont'd)****FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.5 Movements in cash and bank balances are as follows:

	<b>RM'000</b>
Combined statements of financial position of the Group as at 31 December 2023 <sup>#</sup>	3,705
Arising from the Acquisitions	-
Per Pro Forma I	<u>3,705</u>
Arising from the Public Issue	<u>24,480</u>
Per Pro Forma II	28,185
Arising from the defrayment of estimated listing expenses in relation to the Listing	<u>(2,052)</u>
Per Pro Forma III	<u>26,133</u>

**Pro Forma Combined Statements of Financial Position**

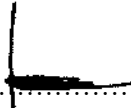
**11. FINANCIAL INFORMATION (Cont'd)**


**FARM PRICE HOLDINGS BERHAD AND ITS COMBINING ENTITIES**

**APPROVAL BY BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of Farm Price Holdings Berhad in accordance with a resolution dated

**22 MAR 2024**

  
.....  
**Tiong Lee Chian**  
Director

  
.....  
**Liew Tsuey Er**  
Director





## 12. ACCOUNTANTS' REPORT



Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA)  
Chartered Accountants (AF 0117)  
Baker Tilly Tower  
Level 10, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur, Malaysia

1 April 2024

The Board of Directors  
**Farm Price Holdings Berhad**  
Lot 55358, Jalan Seelong Jaya 15  
81400 Senai  
Johor

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Dear Sirs,

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**Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Farm Price Holdings Berhad ("Farm Price Holdings" or the "Company")**

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### Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively referred to as the "Group"), which comprise of:

- (i) The combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended; and
- (ii) Notes to the combined financial statements, including material accounting policy information, as set out on pages 6 to 68.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report of the Company gives a true and fair view of the combined financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

### 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 *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## 12. ACCOUNTANTS' REPORT (*Cont'd*)

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**FARM PRICE HOLDINGS BERHAD**  
(Incorporated in Malaysia)

### **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 Combined Financial Statements**

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

In preparing the combined financial statements 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.

The Board of Directors of the Company are responsible for overseeing the Group's financial reporting process.

### **Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements**

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

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**  
(Incorporated in Malaysia)**Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and 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 financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Reporting Accountants' 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 combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



**FARM PRICE HOLDINGS BERHAD**  
(Incorporated in Malaysia)

**Other Matters**

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon any other purpose. We do not assume responsibility to any other persons for the content of this report.

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong  
No. 03459/11/2025 J  
Chartered Accountant

Kuala Lumpur

Date: 1 April 2024

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

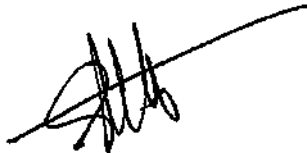
**STATEMENT BY DIRECTORS**

We, **TIONG LEE CHIAN** and **LIEW TSUEY ER**, being two of the directors of FARM PRICE HOLDINGS BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and of their combined financial performance and combined cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.



.....  
**TIONG LEE CHIAN**  
Director



.....  
**LIEW TSUEY ER**  
Director

Kuala Lumpur

Date: **22 MAR 2024**

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	17,486	18,414	22,419	25,022
Investment properties	6	7,813	8,139	2,248	522
<b>Total non-current assets</b>		<b>25,299</b>	<b>26,553</b>	<b>24,667</b>	<b>25,544</b>
<b>Current assets</b>					
Inventories	7	2,110	3,105	2,703	4,821
Current tax assets		102	122	49	167
Trade and other receivables	8	8,369	9,038	11,852	14,223
Cash and bank balances	9	6,248	5,272	4,066	3,705
<b>Total current assets</b>		<b>16,829</b>	<b>17,537</b>	<b>18,670</b>	<b>22,916</b>
<b>TOTAL ASSETS</b>		<b>42,128</b>	<b>44,090</b>	<b>43,337</b>	<b>48,460</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Group</b>					
Invested equity	10	3,791	3,791	3,791	3,791
Exchange reserve	11	2	5	49	143
Retained earnings		4,198	7,313	12,061	20,763
<b>TOTAL EQUITY</b>		<b>7,991</b>	<b>11,109</b>	<b>15,901</b>	<b>24,697</b>
<b>Non-current liabilities</b>					
Loans and borrowings	12	17,159	13,484	10,240	9,457
Deferred tax liabilities	13	310	626	869	916
<b>Total non-current liabilities</b>		<b>17,469</b>	<b>14,110</b>	<b>11,109</b>	<b>10,373</b>
<b>Current liabilities</b>					
Loans and borrowings	12	4,132	5,127	5,268	3,588
Current tax liabilities		492	248	517	1,662
Trade and other payables	14	12,044	13,496	10,542	8,140
<b>Total current liabilities</b>		<b>16,668</b>	<b>18,871</b>	<b>16,327</b>	<b>13,390</b>
<b>TOTAL LIABILITIES</b>		<b>34,137</b>	<b>32,981</b>	<b>27,436</b>	<b>23,763</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,128</b>	<b>44,090</b>	<b>43,337</b>	<b>48,460</b>

The accompanying notes form an integral part of these combined financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	←	FYE 31 December				→
		2020	2021	2022	2023	
Note		RM'000	RM'000	RM'000	RM'000	
Revenue	15	73,540	81,966	94,376	114,199	
Cost of sales		(61,488)	(70,339)	(78,955)	(91,121)	
<b>Gross profit</b>		12,052	11,627	15,421	23,078	
Other income	16	1,243	1,745	1,535	1,379	
Administrative expenses		(8,638)	(8,624)	(10,181)	(12,097)	
<b>Operating profit</b>		4,657	4,748	6,775	12,360	
Finance costs	17	(768)	(798)	(637)	(577)	
<b>Profit before tax</b>	18	3,889	3,950	6,138	11,783	
Income tax expenses	20	(1,026)	(835)	(1,390)	(3,081)	
<b>Profit for the financial year</b>		<b>2,863</b>	<b>3,115</b>	<b>4,748</b>	<b>8,702</b>	
<b>Other comprehensive income, net of tax</b>						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations		*	3	44	94	
<b>Other comprehensive income for the financial year</b>		*	3	44	94	
<b>Total comprehensive income for the financial year</b>		<b>2,863</b>	<b>3,118</b>	<b>4,792</b>	<b>8,796</b>	
<b>Earnings per share (RM)</b>						
- Basic and diluted	21	0.76	0.83	1.27	2.32	

\* Less than RM1,000

The accompanying notes form an integral part of these combined financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Note	← Attributable to owners of the Group →			Total equity RM'000
		Invested equity RM'000	Exchange reserves RM'000	Retained earnings RM'000	
<b>At 1 January 2020</b>		<b>3,730</b>	<b>2</b>	<b>2,371</b>	<b>6,103</b>
<b>Total comprehensive income for the financial year</b>					
Profit for the financial year		-	-	2,863	2,863
Other comprehensive income for the financial year		-	*	-	-
Total comprehensive income		-	-	2,863	2,863
<b>Transaction with owners</b>					
Issuance of ordinary shares	10	61	-	-	61
Dividends paid on shares	22	-	-	(1,036)	(1,036)
Total transactions with owners		61	-	(1,036)	(975)
<b>At 31 December 2020</b>		<b>3,791</b>	<b>2</b>	<b>4,198</b>	<b>7,991</b>
<b>Total comprehensive income for the financial year</b>					
Profit for the financial year		-	-	3,115	3,115
Other comprehensive income for the financial year		-	3	-	3
Total comprehensive income		-	3	3,115	3,118
<b>At 31 December 2021</b>		<b>3,791</b>	<b>5</b>	<b>7,313</b>	<b>11,109</b>
<b>Total comprehensive income for the financial year</b>					
Profit for the financial year		-	-	4,748	4,748
Other comprehensive income for the financial year		-	44	-	44
Total comprehensive income		-	44	4,748	4,792
<b>At 31 December 2022</b>		<b>3,791</b>	<b>49</b>	<b>12,061</b>	<b>15,901</b>



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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

Note	← Attributable to owners of the Group →			Total equity RM'000
	Invested equity RM'000	Exchange reserves RM'000	Retained earnings RM'000	
<b>At 1 January 2023</b>	<b>3,791</b>	<b>49</b>	<b>12,061</b>	<b>15,901</b>
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	8,702	8,702
Other comprehensive income for the financial year	-	94	-	94
Total comprehensive income	-	94	8,702	8,796
<b>At 31 December 2023</b>	<b>3,791</b>	<b>143</b>	<b>20,763</b>	<b>24,697</b>

\* *Less than RM1,000*

The accompanying notes form an integral part of these combined financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS**

	← FYE 31 December →			
	2020	2021	2022	2023
Note	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit before tax:	3,889	3,950	6,138	11,783
Adjustments for:				
Gain on disposal of property, plant and equipment	(58)	(54)	(94)	-
Gain on disposal of investment properties	-	(513)	(925)	(693)
Property, plant and equipment written off	356	-	1	55
Depreciation of property, plant and equipment	834	1,058	1,357	1,632
Depreciation of investment properties	129	151	105	9
Impairment loss on trade receivables	-	-	738	180
Bad debts written off	372	104	49	28
Inventories written off	-	4	-	-
Net unrealised foreign exchange gain	(82)	(123)	(35)	-
Net unrealised foreign exchange loss				19
Finance costs	768	798	637	577
Finance income	(121)	(436)	(*)	(3)
<b>Operating profit before changes in working capital</b>	<b>6,087</b>	<b>4,939</b>	<b>7,971</b>	<b>13,587</b>
<u>Changes in working capital:</u>				
Inventories	81	(999)	402	(2,118)
Trade and other receivables	(1,482)	(919)	(1,720)	(4,251)
Trade and other payables	2,231	1,365	(2,245)	1,250
Net cash generated from operations	6,917	4,386	4,408	8,468
Income tax paid	(370)	(783)	(804)	(2,012)
Interests paid	(3)	(*)	(2)	(1)
Interests received	121	436	*	3
<b>Net cash from operating activities</b>	<b>6,665</b>	<b>4,039</b>	<b>3,602</b>	<b>6,458</b>

**12. ACCOUNTANTS' REPORT (Cont'd)**
**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Note	← FYE 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(a)	(1,945)	(2,002)	(4,356)	(2,461)
Proceeds from disposal of property, plant and equipment		109	68	94	*
Proceeds from disposal of investment properties		-	998	6,710	2,410
<b>Net cash (used in)/from investing activities</b>		<b>(1,836)</b>	<b>(936)</b>	<b>2,448</b>	<b>(51)</b>
<b>Cash flows from financing activities</b>					
	(b)				
Proceeds from issuance of ordinary shares		61	-	-	*
Drawdown of term loans		11,214	1,657	3,369	7,989
Repayment of term loans		(10,709)	(4,029)	(7,130)	(11,584)
Drawdown of bankers' acceptances		5,672	3,679	3,183	5,343
Repayment of bankers' acceptances		(5,722)	(4,387)	(2,632)	(5,117)
Payment of lease liabilities		(786)	(895)	(1,136)	(1,153)
Net change in amount owing to directors		1,739	340	(1,093)	(3,417)
Net change in amount due from related parties		-	-	(1,173)	1,651
Dividends paid		(1,036)	-	-	-
Interests paid		(765)	(798)	(635)	(576)
<b>Net cash used in financing activities</b>		<b>(332)</b>	<b>(4,433)</b>	<b>(7,247)</b>	<b>(6,864)</b>
Net increase/(decrease) in cash and cash equivalents		4,497	(1,330)	(1,197)	(457)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,773</b>	<b>6,248</b>	<b>5,077</b>	<b>4,066</b>
Effects of exchange rate changes on cash and cash equivalents		(22)	159	186	96
<b>Cash and cash equivalents at the end of the financial year</b>	<b>9</b>	<b>6,248</b>	<b>5,077</b>	<b>4,066</b>	<b>3,705</b>

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)**
**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

## (a) Purchase of property, plant and equipment

	Note	← FYE 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Purchase of property, plant and equipment	5	2,675	2,979	5,390	4,302
Financed by way of lease arrangement		(730)	(977)	(1,034)	(1,841)
<b>Cash payments on purchase of property, plant and equipment</b>		<b>1,945</b>	<b>2,002</b>	<b>4,356</b>	<b>2,461</b>

## (b) Reconciliation of liabilities arising from financing activities:

	← Non-cash →					31.12.2020 RM'000
	1.1.2020 RM'000	Cash flows RM'000	Acquisition RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
Term loans	17,680	505	-	-	(20)	18,165
Bankers' acceptances	1,223	(50)	-	-	-	1,173
Lease liabilities	2,016	(786)	731	(8)	-	1,953
Amount owing to directors	2,160	1,739	-	-	(3)	3,896
	<b>23,079</b>	<b>1,408</b>	<b>731</b>	<b>(8)</b>	<b>(23)</b>	<b>25,187</b>

