

## 7. BUSINESS OVERVIEW *(Cont'd)*

In 2022, we completed the construction of Phase 3 expansion of our Bukit Minyak Premises. Through the Phase 3 expansion, we expanded our Bukit Minyak Premises by 19,608 sq ft, which comprised an additional dry storage space, a third cold room, a docking space and a R&D laboratory and approximately 5,420 sq ft of the production site for our food additives. Our production of food additives started with 1 mixing machine in 2021 and subsequently expanded to 3 mixing machines in 2022.

In 2023, with the expansion of our fried shallot business, we relocated the production of fried shallots to a larger rented factory, measuring 6,240 sq ft, being our Simpang Empat Factory. Concurrently, we also expanded our capacity from 1 production line to 2 production lines. In the same year, we also expanded the capacity of our food additives production in our Bukit Minyak Premises from 3 mixing machines to 6 mixing machines.

### (d) Expansion of our customer base and markets

We recorded our first export sale in 2013 when we secured our first sale to a customer in Indonesia. We further expanded our global reach when we secured a customer in Singapore in the same year. By the fifth year of our business in 2014, we achieved a customer base of 511 customers, defined by the number of customers who transacted with our Group during the year.

Subsequently, from 2015 to 2020, our customer base further expanded to 796 customers. In 2019, we widened our export market by securing our first customers in Australia and Hong Kong. In 2021, we further expanded our export market when we secured our first customer in China. From FYE 2020 to 2023, our customer base increased from 796 customers to 1,081 customers, which comprised business end users (i.e. food manufacturers, commercial farmers, and F&B businesses), wholesalers and retailers, from the local market as well as 5 export markets. Please refer to Section 7.3.3 for more details on our customers.

## 7.3 DESCRIPTION OF OUR BUSINESS

### 7.3.1 Principal activities

We are principally involved in the sourcing, distribution and production of food ingredients. Our core business activities are segmented as follows:

- (a) sourcing and distribution of plant-based agricultural food ingredients comprising starch products, beans and pulses, grain products and other related products; and
- (b) production and sale of food additives and fried shallots.

The details of our principal activities are as follows:

#### (a) Sourcing and distribution of plant-based agricultural food ingredients

We source and distribute plant-based agricultural food ingredients, namely starch products, beans and pulses, grain products and other related products. These are staple food ingredients that are used as input in the manufacturing or preparation of food such as noodles, pastries, meat products as well as snacks. From a nutritional standpoint, these ingredients are a source of proteins and carbohydrates, which end products are widely consumed on a daily basis. This makes such ingredients a key part of the food ingredients industry value chain, and contributes to food security.

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Our starch products, beans and pulses, grain products and other related products are used by food manufacturers for applications such as being raw materials for manufacturing of food products and food additives; as well as by F&B businesses and households for food preparation such as soups, sauces and gravies, noodles, pastries and desserts. Some of our beans and pulses are also used by commercial farmers for crop growing.

Our sourcing activities comprise the following:

(i) Sourcing and storage of products

- We identify, source and store products based on our understanding of our customers' sourcing demand and preferences. These activities are carried out regularly as we monitor our inventory level and seasonality of the products' harvest, as well as observe our customers' purchasing pattern and past orders over the years of our operations. For avoidance of doubt, our Group does not source products on-demand for our customers (i.e. we do not accept orders from our customers for products that we do not carry and immediately source for these products). However, in the event that we receive orders from our customers for new products which we do not carry, we may evaluate if these products are viable in terms of demand and source for these products if they are viable. Please refer to Section 7.4.1(b) for further details on our business processes when products are not available in our inventory.
- Leveraging on our industry knowledge and experience, we also provide sourcing recommendations to our customers, where we recommend suitable products to them based on the types, volumes and grades of the products required according to their intended applications to meet their requirements in food manufacturing, in terms of desired results of the end-products and budget considerations.
- We store the products purchased from our suppliers as inventory in our Bukit Minyak Premises, and deliver to our customers once we receive orders.
- We source certain products in bulk during their respective harvest seasons, in particular certain types of soybeans and wheat starch. Thereafter, we store them in our cold rooms in order to extend their shelf lives, preserve their nutrients as well as maintain the texture and quality of the products.

(ii) Sourcing from new suppliers

- We continuously identify potential suppliers to expand our network of suppliers.
- We also identify potential suppliers for new products requested by customers which are viable for us to carry.
- We identify potential suppliers based on the origins of the products and assess the potential suppliers by evaluating their product quality, production capacity, market reputation, timeliness of delivery and price competitiveness, amongst others.

(iii) Quality assurance

As a common practice in the food ingredients industry, we ensure a Certificate of Analysis is obtained from our suppliers prior to product shipment to ensure the products are in accordance with our specifications and quality standards. Our

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Group also requests for third-party laboratory test reports from our newly engaged suppliers prior to product shipment in order to ensure the quality of these products meet our specifications and quality standards. Upon customers' request, our Group may also engage third-party laboratories to conduct testing on our products to verify the specifications and quality of our products.

Our distribution activities comprise the following:

(i) Sale of products

- We sell our products in various packing sizes ranging from 0.4 kg to 900.0 kg, catering to the packing requirements of our broad range of customers comprising wholesalers, retailers, food manufacturers, commercial farmers and F&B businesses.
- We utilise a mobile application that connects to our inventory system to keep track of the movement of our inventory, which provides our sales personnel with real-time data of our inventory level to assist them in closing sales with our customers.