	← Non-cash →					31.12.2021 RM'000
	1.1.2021 RM'000	Cash flows RM'000	Acquisition RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
Term loans	18,165	(2,372)	-	-	139	15,932
Bankers' acceptances	1,173	(708)	-	-	-	465
Lease liabilities	1,953	(895)	977	(16)	-	2,019
Amount owing to directors	3,896	340	-	-	34	4,270
	<b>25,187</b>	<b>(3,635)</b>	<b>977</b>	<b>(16)</b>	<b>173</b>	<b>22,686</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

(b) Reconciliation of liabilities arising from financing activities: (continued)

	← Non-cash →					31.12.2022 RM'000
	1.1.2022 RM'000	Cash flows RM'000	Acquisition RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
Term loans	15,932	(3,761)	-	-	430	12,601
Bankers' acceptances	465	551	-	-	-	1,016
Lease liabilities	2,019	(1,136)	1,035	(27)	-	1,891
Amount owing to directors	4,270	(1,093)	-	-	168	3,345
	22,686	(5,439)	1,035	(27)	598	18,853

	← Non-cash →					31.12.2023 RM'000
	1.1.2023 RM'000	Cash flows RM'000	Acquisition RM'000	Derecognition RM'000	Foreign exchange movement RM'000	
Term loans	12,601	(3,595)	-	-	230	9,236
Bankers' acceptances	1,016	226	-	-	-	1,242
Lease liabilities	1,891	(1,153)	1,841	(12)	-	2,567
Amount owing to directors	3,345	(3,417)	-	-	72	-
	18,853	(7,939)	1,841	(12)	302	13,045

(c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM1,354,770 (2020: RM1,022,189, 2021: RM1,144,027 and 2022: RM1,367,805).

The accompanying notes form an integral part of these financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Farm Price Holdings Berhad ("Farm Price Holdings" or the "Company") was incorporated on 23 May 2023 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares and assumed its present name on 26 June 2023. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur Wilayah Persekutuan, Kuala Lumpur Malaysia. The principal place of business of the Company is located at Lot 55358, Jalan Seelong Jaya 15, 81400 Senai, Johor.

The principal activity of the Company is investment holding. The details of the operating entities are as follows:

<b>Operating entities</b>	<b>Principal place of business/ country of incorporation</b>	<b>Principal activities</b>
Farm Price Sdn. Bhd. ("Farm Price")	Malaysia	Wholesale distribution of fresh vegetables and food and beverage ("F&B") products
FP Foods Sdn. Bhd. ("FP Foods")	Malaysia	Wholesale distribution of F&B products and groceries
Setia Kawan Marketing Sdn. Bhd. ("Setia Kawan")	Malaysia	Retailing of fresh vegetables, F&B products and groceries
Topstar Trading Pte. Ltd. ("Topstar")	Singapore	Wholesale distribution of fresh vegetables

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 March 2024.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION**

The combined financial statements of the Company for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 have been prepared pursuant to the listing and quotation of the entire enlarged issued share capital of Farm Price Holdings on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years.

Entities Under Common Control	FYE 31 December			
	2020	2021	2022	2023
Farm Price Holdings	^	^	^	#
Farm Price	@	@	#	#
FP Foods	@	@	#	#
Setia Kawan	@	@	#	#
Topstar	>	>	#	+

<sup>^</sup> No financial statements were available as the Company was incorporated on 23 May 2023.

<sup>@</sup> The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were reaudited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with the Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.

<sup>></sup> The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were reaudited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group.

<sup>#</sup> The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by Baker Tilly Monteiro Heng PLT.

<sup>+</sup> The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by auditors other than Baker Tilly Monteiro Heng PLT.

**Farm Price, FP Foods and Setia Kawan**

For the financial years ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, Farm Price Holdings has common control over the Companies through 100% direct interests held by the directors of Farm Price Holdings. As a result, the Companies were included in the combined financial statements for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****Farm Price, FP Foods and Setia Kawan**

On 12 June 2023 and 18 August 2023, the Company had entered into a conditional share sale agreement ("SSA") and supplemental SSA for the following:

- (a) Acquisition of the entire issued share capital of Farm Price of RM2,450,000 comprising 2,450,000 ordinary shares from the shareholders of Farm Price for a total purchase consideration of RM9,661,950. The purchase consideration was entirely satisfied by the issuance of 210,500,000 new Shares at an issue price of approximately RM0.0459 per Share to the shareholders of Farm Price, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM9,661,950 was arrived at on a willing buyer-willing seller basis and after taking into account the audited net assets ("NA") of Farm Price as at 31 December 2022 of approximately RM9.66 million;
- (b) Acquisition of the entire issued share capital of FP Foods of RM800,000 comprising 800,000 ordinary shares from the shareholders of FP Foods for a total purchase consideration of RM 3,364,424. The purchase consideration was entirely satisfied by the issuance of 73,299,000 new Shares in aggregate at an issue price of approximately RM0.0459 per Share to the shareholders of FP Foods, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM3,364,424 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of FP Foods as at 31 December 2022 of approximately RM3.36 million; and
- (c) Acquisition of the entire issued share capital of Setia Kawan of RM480,002 comprising 480,002 ordinary shares from the shareholders of Setia Kawan for a total purchase consideration of RM1,946,160. The purchase consideration was entirely satisfied by the issuance of 42,400,000 new Shares in aggregate at an issue price of approximately RM0.0459 per Share to the shareholders of Setia Kawan, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM1,946,160 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Setia Kawan as at 31 December 2022 of approximately RM1.95 million.

**Topstar**

For the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, Farm Price Holdings has common control over Topstar through 100% direct interests held by a director of Farm Price Holdings. As a result, Topstar was included in the combined financial statements for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

On 12 June 2023 and 18 August 2023, the Company has entered into a conditional SSA and supplemental SSA for the acquisition of 100% equity interest (representing 20,002 ordinary shares) in Topstar, an operating entity of the Group for a total purchase consideration of RM1,001,620. The purchase consideration was entirely satisfied by the issuance of 21,800,000 new shares at an issue price of approximately RM0.0459 per share to the shareholders of Topstar.

The audited financial statements of all the operating entities within the Group for the relevant years reported above were not subject to any modifications.



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)**

Combined financial statements of the Group for FYE 31 December 2020, 31 December, 2021, 31 December 2022 and 31 December 2023

The combined financial statements of the Group for the relevant period were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of the entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). 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 commonly controlled 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 financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the consolidated financial statements of the Group had the relevant proposed transactions to legally constitute a group been incorporated in the consolidated financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

**2.1 Statement of compliance**

The combined financial statements of the Group has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs").

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 Amendments to MFRSs that have been issued, but yet to be effective**

**2.2.1** The Group has not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		<b>Effective for financial periods beginning on or after</b>
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

**2.2.2** The Group plans to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group are summarised below.

**Amendments to MFRS 16 Leases**

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

**Amendments to MFRS 101 Presentation of Financial Statements**

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 Amendments to MFRSs that have been issued, but yet to be effective (continued)**

**2.2.2** The Group plans to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group are summarised below. (continued)

***Amendments to MFRS 101 Presentation of Financial Statements (continued)***

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the combined financial statements.

***Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures***

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

***Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates***

Amendments to MFRS 121 respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies.

Applying the Amendments, entities will be applying a consistent approach in determining if a currency can be exchanged into another currency. These amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact on the entities' financial performance, financial position and cash flows as a result of a currency being not exchangeable into another currency.

**2.2.3** The initial application of the above applicable amendments to MFRSs are not expected to have any material impact on the prior year and current periods of financial statements.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, has been rounded to the nearest thousand, unless otherwise stated.

**2.4 Basis of measurement**

The financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

The Group has adopted the amendments to MFRS 101, *Presentation of Financial Statements* whereby an entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information in the Group's financial statements, it can reasonably be expected to influence decisions that the primary users make on the basis of those financial information.

The Group has early adopted the amendments to MFRS 101 to reporting periods before 1 January 2023. Accordingly, the Group disclosed their material accounting policy information in these combined financial statements. However, the amendments did not result in changes to the accounting policies of the Group.

Unless otherwise stated, the following material accounting policy information have been applied consistently to all the financial years presented in the combined financial statements of the Group.

**3.1 Basis of consolidation****Subsidiaries and business combinations**

The Group applies the acquisition method of accounting except for those business combinations which were accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to reorganisation reserve or merger deficit.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.2 Financial instruments****Financial assets – subsequent measurement and gains and losses**Debt instruments at amortised cost

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

**Financial liabilities – subsequent measurement and gains and losses**

The Group classifies the financial liabilities at amortised cost.

The Group subsequently measures other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**3.3 Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment (other than the right-of-use assets as disclosed in Note 3.4) are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	<b>Useful lives (years)</b>
Buildings	50
Cold room, furniture and fittings and office equipment	5 – 10
Computer and software	10
Renovation and electrical installation	5 – 10
Machinery, tools and equipment	5 – 10
Motor vehicles	5 – 10

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.4 Leases****(a) Lessee accounting**

The Group presents right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 5 and lease liabilities as loans and borrowings in Note 12.

Short-term leases and leases for low value assets

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

Right-of-use assets

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

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payment that are not paid at the commencement date, discounted by using the incremental borrowing rate.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**(b) Lessor accounting**

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.5 Investment properties**

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. All other investment properties are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	<b>Useful lives (years)</b>
Freehold building	50
Leasehold land	80 - 84
Leasehold building	48 - 50

**3.6 Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for trading goods: purchase costs on a first-in-first-out basis.

**3.7 Revenue and other income**Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing component as the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

**Sale of goods**

The Group sells vegetables, fruits and other food products to customers. Revenue from sale of trading goods are recognised at the point in time when control of the goods has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with credit terms ranging from the date of invoices to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year are disclosed as follows:

**(a) Depreciation and useful lives of property, plant and equipment**

As disclosed in Note 3.3, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

**(b) Impairment of financial assets**

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

The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are depending on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)****(b) Impairment of financial assets (continued)**

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's financial assets are disclosed in Note 23(b)(i).

**(c) Measurement of income taxes**

The Group operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Group's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group are disclosed in Note 20.

**(d) Impairment of non-financial assets**

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less costs of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Note 5.

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT**

	Note	Freehold land RM'000	Buildings RM'000	Cold room, furniture and fittings and office equipment RM'000	Computer and software RM'000	Renovation and electrical installation RM'000	Machinery, tools and equipment RM'000	Motor vehicles RM'000	Property under construction RM'000	Right-of-use assets RM'000	Total RM'000
<b>Cost</b>											
At 1 January 2020		3,545	10,491	1,377	329	629	1,163	3,621	-	66	21,221
Additions		-	1,093	147	18	185	190	912	130	-	2,675
Disposal		-	-	(76)	-	-	-	(299)	-	-	(375)
Write-off	18	-	-	(686)	(125)	(532)	(148)	-	-	-	(1,491)
Transfer to investment properties		(169)	(423)	-	-	-	-	-	-	-	(592)
Derecognition of lease		-	-	-	-	-	-	-	-	(17)	(17)
At 31 December 2020		3,376	11,161	762	222	282	1,205	4,234	130	49	21,421

**Accumulated depreciation**

At 1 January 2020		-	340	744	141	476	443	2,460	-	3	4,607
Depreciation charge for the financial year	18	-	211	66	22	22	92	396	-	25	834
Disposal		-	-	(46)	-	-	-	(280)	-	-	(326)
Write-off	18	-	-	(491)	(91)	(450)	(103)	-	-	-	(1,135)
Transfer to investment properties		-	(36)	-	-	-	-	-	-	-	(36)
Derecognition of lease		-	-	-	-	-	-	-	-	(9)	(9)
At 31 December 2020		-	515	273	72	48	432	2,576	-	19	3,935

**Carrying amount**

At 1 January 2020		3,545	10,151	633	188	153	720	1,161	-	63	16,614
At 31 December 2020		3,376	10,646	489	150	234	773	1,658	130	30	17,486

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Freehold land RM'000	Buildings RM'000	Cold room, furniture and fittings and office equipment RM'000	Computer and software RM'000	Renovation and electrical installation RM'000	Machinery, tools and equipment RM'000	Motor vehicles RM'000	Property under construction RM'000	Right-of- use assets RM'000	Total RM'000
<b>Cost</b>											
At 1 January 2021		3,376	11,161	762	222	282	1,205	4,234	130	49	21,421
Additions		-	180	1,012	31	175	604	751	-	226	2,979
Disposal		-	-	-	-	-	-	(259)	-	-	(259)
Reclassification		-	-	-	-	-	-	-	-	1,082	1,082
Transfer to investment properties		(644)	(1,503)	-	-	-	-	-	-	-	(2,147)
Derecognition of lease		-	-	-	-	-	-	-	-	(49)	(49)
At 31 December 2021		2,732	9,838	1,774	253	457	1,809	4,726	130	1,308	23,027
<b>Accumulated depreciation</b>											
At 1 January 2021		-	515	273	72	48	432	2,576	-	19	3,935
Depreciation charge for the financial year	18	-	196	116	24	37	124	498	-	63	1,058
Disposal		-	-	-	-	-	-	(245)	-	-	(245)
Reclassification		-	-	-	-	-	-	-	-	103	103
Transfer to investment properties		-	(205)	-	-	-	-	-	-	-	(205)
Derecognition of lease		-	-	-	-	-	-	-	-	(33)	(33)
At 31 December 2021		-	506	389	96	85	556	2,829	-	152	4,613
<b>Carrying amount</b>											
At 1 January 2021		3,376	10,646	489	150	234	773	1,658	130	30	17,486
At 31 December 2021		2,732	9,332	1,385	157	372	1,253	1,897	130	1,156	18,414

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Freehold land RM'000	Buildings RM'000	Cold room, furniture and fittings and office equipment RM'000	Computer and software RM'000	Renovation and electrical installation RM'000	Machinery, tools and equipment RM'000	Motor vehicles RM'000	Property under construction RM'000	Right-of- use assets RM'000	Total RM'000
<b>Cost</b>											
At 1 January 2022		2,732	9,838	1,774	253	457	1,809	4,726	130	1,308	23,027
Additions		2,689	-	25	53	282	176	876	1,130	159	5,390
Disposal		-	-	-	-	-	-	(397)	-	-	(397)
Write-off	18	-	-	-	-	-	-	(10)	-	-	(10)
Derecognition of lease		-	-	-	-	-	-	-	-	(51)	(51)
At 31 December 2022		5,421	9,838	1,799	306	739	1,985	5,195	1,260	1,416	27,959
<b>Accumulated depreciation</b>											
At 1 January 2022		-	506	389	96	85	556	2,829	-	152	4,613
Depreciation charge for the financial year	18	-	197	169	28	62	168	628	-	105	1,357
Disposal		-	-	-	-	-	-	(397)	-	-	(397)
Write-off	18	-	-	-	-	-	-	(9)	-	-	(9)
Derecognition of lease		-	-	-	-	-	-	-	-	(24)	(24)
At 31 December 2022		-	703	558	124	147	724	3,051	-	233	5,540
<b>Carrying amount</b>											
At 1 January 2022		2,732	9,332	1,385	157	372	1,253	1,897	130	1,156	18,414
At 31 December 2022		5,421	9,135	1,241	182	592	1,261	2,144	1,260	1,183	22,419

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Note	Freehold land RM'000	Buildings RM'000	Cold room, furniture and fittings and office equipment RM'000	Computer and software RM'000	Renovation and electrical installation RM'000	Machinery, tools and equipment RM'000	Motor vehicles RM'000	Property under construction RM'000	Right-of-use assets RM'000	Total RM'000
<b>Cost</b>											
At 1 January 2023		5,421	9,838	1,799	306	739	1,985	5,195	1,260	1,416	27,959
Additions		-	57	532	57	174	214	1,802	1,241	225	4,302
Disposal		-	-	-	-	-	-	(401)	-	-	(401)
Write-off	18	-	-	(5)	-	(74)	-	-	-	-	(79)
Derecognition of lease		-	-	-	-	-	-	-	-	(17)	(17)
At 31 December 2023		5,421	9,895	2,326	363	839	2,199	6,596	2,501	1,624	31,764
<b>Accumulated depreciation</b>											
At 1 January 2023		-	703	558	124	147	724	3,051	-	233	5,540
Depreciation charge for the financial year	18	-	198	209	34	67	188	750	-	186	1,632
Disposal		-	-	-	-	-	-	(401)	-	-	(401)
Write-off	18	-	-	(2)	-	(22)	-	-	-	-	(24)
Derecognition of lease		-	-	-	-	-	-	-	-	(5)	(5)
At 31 December 2023		-	901	765	158	192	912	3,400	-	414	6,742
<b>Carrying amount</b>											
At 1 January 2023		5,421	9,135	1,241	182	592	1,261	2,144	1,260	1,183	22,419
At 31 December 2023		5,421	8,994	1,561	205	647	1,287	3,196	2,501	1,210	25,022

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Assets pledged as security**

Freehold land and buildings with a carrying amount of RM14,667,768 (2020: RM14,022,173, 2021: RM12,064,702 and 2022: RM14,556,876) have been pledged as security to secure term loans of the Group as disclosed in Note 12(a).

Leased assets are pledged as security for the related finance lease liability is disclosed in Note 12(b).

**(b) Right-of-use assets**

The Group leases building for their warehouse and staff hostel. The leases for warehouse and staff hostel generally have lease terms of 2 to 4 years.

The Group also has leases land and buildings for their office space and operation site. The leases for office space and operation site generally have remaining lease term of 47 to 75 (2020: 50 to 78, 2021: 49 to 77 and 2022: 48 to 76) years.

Information about leases for which the Group is a lessee is presented below:

	Leasehold land RM'000	Leasehold building RM'000	Warehouse RM'000	Hostel RM'000	Total RM'000
<b>Carrying amount</b>					
At 1 January 2020	-	-	-	63	63
Depreciation	-	-	-	(25)	(25)
Derecognition of lease	-	-	-	(8)	(8)
At 31 December 2020	-	-	-	30	30
Additions	-	-	123	103	226
Depreciation	(1)	(3)	(31)	(28)	(63)
Reclassification	309	670	-	-	979
Derecognition of lease	-	-	-	(16)	(16)
At 31 December 2021	308	667	92	89	1,156
Additions	-	32	110	17	159
Depreciation	(4)	(16)	(53)	(32)	(105)
Derecognition of lease	-	-	-	(27)	(27)
At 31 December 2022	<b>304</b>	<b>683</b>	<b>149</b>	<b>47</b>	<b>1,183</b>
Additions	-	-	209	16	225
Depreciation	(4)	(15)	(143)	(24)	(186)
Derecognition of lease	-	-	-	(12)	(12)
At 31 December 2023	<b>300</b>	<b>668</b>	<b>215</b>	<b>27</b>	<b>1,210</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

## Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES**

	Note	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2020		1,376	4,956	432	1,228	7,992
Transfer from property, plant and equipment		169	423	-	-	592
At 31 December 2020		<b>1,545</b>	<b>5,379</b>	<b>432</b>	<b>1,228</b>	<b>8,584</b>
<b>Accumulated depreciation</b>						
At 1 January 2020		-	455	20	131	606
Depreciation charge for the financial year	18	-	99	5	25	129
Transfer from property, plant and equipment		-	36	-	-	36
At 31 December 2020		-	<b>590</b>	<b>25</b>	<b>156</b>	<b>771</b>
<b>Carrying amount</b>						
At 1 January 2020		1,376	4,501	412	1,097	7,386
At 31 December 2020		<b>1,545</b>	<b>4,789</b>	<b>407</b>	<b>1,072</b>	<b>7,813</b>
	Note	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2021		1,545	5,379	432	1,228	8,584
Disposal		(175)	(383)	-	-	(558)
Transfer from property, plant and equipment		644	1,503	-	-	2,147
Reclassification		-	-	(332)	(750)	(1,082)
At 31 December 2021		<b>2,014</b>	<b>6,499</b>	<b>100</b>	<b>478</b>	<b>9,091</b>
<b>Accumulated depreciation</b>						
At 1 January 2021		-	590	25	156	771
Depreciation charge for the financial year	18	-	124	5	22	151
Disposal		-	(73)	-	-	(73)
Transfer from property, plant and equipment		-	205	-	-	205
Reclassification		-	-	(22)	(80)	(102)
At 31 December 2021		-	<b>846</b>	<b>8</b>	<b>98</b>	<b>952</b>
<b>Carrying amount</b>						
At 1 January 2021		1,545	4,789	407	1,072	7,813
At 31 December 2021		<b>2,014</b>	<b>5,653</b>	<b>92</b>	<b>380</b>	<b>8,139</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)**

	Note	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2022		2,014	6,499	100	478	9,091
Disposal		(1,845)	(4,662)	-	-	(6,507)
At 31 December 2022		<b>169</b>	<b>1,837</b>	<b>100</b>	<b>478</b>	<b>2,584</b>
<b>Accumulated depreciation</b>						
At 1 January 2022		-	846	8	98	952
Depreciation charge for the financial year	18	-	94	1	10	105
Disposal		-	(721)	-	-	(721)
At 31 December 2022		-	<b>219</b>	<b>9</b>	<b>108</b>	<b>336</b>
<b>Carrying amount</b>						
At 1 January 2022		<b>2,014</b>	<b>5,653</b>	<b>92</b>	<b>380</b>	<b>8,139</b>
At 31 December 2022		<b>169</b>	<b>1,618</b>	<b>91</b>	<b>370</b>	<b>2,248</b>
	Note	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2023		169	1,837	100	478	2,584
Disposal		-	(1,414)	(100)	(478)	(1,992)
At 31 December 2023		<b>169</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>592</b>
<b>Accumulated depreciation</b>						
At 1 January 2023		-	219	9	108	336
Depreciation charge for the financial year	18	-	9	-	-	9
Disposal		-	(158)	(9)	(108)	(275)
At 31 December 2023		-	<b>70</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>Carrying amount</b>						
At 1 January 2023		<b>169</b>	<b>1,618</b>	<b>91</b>	<b>370</b>	<b>2,248</b>
At 31 December 2023		<b>169</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>522</b>



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVESTMENT PROPERTIES (CONTINUED)**

The following are recognised in profit or loss in respect of investment properties:

	← As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Rental income	330	397	310	82
Direct operating expenses	23	17	12	30

**Investment properties pledged as securities**

Land and buildings with a carrying amount of RM522,388 (2020: RM7,812,685, 2021: RM8,139,112 and 2022: RM2,248,221) have been pledged as security to secure loans and borrowings granted to the Group as disclosed in Note 12.

**Fair value information**

The fair value of investment properties of approximately RM810,000 (2020: RM9,400,000, 2021: RM9,710,000 and 2022: RM3,000,000) is categorised at Level 3 of the fair value hierarchy.

There are no Level 1 and Level 2 investment properties or transfers between Level 1, Level 2 and Level 3 during the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

**Level 3 fair value**

The following table shows the valuation techniques used in the determination of fair values within level 3, as well as the significant unobservable inputs used in the valuation models.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings	Sales comparison approach	Price per square foot	The higher the price per square foot, the higher the fair value

**Valuation processes applied by the Group**

The Group's finance department includes a team that performs valuation analysis of land required for financial reporting purposes, including Level 3 fair values. This team reports directly to the director.

**Highest and best use**

In estimating the fair value of the properties, the highest and best use of the properties in their current use.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****7. INVENTORIES**

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>At lower of cost and net realisable value:</b>				
Trading goods	2,110	3,105	2,703	4,821

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of continuing operations was RM88,330,539 (2020: RM59,965,813, 2021: RM68,738,460 and 2022: RM77,341,157).

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write off of inventories was RMNil (2020: RMNil, 2021: RM4,200 and 2022: RMNil).

**8. TRADE AND OTHER RECEIVABLES**

	← As at 31 December →			
Note	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Trade</b>				
Trade receivables (a)				
- Third parties	7,525	7,919	9,831	14,475
- Related parties	6	10	4	-
Less: Impairment losses on trade receivables	-	-	(738)	(901)
	<b>7,531</b>	<b>7,929</b>	<b>9,097</b>	<b>13,574</b>
<b>Non-trade</b>				
Other receivables	23	137	22	77
Deposits	450	710	701	187
Prepayments	99	164	165	385
Amount owing by directors (b)	266	98	417	-
Amount owing by related parties (b)	-	-	1,450	-
	<b>838</b>	<b>1,109</b>	<b>2,755</b>	<b>649</b>
Total trade and other receivables	<b>8,369</b>	<b>9,038</b>	<b>11,852</b>	<b>14,223</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****8. TRADE AND OTHER RECEIVABLES (CONTINUED)****(a) Trade receivables**

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from the date of invoices to 90 days. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables is as follows:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	738
Charge for the financial year	-	-	738	180
Reversal of impairment losses	-	-	-	(17)
<b>At 31 December</b>	<b>-</b>	<b>-</b>	<b>738</b>	<b>901</b>

**(b) Amount owing by directors and related parties**

Amount owing by directors and related parties are unsecured, non-trade in nature, non-interest bearing, repayable on demand and is expected to be settled in cash.