(ii) Quality inspection and assurance

We conduct quality inspections at various stages of our business processes to ensure our products adhere to internal as well as international standards such as Halal, HACCP System or ISO 9001:2015 Quality Management System to provide confidence to our customers on the safety and quality of our products.

(iii) Logistics management

We plan, arrange and control the movement of our products from the receipt of products from suppliers, storage of products in our facility, to delivery of products to our customers according to their delivery instructions.

We mainly sell our starch products, beans and pulses, grain products and other related products under our house brands 'POKOK AGRICORE', 'SunRise' and 'CAP POKOK'. These products are primarily readily packed by our suppliers in our packaging which carries our house brands, whereby we engage the suppliers for the supply of products as well as for their packing services. Upon customers' request, we provide repacking services whereby our products are repacked in-house by our Group into smaller packing sizes.

We also distribute food ingredients with third party brands including starch products and other related products. Please refer to Section 7.3.2(a) for further details on our plant-based agricultural food ingredients.

### **(b) Production and sale of food additives and fried shallots**

**(i) Food additives**

We carry out production of our food additives in-house for sale to food manufacturers under our house brand 'BAPAS'. Food additives are functional food ingredients that are used in the manufacturing of food to serve certain functions such as to modify or enhance the texture, taste, appearance and preservative properties, amongst others, of food products, and are also generally known as thickening agents, anti-caking agents, binding agents, moisture retention agents, stabilisers and emulsifiers. Our food additives are supplied to food manufacturers to be used in their food manufacturing processes.



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All of our food additives are manufactured based on our in-house developed formulations. Our in-house R&D team is equipped with food technology capabilities to develop the formulation of our food additives according to the intended use of our customers, which allows us to help our customers achieve the desired texture, flavour, appearance and preservative properties of their food products. Some of our food additive formulations are developed through R&D activities carried out by our in-house R&D team, whereas some food additive formulations are developed by our in-house R&D team based on formulations that are commonly used in the industry. Please refer to Section 7.15 for further details on our R&D activities and projects. The raw materials for our food additives are mainly the starch products and phosphate which we source from our suppliers. Our food additives can be used in the manufacturing of different food products, such as processed and frozen food, sauces and gravies, noodles, bakery products, confectioneries, meat replacement (i.e. vegetarian) products, and beverages. Please refer to Section 7.3.2(b) for further details on the application of our food additives.

**(ii) Fried shallots**

Our Group produces and sells fried shallots under our house brand 'CAP POKOK'. We produce our fried shallots in-house using various types of shallots and onions as well as recipes to achieve different flavour, profiles and textures. Fried shallots are used as input ingredients in food preparation. Our fried shallots are sold to wholesalers and retailers for onward sale to end consumers. We are also engaged by third party brand owners as a contract manufacturer to produce fried shallots which are packaged and distributed under these customers' brand names.

Our business model can be summarised as below:

<b>Principal activities</b>	Sourcing and distribution of plant-based agricultural food ingredients	Production and sale of food additives and fried shallots
<b>Products</b>	<ul style="list-style-type: none"> <li>• Starch products</li> <li>• Beans and pulses</li> <li>• Grain products</li> <li>• Other related products</li> </ul>	<ul style="list-style-type: none"> <li>• Food additives</li> <li>• Fried shallots</li> </ul>
<b>House brands</b>		
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Business end-users                             <ul style="list-style-type: none"> <li>- Food manufacturers</li> <li>- Commercial farmers</li> <li>- F&amp;B businesses</li> </ul> </li> <li>• Wholesalers</li> <li>• Retailers</li> </ul>	<ul style="list-style-type: none"> <li>• Business end-users                             <ul style="list-style-type: none"> <li>- Food manufacturers</li> </ul> </li> <li>• Wholesalers</li> <li>• Retailers</li> </ul>
<b>Locations</b>	<u>Headquarters, storage facility and production sites</u> <ul style="list-style-type: none"> <li>• Bukit Minyak, Pulau Pinang</li> <li>• Simpang Empat, Pulau Pinang</li> </ul>	

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.3.2 Our products

#### (a) Sourcing and distribution of plant-based agricultural food ingredients

We mainly distribute our plant-based agricultural food ingredients under our house brands, namely 'POKOK AGRICORE', 'SunRise' and 'CAP POKOK'. As at the LPD, we have 69 SKUs of plant-based agricultural food ingredients comprising starch products, beans and pulses, grain products and other related products.



Our products can be categorised into 4 categories, as follows:

Category and description	Products	House brands	Packing sizes	Applications	Functions / end products
<b>(i) Starch products</b>  Starch is a carbohydrate that is naturally found in certain grains, tubers and pulses, amongst others. Starch can be extracted from the above to form a powdered form food ingredient. Starch products generally have similar functions, however, the use of different starch products will produce different viscosity, colour or texture of food products, due to the differences in granule sizes.	Corn starch Tapioca starch <sup>(1)</sup> Wheat starch Sago starch Potato starch <sup>(2)</sup> Soy protein	POKOK AGRICORE     N/A  SunRise	400g, 10kg, 25kg, 850kg 500g, 1kg, 10kg, 20kg, 25kg, 500kg, 850kg 25kg, 900kg 25kg, 900kg 25kg 20kg	Food manufacturing and food preparation      Food manufacturing and food preparation	Thickening agent (e.g. tapioca starch is used to thicken sauces), binding agent (e.g. sago starch is used to make noodles and desserts to achieve a chewy texture), stabiliser (e.g. corn starch is used to maintain a uniform dispersion between components in sauces)      Emulsifier, meat products texture enhancer

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Category and description</b>	<b>Products</b>	<b>House brands</b>	<b>Packing sizes</b>	<b>Applications</b>	<b>Functions / end products</b>	
<p><b>(ii) Beans and pulses</b></p> <p>Beans and pulses are edible seeds of leguminous plants, which are plants that produce edible seeds such as soybeans, peas and lentils. Beans and pulses are rich in protein hence are commonly consumed as part of a diet.</p>	Soybeans	<i>POKOK AGRICORE, SunRise</i>	30kg	Food manufacturing and food preparation	Bean curd, soybean drinks, soy sauce	
	Lentils		15kg	Crop growing	Bean sprout farming	
	Black matpe		25kg	Crop growing	Bean sprout farming	
	Green mung beans		1.8kg, 3.8kg, 4kg, 4,8kg, 10kg, 25kg	Food manufacturing and food preparation	Mung bean desserts, pastry fillings	
	Red beans		10kg, 25kg	Crop growing	Bean sprout farming	
	Red kidney beans		15kg, 25kg	<i>POKOK AGRICORE</i>	Food manufacturing and food preparation	Desserts, pastry fillings
	Red bamboo beans		20kg, 25kg			
	Black eyed beans		10kg, 15kg, 25kg			
	Yellow bamboo beans		20kg, 25kg			
	Dun peas		25kg			
	Marrowfat peas		25kg	Food manufacturing and food preparation	Snack foods	
	Yellow split peas		<i>POKOK AGRICORE, SunRise</i>	10kg, 15kg, 20kg, 25kg	Food manufacturing and food preparation	Pastry fillings

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Category and description</b>	<b>Products</b>	<b>House brands</b>	<b>Packing sizes</b>	<b>Applications</b>	<b>Functions / end products</b>
<b>(iii) Grain products</b>  Grain products include grains, the seeds that are harvested from crops such as rice, wheat, corn, oat and rye; as well as grain milled products, which are the flour or meal that are produced through the milling of grains.	Glutinous rice flour	<i>POKOK AGRICORE</i>	400g, 500g, 10kg, 25kg	Food manufacturing and food preparation	Rice cakes, pastries
	Barley		5kg, 10kg		Barley beverages
	Rice	<i>CAP POKOK</i>	5kg, 10kg		Rice
<b>(iv) Other related products</b>	Nutrient solutions	<i>POKOK AGRICORE</i>	1L, 5L	Crops growing	Bean sprout farming
	Brown sugar <sup>(3)</sup>		3.8kg, 3.9kg, 4kg, 8kg	Food manufacturing and food preparation	Desserts, pastry fillings, beverages
	Sesame seeds		10kg, 15kg, 30kg		Desserts, pastry fillings
	Sago pearls		15kg		Desserts
	Groundnuts <sup>(4)</sup>	N/A	1.8kg, 2kg, 24kg, 25kg	Food manufacturing	Desserts, pastry fillings
	Antifoam solutions	<i>CAP POKOK</i>	1L, 25L		Anti-foaming agent
	Coagulant <sup>(4)</sup>	N/A	30L	Coagulation of soy milk into curds	

**Notes:**

- (1) Distributed under house brand '*POKOK AGRICORE*' as well as under third party brand '*RED ELEPHANT*' in 25kg packing size.
- (2) Distributed under third party brand namely '*DE TULPENT*'. Potato starch is not distributed under our house brands due to relatively low demand for this product amongst our customers, compared to other products.
- (3) Distributed under house brand '*POKOK AGRICORE*' as well as under plain packaging for customers.
- (4) Distributed under plain packaging for customers.

**7. BUSINESS OVERVIEW (Cont'd)**

Examples of our products which we source and distribute are as follows:

**Starch products**



Corn starch



Tapioca starch



Wheat starch

**Beans and pulses**



Soybeans



Black matpe



Green mung beans

**Grain products**



Glutinous rice flour

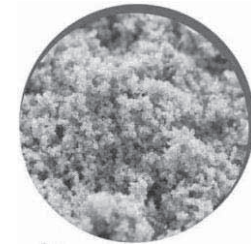


Rice



Barley

**Other related products**



Brown sugar



Sesame seeds



Antifoam solutions



## 7. BUSINESS OVERVIEW (Cont'd)

### (b) Production and sale of food additives and fried shallots

#### (i) Food additives

We produce and sell our food additives under our house brand 'BAPAS'.



As at LPD, we have 37 SKUs of food additives. Our food additives are as follows:

<b>Products</b>	<b>Function</b>	<b>Applications / end products</b>
Anti-oxidants	To delay the development of rancidity or other deterioration in food products due to oxidation	Processed meats, sauces and gravies, beverages
Preservatives	To prolong the shelf life of food products by preventing deterioration caused by microbial growth	Processed meats
Thickening agents	To improve texture, increase viscosity and improve yield by retaining moisture of food products	Processed meats, meat replacement (vegetarian) products, bakery products, beverages
Stabilisers	To improve texture, binding properties, moisture retention and freeze-thaw stability of food products, as well as to maintain a uniform dispersion of two or more components of food ingredients within food products	Processed meats, meat replacement (vegetarian) products, noodles, bakery products
Acid regulators	To control the acidity or alkalinity of food products to prevent the development of undesirable micro-organisms	Processed meats, processed seafoods
Firming agents	To coagulate food products	Beancurds
Emulsifiers	To form or maintain stable emulsion of immiscible food ingredients (e.g. oil and water) in food products	Processed meats, processed seafoods, meat replacement (vegetarian) products, beancurds
Sequestrants	To control availability of cation in food and retain moisture, as well as to improve texture and yield of food products	Processed meats, processed seafoods