In the FYE 31 December 2023, the amount owing by directors had been fully settled in cash.

The information about the credit exposures are disclosed in Note 23(b)(i).

**9. CASH AND BANK BALANCES**

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Cash in hand	803	149	40	10
Bank balances	5,445	5,123	4,026	3,695
	<b>6,248</b>	<b>5,272</b>	<b>4,066</b>	<b>3,705</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****9. CASH AND BANK BALANCES (CONTINUED)**

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the followings:

	← As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash and bank balances	6,248	5,272	4,066	3,705
Bank overdrafts	-	(195)	-	*
	<b>6,248</b>	<b>5,077</b>	<b>4,066</b>	<b>3,705</b>

\* *Less than RM1,000*

**10. INVESTED EQUITY**

	← As at 31 December →							
	Number of ordinary shares				Amount			
	2020 Unit'000	2021 Unit'000	2022 Unit'000	2023 Unit'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At 1 January	3,730	3,750	3,750	3,750	3,730	3,791	3,791	3,791
Issuance of ordinary shares	20	-	-	1	61	-	-	*
At 31 December	<b>3,750</b>	<b>3,750</b>	<b>3,750</b>	<b>3,751</b>	<b>3,791</b>	<b>3,791</b>	<b>3,791</b>	<b>3,791</b>

\* *Less than RM1,000*

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years is the aggregate of the share capital of the combining entities constituting the Group.

The new ordinary shares issued during the financial years rank pari passu in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****11. EXCHANGE RESERVE**

	← As at 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Exchange reserve	2	5	49	143

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

**12. LOANS AND BORROWINGS**

	Note	← As at 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Non-current:</b>					
Term loans	(a)	15,938	12,336	9,033	7,795
Lease liabilities	(b)	1,221	1,148	1,207	1,662
		<b>17,159</b>	<b>13,484</b>	<b>10,240</b>	<b>9,457</b>
<b>Current:</b>					
Term loans	(a)	2,227	3,596	3,568	1,441
Lease liabilities	(b)	732	871	684	905
Bank overdraft	(c)	-	195	-	*
Bankers' acceptances	(d)	1,173	465	1,016	1,242
		<b>4,132</b>	<b>5,127</b>	<b>5,268</b>	<b>3,588</b>
<b>Total loans and borrowings:</b>					
Term loans	(a)	18,165	15,932	12,601	9,236
Lease liabilities	(b)	1,953	2,019	1,891	2,567
Bank overdraft	(c)	-	195	-	*
Bankers' acceptances	(d)	1,173	465	1,016	1,242
		<b>21,291</b>	<b>18,611</b>	<b>15,508</b>	<b>13,045</b>

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****12. LOANS AND BORROWINGS (CONTINUED)****(a) Term loan**

The term loans of the Group bear interest ranging from 3.50% to 5.17% (2020: 2.25% to 11.45%, 2021: 2.25% to 6.00% and 2022: 2.25% to 6.56%) per annum and are secured and supported as follow:

- (i) first legal charge over the freehold and leasehold land and buildings as in Note 5 and Note 6 to the financial statements;
- (ii) guarantee by the Government of Malaysia under Bank Negara Malaysia's Fund for Small & Medium Enterprises – Special Relief Facility;
- (iii) a third party Mortgage Reducing Term Assurance ("MRTA") for the sum insured to cover the life of directors with the Bank's appointed insurer, Uni. Asia Life Assurance Berhad with Alliance Bank Malaysia Berhad endorsed as mortgage and the MRTA premium is to be financed by the Bank; and
- (iv) jointly and severally guaranteed by the directors of the Company.

**(b) Lease liabilities**

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Minimum lease payment:				
- Not later than one year	850	991	792	1,004
- Later than one year and not later than five years	1,401	1,263	1,308	1,881
	<u>2,251</u>	<u>2,254</u>	<u>2,100</u>	<u>2,885</u>
Less: Future finance charges	(298)	(235)	(209)	(318)
Present value of minimum lease payments	<u><b>1,953</b></u>	<u><b>2,019</b></u>	<u><b>1,891</b></u>	<u><b>2,567</b></u>
Present value of minimum lease payment payable:				
- Not later than one year	732	871	684	905
- Later than one year and not later than five years	1,221	1,148	1,207	1,662
	<u>1,953</u>	<u>2,019</u>	<u>1,891</u>	<u>2,567</u>
Less: Amount due within twelve months	(732)	(871)	(684)	(905)
Amount due after twelve months	<u><b>1,221</b></u>	<u><b>1,148</b></u>	<u><b>1,207</b></u>	<u><b>1,662</b></u>

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

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**FARM PRICE HOLDINGS BERHAD**Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****12. LOANS AND BORROWINGS (CONTINUED)****(c) Bank overdraft**

Bank overdraft of the Group bears interest at 7.92% (2020: Nil%, 2021: 6.42% and 2022: Nil%) per annum and are secured and supported as follows:

- (i) a third party MRTA for the sum insured to cover the life of directors with the Bank's appointed insurer, Uni. Asia Life Assurance Berhad with Alliance Bank Malaysia Berhad endorsed as mortgage and the MRTA premium is to be financed by the Bank;
- (ii) monies legal charge over the freehold land and buildings as in Note 6 to the financial statements; and
- (iii) jointly and severally guaranteed by the directors of the Company

**(d) Bankers' acceptances**

Banker's acceptances of the Group are secured and supported as follows:

- (i) a third party MRTA for the sum insured to cover the life of directors with the Bank's appointed insurer, Uni. Asia Life Assurance Berhad with Alliance Bank Malaysia Berhad endorsed as mortgage and the MRTA premium is to be financed by the Bank;
- (ii) monies legal charge over the freehold land and buildings as in Note 6 to the financial statements; and
- (iii) jointly and severally guaranteed by the directors of the Company.

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

ACCOUNTANTS' REPORT

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**13. DEFERRED TAX LIABILITIES**

Deferred tax relates to the following:

	At 1 January 2020 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31 December 2020 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31 December 2021 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31 December 2022 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31 December 2023 RM'000
<b>Deferred tax liabilities:</b>									
Property, plant and equipment	258	38	296	361	657	184	841	83	924
Unrealised foreign exchange gain	18	(4)	14	9	23	5	28	(36)	(8)
	<b>276</b>	<b>34</b>	<b>310</b>	<b>370</b>	<b>680</b>	<b>189</b>	<b>869</b>	<b>47</b>	<b>916</b>
<b>Deferred tax assets:</b>									
Lease liabilities	*	*	*	*	*	*	*	*	*
Unabsorbed capital allowance	(105)	105	-	-	-	-	-	-	-
Unabsorbed investment tax allowance	-	-	-	(54)	(54)	54	-	-	-
	<b>(105)</b>	<b>105</b>	<b>-</b>	<b>(54)</b>	<b>(54)</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>171</b>	<b>139</b>	<b>310</b>	<b>316</b>	<b>626</b>	<b>243</b>	<b>869</b>	<b>47</b>	<b>916</b>

\* Less than RM1,000



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****13. DEFERRED TAX LIABILITIES (CONTINUED)**Unrecognised deferred tax assets

Deferred tax asset has not been recognised in respect of the following item (stated at gross):

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<u>Deferred tax assets</u>				
Unrealised foreign exchange loss	-	-	17	-

**14. TRADE AND OTHER PAYABLES**

	← As at 31 December →			
Note	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Current:</b>				
<b>Trade</b>				
Trade payables	(a)			
- Third parties	6,781	7,890	5,523	6,746
	<b>6,781</b>	<b>7,890</b>	<b>5,523</b>	<b>6,746</b>
<b>Non-trade:</b>				
Other payables	379	354	300	414
Amount owing to directors	(b)	4,162	4,368	3,762
Accruals	664	810	842	917
Deposits payable	58	74	115	63
	<b>5,263</b>	<b>5,606</b>	<b>5,019</b>	<b>1,394</b>
Total trade and other payables	<b>12,044</b>	<b>13,496</b>	<b>10,542</b>	<b>8,140</b>

**(a) Trade payables**

Trade payables are non-interest bearing and the normal credit terms granted to the Group ranging from the date of invoices to 60 days.

**(b) Amount owing to directors**

Amount owing to directors are non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

In the FYE 31 December 2023, the amount owing to directors had been fully settled in cash.

For explanation on the Group's liquidity risk management processes, refer to Note 23(b)(ii).

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****15. REVENUE**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Revenue from customers:</b>				
Sale of goods	73,540	81,966	94,376	114,199
<b>Time of revenue recognition</b>				
At a point in time	73,540	81,966	94,376	114,199

**16. OTHER INCOME**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest income	121	436	*	3
Rental income				
- Right-of-use assets	-	-	13	18
- Investment properties	194	290	293	48
- Motor vehicle	-	-	-	-
Income from subleasing right-of-use assets	8	16	-	-
Gain on lease termination	*	1	*	*
Wage subsidy	311	14	-	-
Net realised foreign exchange gain	278	146	140	495
Net unrealised foreign exchange gain	82	123	35	-
Gain on disposal of property, plant and equipment	82	58	94	-
Gain on disposal of investment properties	-	513	925	788
Reversal of provision of doubtful debts	-	-	-	17
Bad debts recovery	-	-	-	2
Miscellaneous	167	148	35	8
	<b>1,243</b>	<b>1,745</b>	<b>1,535</b>	<b>1,379</b>

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****17. FINANCE COSTS**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest expense on:				
- Term loan	609	618	457	401
- Lease liabilities	107	145	143	118
- Overdraft	3	*	1	1
- Banker's acceptances	49	35	36	57
	<b>768</b>	<b>798</b>	<b>637</b>	<b>577</b>

\* *Less than RM1,000***18. PROFIT BEFORE TAX**

Other than as disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	Note	← FYE 31 December →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Auditors' remuneration					
- Current year		39	41	80	80
- Prior year		(3)	*	*	-
Depreciation of property, plant and equipment	5	834	1,058	1,357	1,632
Depreciation of investment properties	6	129	151	105	9
Property, plant and equipment written off	5	356	-	1	55
Loss on disposal of property, plant and equipment		6	4	-	-
Loss on disposal of investment property		-	-	-	95
Loss on lease modification		-	-	-	*
Impairment loss on trade receivables	8	-	-	738	180
Bad debt written off		372	104	49	28
Inventory written off		-	4	-	-
Employee benefits expense	19	5,128	5,617	5,650	6,933
Expenses relating to short term lease					
- Rental of premise		80	78	74	72
- Rental of warehouse		44	11	-	-
- Rental of hostel		-	9	10	4
- Copier machine		6	6	6	7
Net unrealised foreign exchange loss		-	-	-	19

\* *Less than RM1,000*

**12. ACCOUNTANTS' REPORT (Cont'd)**
**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**
**19. EMPLOYEE BENEFITS EXPENSE**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Directors' fee	299	302	96	-
Salaries, wages, allowances and bonuses	4,455	4,835	5,069	6,423
Defined contribution plans	325	420	403	429
Other staff related benefits	49	60	82	81
	<b>5,128</b>	<b>5,617</b>	<b>5,650</b>	<b>6,933</b>

Included in employee benefits expense are:

Directors' remuneration

- Directors' fee	299	302	96	-
- Salaries, allowances and bonuses	595	636	662	677
- Defined contribution plans	88	115	120	115
- Other staff related benefits	3	4	5	5
	<b>985</b>	<b>1,057</b>	<b>883</b>	<b>797</b>

**20. INCOME TAX EXPENSES**

The major components of income tax expense for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Combined statements of comprehensive income</b>				
<b>Current income tax:</b>				
- Current income tax charge	896	559	1,173	2,880
- Adjustment in respect of prior years	(9)	(40)	(26)	154
	<b>887</b>	<b>519</b>	<b>1,147</b>	<b>3,034</b>
<b>Deferred tax:</b>				
- Origination of temporary difference	227	149	244	136
- Adjustment in respect of prior financial years	(88)	167	(1)	(89)
	<b>139</b>	<b>316</b>	<b>243</b>	<b>47</b>
Income tax expense recognised in profit or loss	<b>1,026</b>	<b>835</b>	<b>1,390</b>	<b>3,081</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****20. INCOME TAX EXPENSES (CONTINUED)**

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below and annual sales less than RM50,000,000 (2020, 2021 and 2022: RM50,000,000) is subject to the statutory tax rate of 17% (2020, 2021 and 2022: 17%) on chargeable income up to RM600,000 (2020, 2021 and 2022: RM600,000). For chargeable income excess of RM600,000 (2020, 2021 and 2022: RM600,000), statutory tax rate of 24% (2020, 2021 and 2022: 24%) is still applicable.