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**7. BUSINESS OVERVIEW (Cont'd)**

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**(ii) Fried shallots**

Our fried shallots are sold to wholesalers and retailers for onward sale to end-consumers in retail packaging of 80g, 90g, 100g, 150g, 200g, 250g, 400g, 450g, 500g, 800g, 900g, and 1kg. Our fried shallots are packaged under our house brand '*CAP POKOK*'.



The fried shallots that we produce as a contract manufacturer for third party brand owners are packed in packaging provided by our customers.

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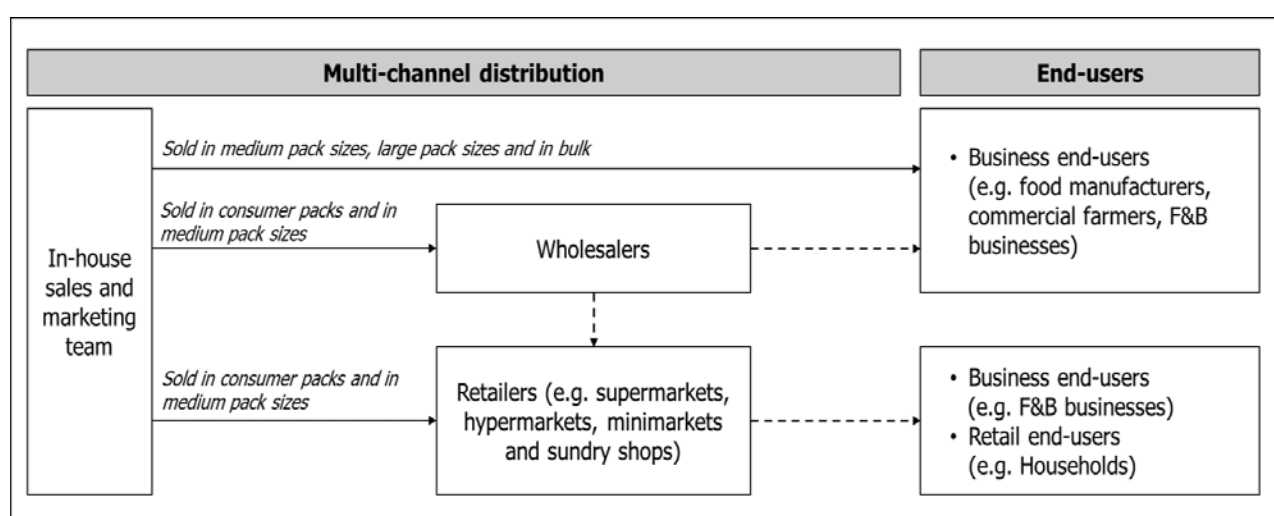
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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.3.3 Our distribution channels and customers

Our Group adopts a multi-channel distribution strategy comprising our in-house sales and marketing team, wholesalers and retailers, allowing us to have a wide network of distribution and a diverse customer base. Our customers comprise business end-users such as food manufacturers, commercial farmers, F&B businesses, wholesalers, and retailers such as supermarkets, hypermarkets, minimarkets and sundry shops.

Our products are sold in medium pack sizes, large pack sizes and in bulk (i.e. from 10kg to 900kg) to business end-users such as food manufacturers who use our products in mass food manufacturing and commercial farmers who use our products in crop growing. Our products are also sold in consumer packs as well as medium pack sizes (i.e. from 80g to 30kg) to wholesalers who supply our products to business end-users such as F&B businesses, and to retailers such as supermarkets, hypermarkets, minimarkets and sundry shops for onward sales to both business end-users and retail end-users. We also sell directly to retailers in the same packaging for onward sale to both business end-users and retail end-users.



#### Notes:

- > denotes direct sale to our customers.
- - -> denotes indirect sales.

Further breakdown on our customer base and their respective revenue contribution to our Group are shown in the table below:

Customer base	<sup>(1)</sup> No. of customers as at FYE 2023	Revenue contribution	
		RM'000	%
<b>Business end-users</b>			
Food manufacturers	635	93,468	69.2
Commercial farmers	67	16,412	12.2
F&B businesses	5	50	<0.1
<b>Wholesalers</b>	300	21,289	15.8
<b>Retailers</b>	74	3,773	2.8
<b>Total</b>	<b>1,081</b>	<b>134,992</b>	<b>100.0</b>

#### Note:

<sup>(1)</sup> Refers to number of customers with at least one transaction with our Group in FYE 2023.

**7. BUSINESS OVERVIEW (Cont'd)**

**7.3.4 Our sourcing network**

We have established an extensive sourcing network of 80 suppliers from 13 countries as at LPD, particularly for our sourcing and distribution business segment. We source similar products from various suppliers based on different grades and attributes such as, amongst others, viscosity, flavour, appearance, germination ability, nutritional content. This allows us to have a wide product portfolio, which enables us to meet different sourcing needs of our customers. Further, with an extensive sourcing network, we are also able to minimise supply disruptions which in turn reduces our exposure to supply chain challenges.

As at LPD, our plant-based agricultural food ingredients sourced from the 80 suppliers are from 15 countries including Malaysia. Our plant-based agricultural food ingredients can be sourced from suppliers based in the product's country of origin, as well as suppliers based outside of the product's country of origin. An overview of our sourcing network based on product's country of origin as at LPD is as follows:



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**7. BUSINESS OVERVIEW (Cont'd)**

<b>Region</b>	<b>Country</b>	<b>Products sourced</b>
Americas	Argentina	Beans and pulses
	Canada	Beans and pulses
	United States	Beans and pulses
Europe	Denmark	Starch products
	Turkey	Beans and pulses
	Ukraine	Beans and pulses
	United Kingdom	Beans and pulses
Asia	China	Starch products, beans and pulses, and other related products
	India	Starch products, beans and pulses and other related products
	Indonesia	Starch products
	Malaysia	Starch products, beans and pulses and other related products
	Myanmar	Beans and pulses
	South Korea	Starch products
	Thailand	Starch products, beans and pulses, and grain products
Oceania	Australia	Starch products, and beans and pulses

**7.3.5 Our locations**

Our business operations are based in Malaysia at the following locations:

<b>Facilities</b>	<b>Location</b>	<b>Function</b>
Bukit Minyak Premises	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	Headquarters, storage facility, production facility for food additives, and R&D laboratory
Simpang Empat Factory	46, Lengkok IKS Simpang Empat 1, Taman IKS Simpang Empat, 14100 Simpang Empat, Pulau Pinang	Production facility for fried shallots

**7.3.6 Warranty**

We do not provide warranty for our plant-based agricultural products. However, in the event that defects such as changes in texture and appearance, contamination and improper sealing are reported by our customers, we will conduct investigation on the causes and may conduct product recalls from our customers and/or from the market for the affected batch of products. We will also provide our customers with replacement products or refunds for the defect products. In the event of delivery of products in wrong specifications, we will also provide our customers with replacement products or refunds.

As for our in-house manufactured food additives, samples of each batch of products are kept and retained for 2 years in our Bukit Minyak Premises. We do not provide warranty for our food additives. However, in the event that defects are reported by our customers, we will conduct testing on the relevant batches of samples. If the sample batches are found to be defective, the defect products will be replaced or refunded.

**7. BUSINESS OVERVIEW (Cont'd)**

We do not provide warranty for our fried shallots. In the event that defects are reported by our customers, we will provide our customers with replacement products or refunds for the defect products.

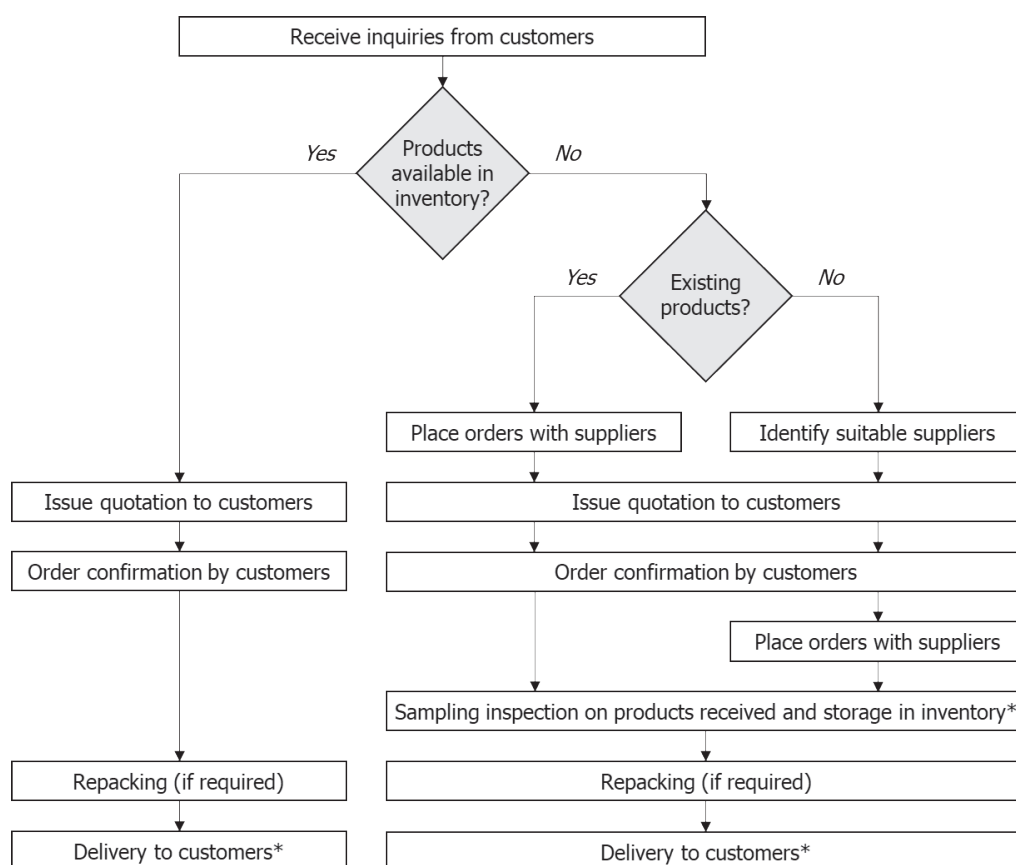
Our practice of not providing warranty for all of our products (i.e. plant-based agricultural products, food additives and fried shallots) is a common practice within the food ingredients industry. For FYE 2020 to 2023, we recorded product return rates of 0.8%, 0.6%, 0.5% and 0.7% respectively of our revenue for our plant-based agricultural products as well as in-house manufactured food additives and fried shallots. There have not been any product recalls from the market for FYE 2020 to 2023.