Domestic income tax is calculated at the Malaysian statutory income tax rate 24% of the estimated taxable profit for the financial years.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	Audited			
	← 2020	FYE 31 December		→ 2023
	RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit before tax	3,889	3,950	6,138	11,783
Tax at Malaysian statutory income tax rate of 24%	933	948	1,473	2,828
Different rate in other country	(31)	(25)	(32)	(109)
SME tax savings	(64)	(68)	(84)	(84)
Adjustments:				
Income not subject to tax	35	(77)	(198)	(251)
Non-deductible expenses	261	174	241	665
Investment tax allowance	(11)	(244)	-	-
Corporate income tax rebate	-	-	-	(106)
Others	-	-	-	73
Deferred tax not recognised on temporary differences	-	-	17	-
Adjustment in respect of current income tax of prior years	(9)	(40)	(26)	154
Adjustment in respect of deferred tax of prior years	(88)	167	(1)	(89)
Income tax expense	<b>1,026</b>	<b>835</b>	<b>1,390</b>	<b>3,081</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****21. EARNINGS PER SHARE****Basic earnings per ordinary share and diluted earnings per ordinary share**

Basic earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit attributable to owners of the Group	2,863	3,115	4,748	8,702
Weighted average number of ordinary shares for basic and diluted EPS <sup>^</sup>	3,750	3,750	3,750	3,751
Basic and diluted EPS (RM)	0.76	0.83	1.27	2.32

<sup>^</sup> For the purpose of calculating the EPS for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, the weighted average number of ordinary shares is the aggregate share capital of the combining entities constituting the Group.

**22. DIVIDENDS**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Recognised during the financial year:</b>				
Dividends on ordinary shares:				
- Single-tier interim dividend declared on 30 June 2020: RM25.89 per ordinary share of a combining entity, paid on 30 June 2020	518	-	-	-
- Single-tier interim dividend declared on 31 December 2020: RM25.89 per ordinary share of a combining entity, paid on 31 December 2020	518	-	-	-
	<u>1,036</u>	<u>-</u>	<u>-</u>	<u>-</u>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS****(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>As at 31 December 2020</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	8,270	8,270
Cash and bank balances	6,248	6,248
	<b>14,518</b>	<b>14,518</b>
<b>Financial liabilities</b>		
Loans and borrowings	(21,291)	(21,291)
Trade and other payables	(12,044)	(12,044)
	<b>(33,335)</b>	<b>(33,335)</b>
<b>As at 31 December 2021</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	8,874	8,874
Cash and bank balances	5,272	5,272
	<b>14,146</b>	<b>14,146</b>
<b>Financial liabilities</b>		
Loans and borrowings	(18,611)	(18,611)
Trade and other payables	(13,496)	(13,496)
	<b>(32,107)</b>	<b>(32,107)</b>
<b>As at 31 December 2022</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	11,687	11,687
Cash and bank balances	4,066	4,066
	<b>15,753</b>	<b>15,753</b>
<b>Financial liabilities</b>		
Loans and borrowings	(15,508)	(15,508)
Trade and other payables	(10,542)	(10,542)
	<b>(26,050)</b>	<b>(26,050)</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned:  
(continued)

	<b>Carrying amount RM'000</b>	<b>Amortised cost RM'000</b>
<b>As at 31 December 2023</b>		
<b>Financial assets</b>		
Trade and other receivables, less prepayments	13,838	13,838
Cash and bank balances	3,705	3,705
	<b>17,543</b>	<b>17,543</b>
<b>Financial liabilities</b>		
Loans and borrowings	(13,045)	(13,045)
Trade and other payables	(8,140)	(8,140)
	<b>(21,185)</b>	<b>(21,185)</b>

**(b) Financial risk management**

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.



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

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**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Financial risk management**

**(i) Credit risk**

**Trade receivables**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables is not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group has no significant concentration of credit risk from its receivables. The Group minimises credit risk by requiring collateral and/or dealing with credit worthy counterparties.

The Group applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected credit losses provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)**Credit risk concentration profile (continued)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows:

	Trade receivables						Total RM'000
	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
<b>At 31 December 2020</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	3,023	2,969	1,041	143	20	335	7,531
Impairment losses	-	-	-	-	-	-	-
<b>Net balance</b>	<b>3,023</b>	<b>2,969</b>	<b>1,041</b>	<b>143</b>	<b>20</b>	<b>335</b>	<b>7,531</b>
<b>At 31 December 2021</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	3,141	3,066	1,316	128	9	269	7,929
Impairment losses	-	-	-	-	-	-	-
<b>Net balance</b>	<b>3,141</b>	<b>3,066</b>	<b>1,316</b>	<b>128</b>	<b>9</b>	<b>269</b>	<b>7,929</b>
<b>At 31 December 2022</b>							
Expected credit loss rate	3%	6%	17%	16%	0%	6%	8%
Gross carrying amount at default	3,097	3,801	1,505	893	244	295	9,835
Impairment losses	(83)	(245)	(249)	(142)	-	(19)	(738)
<b>Net balance</b>	<b>3,014</b>	<b>3,556</b>	<b>1,256</b>	<b>751</b>	<b>244</b>	<b>276</b>	<b>9,097</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)**Credit risk concentration profile (continued)

The information about the credit risk exposure on the Group's trade receivables using a provision matrix are as follows: (continued)

	Trade receivables						Total RM'000
	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
<b>At 31 December 2023</b>							
Expected credit loss rate	0%	0%	0%	0%	0%	74%	0%
Gross carrying amount at default	4,675	5,335	2,571	619	63	1,212	14,475
Impairment losses	-	-	-	-	-	(901)	(901)
<b>Net balance</b>	<b>4,675</b>	<b>5,335</b>	<b>2,571</b>	<b>619</b>	<b>63</b>	<b>311</b>	<b>13,574</b>

**Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than the credit term in making a contractual payment.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets (continued)**

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, expected credit losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group will consider the expected manner of recovery and recovery period of the intercompany loan.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arises principally from trade and other payables and loan and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Group's finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

**Maturity analysis**

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM'000	Contractual cash flows			Total RM'000
		On demand or within one year RM'000	Between one and five years RM'000	More than five years RM'000	
<b>31 December 2020</b>					
Trade and other payables	12,044	12,044	-	-	12,044
Term loans	18,165	3,413	13,060	4,296	20,769
Lease liabilities	1,953	850	1,401	-	2,251
Bankers' acceptances	1,173	1,173	-	-	1,173
	<b>33,335</b>	<b>17,480</b>	<b>14,461</b>	<b>4,296</b>	<b>36,237</b>

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**Maturity analysis (continued)

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date based on contractual undiscounted repayment obligations are as follows: (continued)

	Carrying amount RM'000	Contractual cash flows			Total RM'000
		On demand or within one year RM'000	Between one and five years RM'000	More than five years RM'000	
<b>31 December 2021</b>					
Trade and other payables	13,496	13,496	-	-	13,496
Term loans	15,932	4,268	9,815	3,649	17,732
Lease liabilities	2,019	991	1,263	-	2,254
Bank overdraft	195	195	-	-	195
Bankers' acceptances	465	465	-	-	465
	<b>32,107</b>	<b>19,415</b>	<b>11,078</b>	<b>3,649</b>	<b>34,142</b>
<b>31 December 2022</b>					
Trade and other payables	10,542	10,542	-	-	10,542
Term loans	12,601	3,955	6,647	3,885	14,487
Lease liabilities	1,891	792	1,308	-	2,100
Bankers' acceptances	1,016	1,016	-	-	1,016
	<b>26,050</b>	<b>16,305</b>	<b>7,955</b>	<b>3,885</b>	<b>28,145</b>
<b>31 December 2023</b>					
Trade and other payables	8,140	8,140	-	-	8,140
Term loans	9,236	1,810	5,831	3,940	11,581
Lease liabilities	2,567	1,004	1,881	-	2,885
Bank overdraft	*	*	-	-	-
Bankers' acceptances	1,242	1,242	-	-	1,242
	<b>21,185</b>	<b>12,196</b>	<b>7,712</b>	<b>3,940</b>	<b>23,848</b>

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)**
**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**
**23. FINANCIAL INSTRUMENTS (CONTINUED)**
**(b) Financial risk management (continued)**
**(iii) Foreign currency risk**

Foreign currency risk is the risk of fluctuation in fair value of future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates related primarily to the Group's operating activities (when sales, purchases and bank balances that are denominated in a foreign currency).

The foreign currencies in which these transactions are denominated are mainly Singapore Dollar ("SGD"), United States Dollar ("USD") and Chinese Yuan ("CNY").

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Financial assets and liabilities not held in functional currency:				
<b><u>Trade receivables</u></b>				
SGD	-	-	331	1,832
USD	-	-	-	*
<b><u>Other receivables</u></b>				
USD	*	*	*	-
<b><u>Cash and short-term deposits</u></b>				
SGD	*	*	*	-
<b><u>Trade payables</u></b>				
USD	(3,588)	(5,376)	(3,437)	(3,249)
CNY	-	-	(191)	(725)

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to SGD, USD and CNY.

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, USD and CNY, with all other variables held constant on the Group's total equity and profit for the financial years.

	<b>Change in rate</b>	<b>Effect on profit and equity for the financial year RM'000</b>
<b>At 31 December 2020</b>		
SGD	+ 10%	*
	- 10%	(*)
USD	+ 10%	(273)
	- 10%	273
<b>At 31 December 2021</b>		
SGD	+ 10%	*
	- 10%	(*)
USD	+ 10%	(409)
	- 10%	409
<b>At 31 December 2022</b>		
SGD	+ 10%	25
	- 10%	(25)
USD	+ 10%	(261)
	- 10%	261
CNY	+ 10%	(15)
	- 10%	15

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iii) Foreign currency risk (continued)**Sensitivity analysis for foreign currency risk

	Change in rate	Effect on profit and equity for the financial year RM'000
<b>At 31 December 2023</b>		
SGD	+ 10%	139
	- 10%	(139)
USD	+ 10%	(247)
	- 10%	247
CNY	+ 10%	(55)
	- 10%	55

\* Less than RM1,000

**(iv) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial years.

	Carrying amount RM'000	Change in basis point	Effect on profit for the financial year/equity RM'000
<b>31 December 2020</b>			
Term loans	18,165	+ 50	(69)
		- 50	69
Bankers' acceptances	1,173	+ 50	(4)
		- 50	4



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****23. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Interest rate risk (continued)**Sensitivity analysis for foreign currency risk

	Carrying amount RM'000	Change in basis point	Effect on profit for the financial year/equity RM'000
<b>31 December 2021</b>			
Term loans	15,932	+ 50	(61)
		- 50	61
Bank overdraft	195	+ 50	(*)
		- 50	*
Bankers' acceptances	465	+ 50	(2)
		- 50	2
<b>31 December 2022</b>			
Term loans	12,601	+ 50	(48)
		- 50	48
Bankers' acceptances	1,016	+ 50	(4)
		- 50	4
<b>31 December 2023</b>			
Term loans	9,236	+ 50	(35)
		- 50	35
Bank overdraft	*	+ 50	(*)
		- 50	*
Bankers' acceptances	1,242	+ 50	(5)
		- 50	5

\* Less than RM1,000

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair value measurement**

The carrying amount of cash and bank balances, receivables and payables and short-term borrowings are reasonably approximate to their fair values due to the relatively short-term nature of these financial instruments.

There have been no material transfers between Level 1, Level 2 and Level 3 during the financial years.

	Carrying amount RM'000	Fair value of financial instruments not carried at fair value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>At 31 December 2020</b>					
<b>Financial liabilities</b>					
Term loans	15,938	-	-	13,492	13,492
<b>At 31 December 2021</b>					
<b>Financial liabilities</b>					
Term loans	12,336	-	-	10,623	10,623
<b>At 31 December 2022</b>					
<b>Financial liabilities</b>					
Term loans	9,033	-	-	7,702	7,702
<b>At 31 December 2023</b>					
<b>Financial liabilities</b>					
Term loans	7,795	-	-	6,487	6,487

**Level 3 fair value**

Fair value of financial instruments not carried at fair value

The fair value of liability component of term loans are calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate of similar liabilities.