Our plant-based agricultural food ingredients have shelf lives ranging from 3 months to 5 years, whereas our food additives and fried shallots have shelf lives up to 2 years and 1.5 years respectively.

**7.4 BUSINESS PROCESSES**

The process flow for our Group’s business is separated into 2 segments as depicted below:

**7.4.1 Sourcing and distribution of plant-based agricultural products**



**Note:**

\* indicates processes that will undergo QC procedure.

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**7. BUSINESS OVERVIEW (Cont'd)**

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Upon receiving inquiries from customer, we will assess our inventory to determine the availability of the requested products.

**(a) Product is available in our inventory**

If our inventory is sufficient to fulfil the customer's order, we will prepare a quotation for the customer based on type of products, volume required and delivery instructions.

Once the quotation is agreed by the customer, the customer will issue a purchase order or verbally confirm the purchase. Upon customer's request, we may provide repacking services where our products are filtered and repacked into smaller packing sizes requested by our customer.

Thereafter, a delivery order will be issued and the products will be prepared for delivery. Prior to the delivery, we will conduct a round of inspection as part of our QC procedure on the volume, quality as well as packaging of our products. Upon completion of the quality inspection, our products will be loaded and delivered to our customer by our in-house logistics team or third party logistics providers, depending on the availability of capacity within our in-house logistics team and the delivery location.

For FYE 2020 to 2023, our Group's inventory turnover ranged from 32 days to 40 days, whereby all products are typically stored in our inventory for an average period of around 1 month before they are sold and delivered to customers, except for products which we purchase in large bulk to obtain better pricing, as well as products that have certain harvest seasons such as certain types of soybeans and wheat starch. We only purchase seasonal products during their respective harvest seasons and store them in our Bukit Minyak Premises for a longer period to cater to our customer demand for these products for the entire year.

**(b) Product is unavailable in our inventory**

If our inventory is insufficient to fulfil the customer's order for existing products that our Group sources and distributes, we will request for quotation of the products from our supplier. Once the quotation is agreed by us, we will place a purchase order to the supplier to confirm our order.

If we receive an order from our customer for new products which our Group has not sourced and distributed, we will evaluate if these products are viable in terms of demand. If viable we will evaluate our list of suppliers based on the type and volume of products requested by our customer. If new suppliers are required to fulfil our customer's requests, we will identify and evaluate new suppliers based on amongst others, the supplier's product quality, production capacity, market reputation, timeliness of delivery and price competitiveness. Once the suitable suppliers have been identified, we will request product samples, sample of Certification of Analysis for the products requested and quotation from the suppliers based on the product type and volume requested by our customers. Following which, we will prepare a quotation to our customer based on the product type, product volume and delivery instructions requested. Once the quotation is agreed, our customer will issue a purchase order to confirm the purchase. Following which, we will issue a purchase order to the supplier to confirm our purchase. We will then obtain a Certificate of Analysis of the products purchased from the supplier prior to the shipment of products.

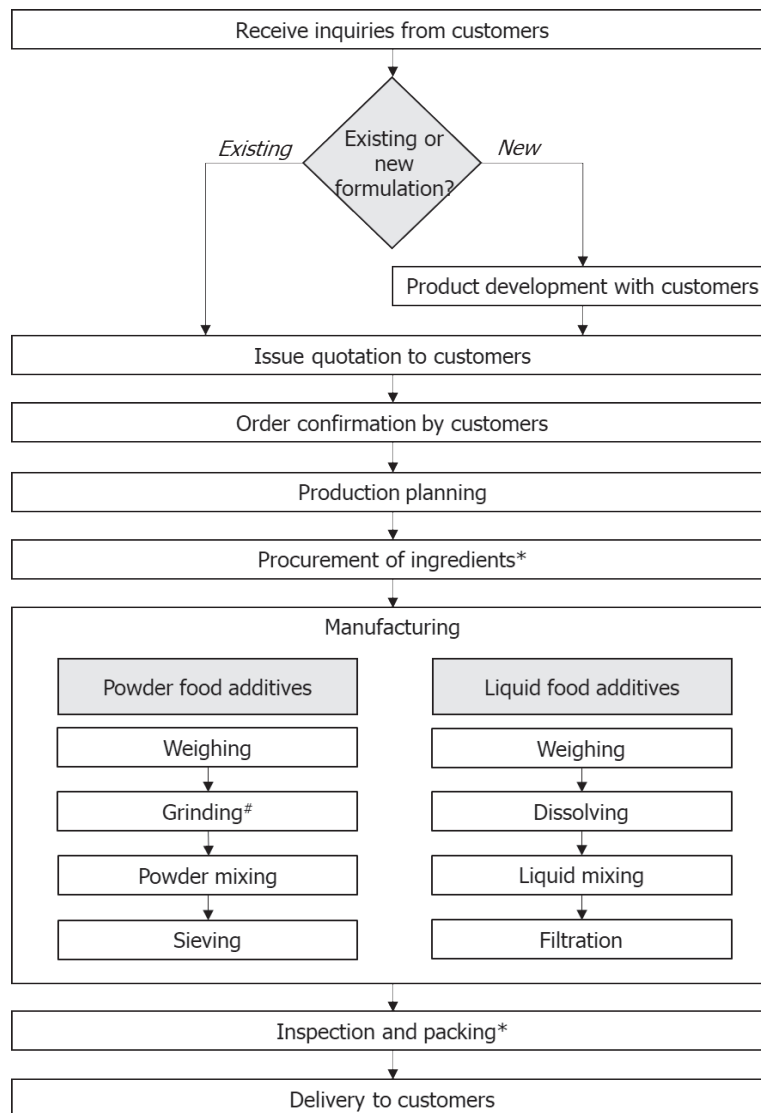
Upon the receipt of products from our suppliers, we will conduct sampling inspection as part of our QC procedure on the product type, volume and visual appearance as well as the packing condition of the products. In the event that the products received do not meet the standard of our inspections, we may reject and return the products to the supplier or retain the products where we will seek for compensation from the supplier. Products that meet our inspection standards will be stored in our storage facility.

**7. BUSINESS OVERVIEW (Cont'd)**

Upon customer's request, we may provide repacking services where our products are filtered and repacked into packing sizes requested by our customer. Thereafter, a delivery order will be issued and the products will be prepared for delivery. Prior to the delivery, we will conduct a round of inspection as part of our QC procedure on the volume, quality as well as packaging of our products. Upon completion of the quality inspection, our products will be loaded and delivered to our customer by our in-house logistics team or third party logistics providers, depending on the availability and capacity within our in-house logistics team and the delivery location.

**7.4.2 Production of food additives and fried shallots**

**(a) Production of food additives**



**Notes:**

\* indicates processes that will undergo QC procedure.

# indicates process that is carried out for certain food additives only.



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## **7. BUSINESS OVERVIEW (Cont'd)**

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Upon receiving inquiries from customer for food additives with existing formulations, we will prepare and issue a quotation to the customer based on product formulation, volume required and delivery instructions.

Upon receiving inquiries from customer for food additives with new formulations, we will carry out product development to develop new formulations together with our customers which typically take 3 months to 1 year. The product development stage encompasses the following processes:

- (i) Development of formulation – After understanding customer’s requirements, we will conduct research such as literature review and market study on the required food additive. Following which, we will develop the formulation of the food additives based on the customer’s requirements and specifications on the desired texture, flavour, appearance or preservation properties of their food products.
- (ii) Production of sample products – Upon the completion of development of formulation, we will source the raw materials required and produce samples of food additives based on the formulation developed for testing with our customers.
- (iii) Product testing – Prior to the product testing stage, the performance and stability of the samples of food additives produced are evaluated based on our internal standards on the viscosity, pH value, salt content and density, which are benchmarked against similar food additives products in the market. Following which, the qualified food additives samples will be tested together with, or by, our customers at our premise or our customers’ premises, by blending with other ingredients to produce food products. The outcomes of each testing are examined and evaluated to determine the suitability of the newly formulated food additives to achieve the desired outcome according to our customer’s specifications. Based on our customers’ feedback during the product testing stage, we will make improvements or enhancements to the formulation of our food additives, until the desired outcome is achieved.

Upon acceptance of the newly formulated food additives by our customer, we will prepare and issue a quotation based on the product formulation, volume required and delivery instructions. Once the quotation is agreed, our customer will issue a purchase order to confirm the purchase.

Upon receipt of purchase order, we will prepare a production plan which outlines production details including ingredients required, formulations, production volume and production schedule. Thereafter, we will source the required ingredients from our suppliers if there are insufficient ingredients in our inventory. Ingredients received will be inspected to ensure quality standards are met, and are stored in our facility thereafter. Ingredients that do not meet our quality standards may be rejected and returned to the supplier.

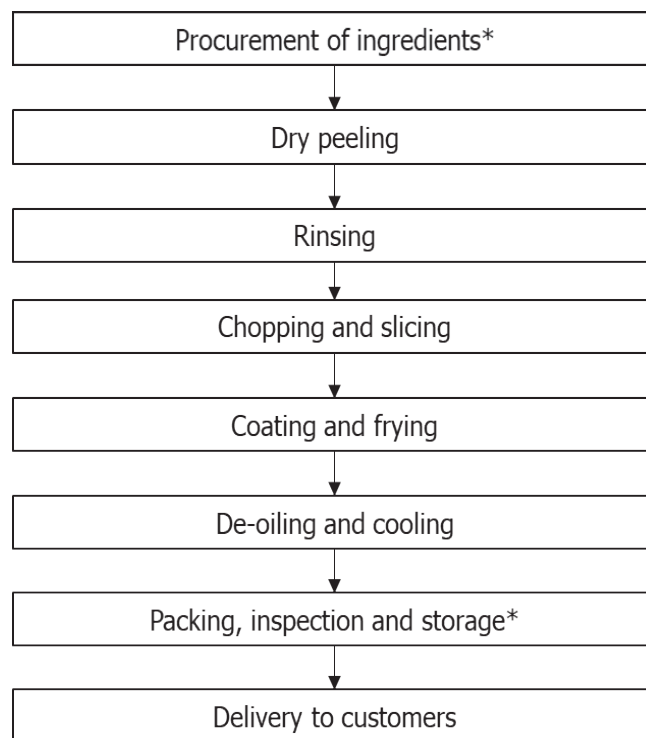
The production of powder food additives starts with the weighing of ingredients (e.g. starches, phosphate, carbonate and soy fibre) according to the formulation. We may also grind soybeans to be used as ingredients in some of our food additives production. The weighed and ground ingredients will be channeled into a mixer and mixed thoroughly. The mixture is then sieved through a sieving machine to break any lumps formed in the mixing process as well as to remove unwanted particles such as clumped raw materials and foreign particles. Following which, the samples of sieved mixture are sent for quality inspections on the visual appearance, acidity or alkaline (pH) value, viscosity and microbial contamination. Food additive mixture that meets our quality standards are then fed into a powder packing machine for packing.