**24. COMMITMENT**

The Group has made commitments for the following capital expenditures:

	As at 31 December			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
- Property, plant and equipment	2,260	2,260	1,130	141

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. RELATED PARTIES****(a) Identification of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Entities in which directors have substantial financial interests;
- (ii) Entities in which a person connected to a director has substantial financial interests; and
- (iii) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly and indirectly.

**(b) Significant related party transactions**

	← FYE 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
<b>Sales of goods</b>				
- Entity in which a person connected to a director has substantial financial interests	156	376	620	548
- Entity in which a director has interests	315	166	-	-
<b>Purchase of goods and services</b>				
- Entity in which a person connected to a director has substantial financial interests	27	11	11	7
- Entity in which a director has interests	3	-	-	-
<b>Sales of properties</b>				
- Entity in which the directors have interests	-	-	1,760	1,160
- Director	-	-	4,950	-
<b>Purchase of properties</b>				
- Director	-	-	2,587	-

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**25. RELATED PARTIES (CONTINUED)**

**(b) Significant related party transactions (continued)**

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Rental income</b>				
- Entity in which a person connected to a director has substantial financial interests	-	32	23	-
- Director	-	-	-	38
<b>Rental expense</b>				
- Director	-	-	13	-
<b>Transportation fee charged by</b>				
- Entity in which a person connected to a director has substantial financial interests	59	50	50	62
<b>Loan interest income charged to</b>				
- Director	121	436	-	-

**(c) Compensation of key management personnel**

Related parties of the Group include:

	← FYE 31 December →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Director fee	299	302	96	-
Salaries, allowances and bonuses	669	709	680	1,024
Defined contribution plans	92	119	122	143
Other staff related benefits	4	5	5	8
	1,064	1,135	903	1,175

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****26. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objective, policies and processes during the FYE 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity attributable to the owners of the Group. The gearing ratio as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are as follows:

	← As at 31 December →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (excluding lease liabilities for right-of-use assets)	21,260	18,430	15,311	12,801
Total equity	7,991	11,109	15,901	24,697
Gearing ratio (times)	<b>2.66</b>	<b>1.66</b>	<b>0.96</b>	<b>0.52</b>

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is not subject to externally imposed capital requirement.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS**

- (i) Sales and Purchase Agreement ("SPA") entered into by Farm Price in respect of the following transactions:
- (a) acquisition of land held under title GRN 285561, Lot 55359, Mukim Senai, Daerah Kulai, Johor from Tiong Lee Chian pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM2,587,030.52. This transaction was completed on 16 November 2022;
  - (b) disposal of property held under title HSD 160240, PTD 58312, Mukim of Pulai, District of Johor Bahru, State of Johor bearing postal address No. 64, Jalan Shahbandar 8, Taman Ungku Tun Aminah, 81300 Skudai, Johor to Liew Tsuey Er pursuant to an SPA dated 18 March 2022 for a total purchase consideration of RM1,300,000.00, which was completed on 16 August 2022;
  - (c) disposal of property held under title Geran 288779, Lot 16403, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 11, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive Sdn. Bhd. pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM580,000.00, which was completed on 1 March 2023;
  - (d) disposal of property held under title Geran 288780, Lot 16404, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 15, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive Sdn. Bhd. pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM580,000, which was completed on 1 March 2023;
  - (e) disposal of property held under title Geran 288781, Lot 16405, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 17, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive Sdn. Bhd. pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM600,000.00, which was completed on 27 February 2023;
  - (f) disposal of property held under title HSD 524620, PTD 167097, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 8, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Tiong Lee Chian pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM1,500,000.00, which was completed on 15 December 2022;
  - (g) disposal of property held under title PN 28583, Lot 6547, Mukim of Kesang, District of Tangkak, State of Johor bearing postal address No. 35, Jalan Rivera, Maharani Rivera, 84000 Tangkak, Johor to FP Foods pursuant to an SPA dated 16 November 2021 for a total purchase consideration of RM550,000.00, which was completed on 29 June 2022;
  - (h) disposal of property held under title PN 28584, Lot 6548, Mukim of Kesang, District of Tangkak, State of Johor bearing postal address No. 37, Jalan Rivera, Maharani Rivera, 84000 Tangkak, Johor to FP Foods pursuant to an SPA dated 16 November 2021 for a total purchase consideration of RM550,000.00, which was completed on 17 February 2022;

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS (CONTINUED)**

- (i) SPA entered into by Farm Price in respect of the following transactions: (continued)
- (i) disposal of property held under title HSD 324222, PT 138144, Mukim of Plentong, District of Johor Bahru, State of Johor bearing postal address of No. 1, Jalan Tembikai 4, Taman Kota Masai, 81700 Pasir Gudang, Johor for a total purchase consideration of RM1,050,000, which was completed on 23 August 2021;
- (ii) SPA entered into by Setia Kawan in respect of the following transactions:
- (a) disposal of property held under title HSD 204531, PT232683, Mukim of Hulu Kinta, District of Kinta, State of Perak bearing postal address No. 24, Jalan Menglembu Impiana 32, I-Park Menglembu, 31450 Ipoh, Perak to Tiong Lee Chian pursuant to an SPA dated 18 March 2022 for a total purchase consideration of RM650,000.00, which was completed on 19 July 2022; and
- (b) disposal of property held under title HSD 524621, PTD 167098, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 10, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Liew Tsuey Er pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM1,500,000.00, which was completed on 17 January 2023; and
- (iii) SPA dated 30 September 2020 between Sime Darby Property (Nilai) Sdn Bhd (as vendor) and FP Foods (as purchaser) in respect of the acquisition by FP Foods of a parcel of land held under title HSD 252513, PT 34009, Mukim Setul, Daerah Seremban, Negeri Sembilan for a total purchase consideration of RM2,824,889.00. The SPA for this transaction became unconditional on 16 April 2021. The said property is under construction as at 31 December 2022 and is expected to be completed by 2<sup>nd</sup> quarter 2024.
- (iv) The SSA and Supplemental SSA entered into between Farm Price Holdings, Tiong Lee Chian and Liew Tsuey Er:
- (a) acquisition of the entire issued share capital of Farm Price of RM2,450,000 comprising 2,450,000 ordinary shares from the shareholders of Farm Price for a total purchase consideration of RM9,661,950. The purchase consideration was entirely satisfied by the issuance of 210,500,000 new Shares at an issue price of approximately RM0.0459 per Share to the shareholders of Farm Price, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM9,661,950 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Farm Price as at 31 December 2022 of approximately RM9.66 million;

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS (CONTINUED)**

- (iv) The SSA and Supplemental SSA entered into between Farm Price Holdings, Tiong Lee Chian and Liew Tsuey Er: (continued)
- (b) acquisition of the entire issued share capital of FP Foods of RM800,000 comprising 800,000 ordinary shares from the shareholders of FP Foods for a total purchase consideration of RM 3,364,424. The purchase consideration was entirely satisfied by the issuance of 73,299,000 new Shares in aggregate at an issue price of approximately RM0.0459 per Share to the shareholders of FP Foods, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM3,364,424 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of FP Foods as at 31 December 2022 of approximately RM3.36 million;
- (c) acquisition of the entire issued share capital of Setia Kawan of RM480,002 comprising 480,002 ordinary shares from the shareholders of Setia Kawan for a total purchase consideration of RM1,946,160. The purchase consideration was entirely satisfied by the issuance of 42,400,000 new Shares in aggregate at an issue price of approximately RM0.0459 per Share to the shareholders of Setia Kawan, namely, Tiong Lee Chian and Liew Tsuey Er. The purchase consideration of RM1,946,160 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Setia Kawan as at 31 December 2022 of approximately RM1.95 million; and
- (d) acquisition of the entire issued share capital of Topstar of RM61,266 comprising 20,002 ordinary shares from the sole shareholder of Topstar for a total purchase consideration of RM1,000,620. The purchase consideration was entirely satisfied by the issuance of 21,800,000 new Shares in aggregate at an issue price of approximately RM0.0459 per Share to the sole shareholder of Topstar, namely, Tiong Lee Chian. The purchase consideration of RM1,000,620 was arrived at on a willing buyer-willing seller basis and after taking into account the audited NA of Topstar as at 31 December 2022 of RM1.00 million.

The acquisitions were completed on 22 March 2024.

- (v) Disposal of investment properties:
- (a) SPA entered into by Farm Price in respect of the disposal of property held under title PN 24266, Lot 80881, Mukim of Plentong, District of Johor Bahru, State of Johor bearing postal address No. 19, Jalan 10/28, Taman Air Biru, 81700 Pasir Gudang, Johor to Chin Chen Choy and Liew Chiew Leng pursuant to an SPA dated 19 January 2023 for a total purchase consideration of RM1,250,000.00, which was completed on 12 September 2023;
- (b) SPA entered into by Setia Kawan in respect of the disposal of property held under title Geran 288730, Lot 16382, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 4, Jalan SS2/6E, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive Sdn. Bhd. pursuant to an SPA dated 4 January 2023 for a total purchase consideration of RM580,000.00, which was completed on 14 May 2023; and



**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEARS (CONTINUED)**

- (v) Disposal of investment properties: (continued)
- (c) SPA entered into by Setia Kawan in respect of the disposal of property held under title Geran 288778, Lot 16402, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 9, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive Sdn. Bhd. pursuant to an SPA dated 4 January 2023 for a total purchase consideration of RM580,000.00, which was completed on 31 May 2023.

**28. SEGMENT INFORMATION**

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

<b>Segments</b>	<b>Services</b>
Wholesale distribution	Wholesale distributor of fresh vegetables comprising whole vegetables, prepacked vegetables and fresh-cut vegetables to wholesalers, retailers, food service operators and manufacturer
Retail	Operation of one (1) retail store which selling fresh vegetables, F&B products and other groceries

Inter-segment pricing is determined on negotiated basis.

Segment profit

Segment profit is used to measure performance as the Group's Managing Director believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within these industries.

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the Managing Director. Hence, no disclosure is made on segment assets and liabilities.

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SEGMENT INFORMATION (CONTINUED)**

	Wholesale distribution RM'000	Retail RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>31 December 2020</b>				
<b>Revenue:</b>				
Revenue from external customers	71,123	2,417	-	73,540
Inter-segment revenue	13,776	8	(13,784)	-
	84,899	2,425	(13,784)	73,540
<b>Segment profit</b>	11,159	893	-	12,052
Other income				1,243
Unallocated expenses				(8,638)
Finance costs				(768)
Income tax expenses				(1,026)
Profit for the financial year				<b>2,863</b>
<b>Results:</b>				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				1,523
	Wholesale distribution RM'000	Retail RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>31 December 2021</b>				
<b>Revenue:</b>				
Revenue from external customers	78,393	3,573	-	81,966
Inter-segment revenue	16,723	7	(16,730)	-
	95,116	3,580	(16,730)	81,966
<b>Segment profit</b>	10,703	924	-	11,627
Other income				1,745
Unallocated expenses				(8,624)
Finance costs				(798)
Income tax expenses				(835)
Profit for the financial year				<b>3,115</b>
<b>Results:</b>				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				1,601

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

**FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**

**28. SEGMENT INFORMATION (CONTINUED)**

	Wholesale distribution RM'000	Retail RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>31 December 2022</b>				
<b>Revenue:</b>				
Revenue from external customers	90,535	3,841	-	94,376
Inter-segment revenue	20,061	5	(20,066)	-
	<u>110,596</u>	<u>3,846</u>	<u>(20,066)</u>	<u>94,376</u>
<b>Segment profit</b>	14,292	1,129	-	15,421
Other income				1,535
Unallocated expenses				(10,181)
Finance costs				(637)
Income tax expenses				(1,390)
Profit for the financial year				<u><b>4,748</b></u>
<b>Results:</b>				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				<u>1,614</u>
	Wholesale distribution RM'000	Retail RM'000	Adjustments and eliminations RM'000	Total RM'000
<b>31 December 2023</b>				
<b>Revenue:</b>				
Revenue from external customers	106,915	7,284	-	114,199
Inter-segment revenue	27,340	2	(27,342)	-
	<u>134,255</u>	<u>7,286</u>	<u>(27,342)</u>	<u>114,199</u>
<b>Segment profit</b>	21,019	2,059	-	23,078
Other income				1,379
Unallocated expenses				(12,097)
Finance costs				(577)
Income tax expenses				(3,081)
Profit for the financial year				<u><b>8,702</b></u>
<b>Results:</b>				
<i>Included in the measure of segments profit are:</i>				
Employee benefits expense				<u>2,791</u>

\* Less than RM1,000

**12. ACCOUNTANTS' REPORT (Cont'd)****FARM PRICE HOLDINGS BERHAD**

Accountants' Report

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****28. SEGMENT INFORMATION (CONTINUED)**Geographical information

Revenue information based on the geographical location of customers are as follows:

	<b>Revenue RM'000</b>
<b>31 December 2020</b>	
Malaysia	58,567
Singapore	14,973
	<u>73,540</u>
<b>31 December 2021</b>	
Malaysia	62,848
Singapore	19,118
	<u>81,966</u>
<b>31 December 2022</b>	
Malaysia	70,480
Singapore	23,896
	<u>94,376</u>
<b>31 December 2023</b>	
Malaysia	85,120
Singapore	29,079
	<u>114,199</u>

Information about major customers

Revenue from top five (5) (31.12.2020: five (5); 31.12.2021: five (5) and 31.12.2022: five (5)) customers represented approximately RM22.89 million (31.12.2020: RM16.85 million; 31.12.2021: RM17.84 million; 31.12.2022: RM21.91 million) of the Group's total revenue.

## **13. ADDITIONAL INFORMATION**

### **13.1 EXTRACT OF OUR CONSTITUTION**

The following provisions are extracted from our Company's Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires:

#### **(i) Remuneration, voting and borrowing powers of Directors**

##### **(a) Directors' Remuneration**

###### **Clause 21.4 - Remuneration**

The Directors shall be paid by way of remuneration for their services such fixed sum as shall from time to time be determined by the Company in meeting of Members, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (1) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (2) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors may not include a commission on or percentage of turnover;
- (3) fees payable to Directors and any benefits payable to Directors shall be subject to annual approval by an Ordinary Resolution at a meeting of Members;
- (4) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (5) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of Securities.

###### **Clause 21.5 – Reimbursement**

In addition to the remuneration provided under Clause 21.4, each Director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending and returning from meetings of the Directors or any committee of the Directors or meeting of Members or which they may otherwise incur in connection with the business of the Company.

###### **Clause 22.3 - Remuneration of Managing Director**

The remuneration of a Managing Director shall be fixed by the Directors, and may be by way of fixed salary or commission or participation in profits or by any or all of those modes, but shall not include a commission on or percentage of turnover but it may be a term of his appointment that he shall receive pension, gratuity or other benefits upon his retirement.

**13. ADDITIONAL INFORMATION (Cont'd)**

**(b) Voting and borrowing powers of Directors**

**Clause 23.1 – Power and duties of Directors**

The business and affairs of the Company shall be managed by, or under the direction of the Directors who may pay all such expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, and may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company, and as are not by law or by this Constitution required to be exercised or done by the Company in meeting of Members, but the exercise of all such powers shall be subject to and in accordance with the provisions of any law and of this Constitution and shall also be subject to and in accordance with any resolution made by the Company in meeting of Members, provided that no resolution so passed shall invalidate any prior act of the Directors which would have been valid if such resolution had not been made. The general powers by this Clause shall not be limited or restricted by any special authority or power given to the Directors by any other Clauses.

**Clause 23.2 – Directors' borrowing powers**

- (1) The Directors may from time to time at their discretion raise or borrow such sums of money as they think proper and may secure the repayment of such sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage or guarantee, charge or security on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being and borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any subsidiary, associated or other companies or persons. Provided that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (2) Any debentures, debenture stock, bonds or other securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of Shares, attending and voting at meeting of members of the Company, appointment of Directors and otherwise.
- (3) If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company in its ordinary course of business, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.
- (4) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 352 of the Act as regards the registration of mortgages and charges therein specified or otherwise

**13. ADDITIONAL INFORMATION (Cont'd)**

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**Clause 23.3 – Guarantee**

The Directors may exercise all the powers of the Company to guarantee payment of money payable under contract obligations of any subsidiary company or companies with or without securities.

**Clause 23.6 – Power to execute cheques and receipts**

All cheques, promissory notes, drafts, bills of exchange, other negotiable or transferable instruments and all receipts for money paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manners the Directors shall determine by resolution from time to time.

**Clause 23.7 – Directors' power to appoint attorney of the Company**

The Directors may from time to time by power of attorney under the Seal appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Board to be the attorney/attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

**Clause 25.1 – Directors may establish committees, etc**

The Directors may establish any committees, local boards or agencies, comprising of two (2) or more persons, for managing any of the affairs of the Company, either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board, or any managers or agents, and may fix their remuneration, and may delegate to any such committee, local board, manager or agent any of these powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the members of any such committee or local board, or any of them, to fix any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit and the Directors may remove any person or persons so appointed, and may annul or vary any such delegation, but no person or persons dealing in good faith without notice of any such annulment or variation shall be affected thereby.

The Company may pass a resolution of the committee either by way of a circular resolution or at a meeting of committee.

**Clause 24.7 – Proceedings of meeting**

A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes of the Directors present and each Director having one (1) vote and determination by a majority of Directors shall for all purposes deemed as a decision from the Board.

**13. ADDITIONAL INFORMATION (Cont'd)**

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**Clause 24.8 – Chairman’s casting vote**

In case of an equality of votes, the chairman shall have a second or casting vote provided always that the chairman of a meeting at which only two (2) Directors form a quorum or at which only two (2) Directors are competent to vote on the questions at issue, shall not have a second or casting vote.

**Clause 23.11 – Declaration of interest by a Director**

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Act. Save as by the next following paragraph of this Clause otherwise provided and subject always to the Act and/or Listing Requirements, a Director shall not vote in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested. The Directors will not be considered as interested in the following circumstances:

- (1) any arrangement for giving to him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company; or
- (2) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or
- (3) any contract by him to subscribe for or underwrite share; or debentures of the Company; or
- (4) any contract or arrangement with any other company in which he is interested only as a director or other officer or creditor of or as a shareholder in or beneficially interested in the Shares of the Company.

**Clause 23.12 – Relaxation of restriction on voting**

A Director, notwithstanding his interest may be counted in the quorum present at any meeting (provided that none of Directors present disagree) whereat he or any other Director is appointed to hold any executive office or other office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment are considered, and he may vote on any such matter other than in respect of his own appointment or the arrangement of the terms thereof.

The provisions of this Clause may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, and any particular contract arrangement or transaction carried out in contravention of this Constitution may be ratified by Ordinary Resolution of the Company.



**13. ADDITIONAL INFORMATION (Cont'd)**

**(ii) Alteration of Capital**

**Clause 15.1 - Company may alter its capital in certain ways**

Subject to the Applicable Laws, the Company may from time to time by Ordinary Resolution:

- (1) consolidate and divide all or any of its share capital into Shares of larger amount than its existing shares;
- (2) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares;
- (3) 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;
- (4) convert all or any of its issued Shares into stock and reconvert that stock into paid up Shares; and
- (5) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.

**Clause 15.2 - 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.

**Clause 15.3 - Fractions**

Subject to any direction by the Company in general meeting, if any consolidation and/or subdivision of Shares results in Members being entitled to any issued Shares of the Company in fractions, the Directors may deal with such fractions as they may determine including (without limitation), selling the Shares to which Members are so entitled for such price as the Directors may determine and paying and distributing to the Members entitled to such Shares in due proportions the net proceeds of such sale.

**Clause 15.4 - Purchase of own Shares**

Subject to the provisions of the Act and/or the Applicable Laws, the Company may, with the sanction of an Ordinary Resolution of the Members in meeting of Members, purchase its own Shares and make payment in respect of the purchase and/or give financial assistance to any person for the purpose of purchasing its own Shares on such date(s), terms and manner as may be determined from time to time by the Directors. Any Shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and/or the Applicable Laws. The provision of Clauses 15.1 and 15.2 hereof shall not affect the power of the Company to cancel any Shares or reduce its share capital pursuant to any exercise of the Company's power under this Clause.

**13. ADDITIONAL INFORMATION (Cont'd)**

**Clause 16.1 – Increase of share capital**

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 of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts and (subject to any special rights for the time being attached to any existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any), in regard to dividend, return of capital, voting or otherwise, as the Company by the resolution authorising such increase may direct.

**Clause 17 – Variation on 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, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of seventy-five per centum (75%) 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 meeting 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.

**(iii) Transfer of securities**

**Clause 11.1 – Transfer in writing and to be left at the Office**

For the purpose of registration of a transfer of Shares that are not Deposited Securities, every instrument of transfer which is executed in accordance with the Applicable Laws, shall be left at the Office together with such fee not exceeding RM3.00 or as the Directors may determine, where a share certificate has been issued for the Share to be transferred, the certificate of the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as the Member within thirty (30) days from receipt of such duly executed and stamped instrument of transfer.

**Clause 11.2 – Transfer of Securities**

The transfer of any Deposited Security shall be by way of book entry by the Central 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 Deposited Security.

**Clause 11.5 – Directors may refuse registration of transfer**

Subject to the provisions of the Act, the SICDA, the Listing Requirements and the Rules, the Directors may, in their discretion and without assigning any reason therefor, refuse to register, the transfer of any Share, not being a fully paid share, and whether or not the Company claims lien on the same.

### 13. ADDITIONAL INFORMATION (Cont'd)

#### **Clause 11.6 – Closing of registration of transfers**

The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine but not exceeding in the whole thirty (30) days in any calendar year. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Central Depository to issue the relevant appropriate Record of Depositors.

The Company shall before close such register:

- (1) give notice of such intended book closure (in the case of the register) in accordance with Section 55 of the Act; and
- (2) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or the Applicable Laws before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.

#### **Clause 11.7 – Limitation of liability**

Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside, and notwithstanding that, the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. In every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

#### **(iv) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights**

As at the date of this Prospectus, we only have one (1) class of shares, namely ordinary shares, all of which rank equally with one (1) another. There are no special rights attached to our Shares. Please refer to Section 4.1 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

### 13.2 SHARE CAPITAL

- (i) No Shares will be allotted, issued or offered on the basis of this Prospectus later than six (6) months after the date of the issue of this Prospectus.
- (ii) There is no founder, management or deferred shares in our Company. As at the date of this Prospectus, we only have one (1) class of shares, namely ordinary shares, all of which rank equally with one (1) another. There are no special rights attached to our Shares.
- (iii) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iv) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.

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**13. ADDITIONAL INFORMATION (Cont'd)**

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- (v) There is no scheme involving our employees in the capital of our Group, except for the Pink Form Allocation.
- (vi) Save as disclosed in Sections 4.1.1, 6.1.3, 6.1.4 and 6.2.4 of this Prospectus, no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, for the Financial Years Under Review and up to the LPD.
- (vii) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

**13.3 LIMITATION ON THE RIGHT TO OWN SECURITIES**

Save for the clauses below which have been reproduced from our Company's Constitution, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares:

**Clause 18.7(c) – Record of Depositors**

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable) and notwithstanding any provision in the Act, a Depositor shall not be regarded as a Member entitled to attend any meeting of Members and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

**Clause 20.2 – Voting rights**

Subject to this Constitution and to any rights or restrictions for the time being attached to any Shares or classes of Shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote in respect of any Share or Shares upon which all calls due to the Company have been paid, either in person or by proxy or attorney or any other duly authorised representative. On a resolution to be decided by a poll, every Member voting in person or by proxy or attorney or any duly authorised representative shall have one (1) vote for each share he holds.

**Clause 20.8 – Members in default**

No Member shall be entitled to be present or to vote at any meeting of Members or to exercise any privilege as a Member nor be counted as one of the quorums unless all calls or other sums immediately payable by him in respect of Shares in the Company have been paid.

**13.4 PUBLIC TAKE-OVERS**

None of the following has occurred during the last financial year and up to the LPD:

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by us in respect of other company's shares.

**13. ADDITIONAL INFORMATION (Cont'd)****13.5 EXCHANGE CONTROLS/REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT**

Topstar, being a subsidiary of our Company, is incorporated in Singapore. The relevant policies on foreign investments, taxation and foreign exchange controls in Singapore in relation to the distribution of dividends, repatriation of capital and remittance of profits by or to our Company are set out below:

**(i) Exchange controls**

Subject to compliance to the applicable provisions of the Singapore Companies Act, there are no significant restrictions on the remittance of profits, dividend and the return of capital to non-resident.

**(ii) Dividend distribution**

Subject to the Singapore Companies Act, the constitution of the relevant company and the payment of applicable taxes under the laws of Singapore: (i) dividends may be paid only out of profits available for distribution.

**(iii) Withholding tax**

Dividends received in respect of the ordinary shares by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax. Singapore has adopted the "One-Tier" Corporate Tax System ("**One-Tier System**"). Under this One-Tier System, the tax payable in respect of taxable corporate profits is the final tax.

**13.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

Save as disclosed below, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business:

**Farm Price -v- Songmart Malaysia in the Sessions Court of Johor (Civil Division) Case No.: JA-A52NCC-186-05/2023**

On 31 May 2023, Farm Price had commenced legal action against Songmart Malaysia in relation to Songmart Malaysia's non-payment of amounts owing to Farm Price for vegetables, fruit, and other F&B products supplied by Farm Price to Songmart Malaysia and its group of companies ("**Songmart Group**"). Songmart Malaysia is the wholly-owned subsidiary of Songmart Holdings. Farm Price is claiming for the following:

- (i) sum of RM825,588.20 owing by Songmart Malaysia to Farm Price as at 28 February 2023;
- (ii) interest of 5% per annum on RM825,588.20 from 31 May 2023 until the date of full and final settlement;
- (iii) costs; and
- (iv) other reliefs that the Court deems fit.

Songmart Malaysia subsequently ceased its business operations on 30 June 2023 and was served with winding-up petitions by some of its creditors between June 2023 to July 2023. On 7 August 2023, the High Court of Malaya had ordered for Songmart Malaysia to be wound up in accordance with the provisions of the Act. A liquidator has since been appointed over Songmart Malaysia's assets.

**13. ADDITIONAL INFORMATION (Cont'd)**

We have since discontinued our legal action against Songmart Malaysia and have submitted our proof of debt to the appointed liquidator in order to establish our claim for the outstanding sum payable by Songmart Malaysia to Farm Price ("**Songmart Debt**"). The Songmart Debt is pending settlement by the appointed liquidator as at 14 March 2024.

The settlement of the Songmart Debt will be subject to the availability of Songmart Malaysia's remaining funds after Songmart Malaysia's secured creditors have been repaid out of Songmart Malaysia's liquidated assets. While our proof of debt has been submitted to and accepted by the appointed liquidator, our Group is unable to provide a view on the likelihood of settlement of the Songmart Debt at this juncture.

**Farm Price -v- Granville Grocery in the Sessions Court of Johor (Civil Division) Case No.: JA-A72NCC-664-06/2023**

On 2 June 2023, Farm Price had commenced legal action against Granville Grocery in relation to Granville Grocery's non-payment of amounts owing to Farm Price for vegetables, fruits, and other F&B products supplied by Farm Price to Granville Grocery. Granville Grocery is a wholly-owned subsidiary of Songmart Holdings Sdn Bhd. Farm Price is claiming for the following:

- (i) sum of RM54,042.74 owing by Granville Grocery to Farm Price as at 28 February 2023;
- (ii) interest of 5% per annum on RM54,042.74 from 4 June 2023 until the date of full and final settlement;
- (iii) costs; and
- (iv) other reliefs that the Court deems fit.

We have on 18 February 2024 obtained a summary judgement against Granville Grocery in respect of the outstanding sum owed to Farm Price ("**Granville Debt**"). However, the recovery of the Granville Debt will be subject to the availability of assets by Granville Grocery. The Granville Debt is pending settlement by Granville Grocery as at 14 March 2024.

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**13. ADDITIONAL INFORMATION (Cont'd)****13.7 MATERIAL CONTRACTS**

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:

- (i) the SSA and Supplemental SSA. Please refer to Section 4.1.1 of this Prospectus for further details;
- (ii) sale and purchase agreements entered into by Setia Kawan in respect of the following transactions:
  - (a) disposal of property held under title Geran 288730, Lot 16382, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 4, Jalan SS2/6E, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 4 January 2023 for a total cash consideration of RM0.58 million which was completed on 14 May 2023;
  - (b) disposal of property held under title Geran 288778, Lot 16402, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 9, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 4 January 2023 for a total cash consideration of RM0.58 million which was completed on 31 May 2023;
  - (c) disposal of property held under title HSD 204531, PT232683, Mukim of Hulu Kinta, District of Kinta, State of Perak bearing postal address No. 24, Jalan Menglembu Impiana 32, I-Park Menglembu, 31450 Ipoh, Perak to Dr. Tiong Lee Chian pursuant to an SPA dated 18 March 2022 for a total cash consideration of RM0.65 million which was completed on 19 July 2022; and
  - (d) disposal of property held under title HSD 524621, PTD 167098, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 10, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Liew Tsuey Er pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM1.50 million which was completed on 17 January 2023;
- (iii) sale and purchase agreements entered into by Farm Price in respect of the following transactions:
  - (a) disposal of property held under title PN 24266, Lot 80881, Mukim of Plentong, District of Johor Bahru, State of Johor bearing postal address No. 19, Jalan 10/28, Taman Air Biru, 81700 Pasir Gudang, Johor to Chin Chen Choy and Liew Chiew Leng pursuant to an SPA dated 19 January 2023 for a total cash consideration of RM1.25 million which was completed on 12 September 2023;
  - (b) acquisition of Lot 55359 from Dr. Tiong Lee Chian pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM2.59 million. This transaction was completed on 16 November 2022;
  - (c) disposal of property held under title HSD 160240, PTD 58312, Mukim of Pulai, District of Johor Bahru, State of Johor bearing postal address No. 64, Jalan Shahbandar 8, Taman Ungku Tun Aminah, 81300 Skudai, Johor to Liew Tsuey Er pursuant to an SPA dated 18 March 2022 for a total cash consideration of RM1.30 million which was completed on 16 August 2022;
  - (d) disposal of property held under title Geran 288779, Lot 16403, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 11, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.58 million which was completed on 1 March 2023;

### 13. ADDITIONAL INFORMATION (Cont'd)

- (e) disposal of property held under title Geran 288780, Lot 16404, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 15, Jalan SS 2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.58 million which was completed on 1 March 2023;
- (f) disposal of property held under title Geran 288781, Lot 16405, Mukim of Kota Tinggi, District of Kota Tinggi, State of Johor bearing postal address No. 17, Jalan SS2/6G, Taman Sri Saujana, 81900 Kota Tinggi, Johor to Heisalive pursuant to an SPA dated 2 November 2022 for a total cash consideration of RM0.60 million which was completed on 27 February 2023;
- (g) disposal of property held under title HSD 524620, PTD 167097, Mukim of Tebrau, District of Johor Bahru, State of Johor bearing postal address No. 8, Jalan Perniagaan Setia 6, Taman Perniagaan Setia, 81100 Johor Bahru, Johor to Dr. Tiong Lee Chian pursuant to an SPA dated 2 November 2022 for a total purchase consideration of RM1.50 million which was completed on 15 December 2022;
- (h) disposal of property held under title PN 28583, Lot 6547, Mukim of Kesang, District of Tangkak, State of Johor bearing postal address No. 35, Jalan Rivera, Maharani Rivera, 84000 Tangkak, Johor to FP Foods pursuant to an SPA dated 16 November 2021 for a total cash consideration of RM0.55 million which was completed on 29 June 2022;
- (i) disposal of property held under title PN 28584, Lot 6548, Mukim of Kesang, District of Tangkak, State of Johor bearing postal address No. 37, Jalan Rivera, Maharani Rivera, 84000 Tangkak, Johor to FP Foods pursuant to an SPA dated 16 November 2021 for a total cash consideration of RM0.55 million which was completed on 17 February 2022;
- (j) disposal of property held under title HSD 324222, PT 138144, Mukim of Plentong, District of Johor Bahru, State of Johor bearing postal address of No. 1, Jalan Tembikai 4, Taman Kota Masai, 81700 Pasir Gudang, Johor to Ewe Tek Seng and Lim Gek Khim pursuant to an SPA dated 30 May 2021 for a total cash consideration of RM1.05 million which was completed on 14 October 2021; and
- (iv) sale and purchase agreement dated 30 September 2020 between Sime Darby Property (Nilai) Sdn Bhd (as vendor) and FP Foods (as purchaser) in respect of the acquisition by FP Foods of a parcel of land held under title HSD 252513, PT 34009, Mukim Setul, Daerah Seremban, Negeri Sembilan for a total cash consideration of RM2.82 million. The SPA for this transaction became unconditional on 16 April 2021. The said property is under construction as at the LPD and is expected to be completed by Q2 2024; and
- (v) the Underwriting Agreement.

### 13.8 CONSENTS

- (i) The written consents of our Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors to our Company, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.



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**13. ADDITIONAL INFORMATION (Cont'd)**

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- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

**13.9 RESPONSIBILITY STATEMENTS**

- (i) This Prospectus has been seen and approved by our Directors and Promoters and Offerors. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. 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.
- (ii) AIS as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

**13.10 DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at our registered office during office hours for a period of six (6) months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report referred to in Section 7 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position of our Group as at 31 December 2023 referred to in Section 11.9 of this Prospectus;
- (iv) the Accountants' Report as included in Section 12 of this Prospectus;
- (v) the material contracts referred to in Section 13.7 of this Prospectus;
- (vi) the letters of consent referred to in Section 13.8 of this Prospectus; and
- (vii) the audited/reaudited financial statements of
  - (a) Farm Price Holdings for the financial period from 23 May 2023 (being the date of incorporation) to 31 December 2023;
  - (b) Farm Price for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023;
  - (c) FP Foods for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023;
  - (d) Setia Kawan for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023; and
  - (e) Topstar for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023.

## 14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR 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.

### 14.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD : 10.00 A.M., 24 APRIL 2024

CLOSING OF THE APPLICATION PERIOD : 5.00 P.M., 30 APRIL 2024

Applications for the IPO Shares will be open and close at the dates stated above.

In the event of any change to the dates stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

**Late Applications will not be accepted.**

### 14.2 METHODS OF APPLICATIONS

#### 14.2.1 Application for Our IPO Shares by the Malaysian Public and Eligible Persons

Application must accord with this 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 the Malaysian Public:	
(a) Individuals	<b>WHITE</b> Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	<b>WHITE</b> Application Form only
Applications by the Eligible Persons	<b>PINK</b> Application Form only

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

**14.2.2 Application by selected investors via private placement**

Types of Application	Application method
Applications by:  (a) Selected investors	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.

**14.3 ELIGIBILITY**

**14.3.1 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 Applications.

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

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

**14.3.2 Applications by Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one (1) of the following:
  - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
  - (b) 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
  - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of Issuing House; and

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

- (iii) You must submit Applications by using only one of the following methods:
- (a) White Application Form;
  - (b) Electronic Share Application; or
  - (c) Internet Share Application.

##### 14.3.3 Application by Eligible Persons

The Eligible Persons 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 Issue Shares. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, Issuing House, AIS, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

#### 14.4 PROCEDURES FOR 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 RM0.24 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 767**” 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:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

**Tricor Investor & Issuing House Services Sdn Bhd**  
(Registration No. 197101000970 (11324-H))  
Unite 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m., 30 April 2024 or by such other time and date specified in any change to the date and time for closing.

#### **14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

We, together with our 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 Forms to our Issuing House.

##### **14.5 PROCEDURES FOR 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.

##### **14.6 PROCEDURES FOR 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.

##### **14.7 AUTHORITY OF OUR BOARD AND ISSUING HOUSE**

The Issuing House on the authority of our Board reserves the right to:

- (i) reject Applications which:
  - (a) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (b) are illegible, incomplete or inaccurate; or
  - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) 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 14.9 of this Prospectus.

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## **14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our 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.

### **14.8 OVER/UNDER SUBSCRIPTION**

In the event of over-subscription, our 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 our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at <https://tiih.online> within one (1) Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our IPO Shares, subject to the underwriting arrangements and reallocation as set out in Section 4.1.1(b) of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriters based on the terms of the Underwriting Agreement.

### **14.9 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.

#### **14.9.1 For applications by way of Application Forms**

- (i) 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.
- (ii) 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.

#### **14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (iii) 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 our Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

##### **14.9.2 For applications by way of Electronic Share Applications and Internet Share Applications**

- (i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (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 Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the fifth (5<sup>th</sup>) Market Day from the balloting date.
- (iii) 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 our 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 Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from our Issuing House.

##### **14.10 SUCCESSFUL APPLICANTS**

If you are successful in your Application:

- (i) our IPO Shares allotted to you will be credited into your CDS account.
- (ii) 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.
- (iii) in accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our Issue 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 Rules.

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

- (iv) In accordance with Section 29 of the SICDA, all dealings in our Issue 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.

**14.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services at telephone no. +60 3 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 (1) Market Day after the balloting date.

You may also check the status of your Application at the above website, five (5) Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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