## 7. BUSINESS OVERVIEW (Cont'd)

The production processes for liquid food additives are similar to the production processes of powder food additives, with different ingredients used in the mixing process. Ingredients used in the production of liquid food additives include solid mineral salt, sodium chloride and purified water. After the weighing of ingredients, the ingredients are dissolved and blended thoroughly. Thereafter, the liquid mixture is filtered to remove any solid particles. Similarly, samples of the filtered mixture are sent for quality inspections on visual appearance, odour, pH value, viscosity and microbial contamination. Food additive mixture that meets our quality standards are fed into a filling machine for packing.

The packed food additives will be sent through a metal detector to be scanned for any traces of metallic materials. Following which, the food additives are stored in our facility prior to delivering to our customers.

### (b) Production of fried shallots



#### Note:

\* indicates processes that will undergo QC procedure.

Prior to the production of fried shallots, ingredients such as shallots, onions, cooking oil and corn starch are sourced from our suppliers. Ingredients are inspected upon receipt to ensure quality standards are met, and are thereafter stored in our facility. Ingredients that do not meet our quality standards may be rejected and returned to the supplier.

The production of fried shallots begins with the peeling of shallots/onions by a dry peeling machine to remove their skin. The peeled shallots/onions are then rinsed and fed into a slicing machine to be chopped and sliced. They are then coated with corn starch in a mixer prior to be fed into a deep fryer machine to be deep fried in cooking oil. The fried shallots are then strained to remove excessive oil and left to be cooled on a cooling rack.

## 7. BUSINESS OVERVIEW (Cont'd)

Once the fried shallots are cooled to room temperature, the fried shallots are packaged into individual packets by a packing machine. The individual packets of fried shallots will then be sent through a metal detector to be scanned for any traces of metallic materials. Following which, the fried shallots are stored in our facility prior to delivering to our customers.

### 7.5 PRINCIPAL MARKETS AND SEGMENTS

For FYE 2020 to 2023, the sales of our plant-based agricultural products were the largest revenue contributor as they contributed 97.3%, 96.3%, 90.9% and 88.8% to our Group's revenue respectively.

The breakdown of our Group's revenue by business activity for FYE 2020 to 2023 is as follows:

Business activity	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sourcing and distribution of plant-based agricultural products <sup>(1)</sup>	86,607	97.3	97,107	96.3	111,503	90.9	119,808	88.8
Production of food additives and fried shallots	2,388	2.7	3,725	3.7	11,182	9.1	15,184	11.2
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>

Business activity	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Sourcing and distribution of plant-based agricultural products</b>								
Starch products	27,000	30.3	36,309	36.0	44,872	36.6	53,850	39.9
Beans and pulses	46,161	51.9	49,093	48.7	53,264	43.4	52,676	39.0
Grain products	10,421	11.7	8,591	8.5	10,288	8.4	9,955	7.4
Other related products <sup>(2)</sup>	3,025	3.4	3,114	3.1	3,079	2.5	3,327	2.5
	<b>86,607</b>	<b>97.3</b>	<b>97,107</b>	<b>96.3</b>	<b>111,503</b>	<b>90.9</b>	<b>119,808</b>	<b>88.8</b>
<b>Production of food additives and fried shallots</b>								
Food additives	-	-	1,186	1.2	8,012	6.5	12,086	8.9
Fried shallots	2,388	2.7	2,539	2.5	3,170	2.6	3,098	2.3
	<b>2,388</b>	<b>2.7</b>	<b>3,725</b>	<b>3.7</b>	<b>11,182</b>	<b>9.1</b>	<b>15,184</b>	<b>11.2</b>
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>

#### Notes:

- (1) Includes revenue generated from sale of food ingredients after provision of processing services such as filtering, cleaning and sieving for soybeans provided to a customer, which amounted to approximately RM12.9 million, RM11.0 million and RM5.9 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to the customer since August 2015, and has ceased the provision of such processing services since July 2022 as the customer had since been able to carry out these processes in-house.
- (2) Comprises mainly nutrient solutions, brown sugar, sesame seeds and groundnuts.

## 7. BUSINESS OVERVIEW (Cont'd)

Our Group's principal market is in Malaysia, which accounted for 97.4%, 98.6%, 98.5% and 98.4% of our total revenue for FYE 2020 to 2023 respectively.

The breakdown of our Group's revenue by geographical area for FYE 2020 to 2023 are as follows:

Geographical area	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	<b>86,688</b>	<b>97.4</b>	<b>99,367</b>	<b>98.6</b>	<b>120,838</b>	<b>98.5</b>	<b>132,864</b>	<b>98.4</b>
<b>Overseas</b>								
Singapore	945	1.0	785	0.8	1,029	0.8	826	0.6
Indonesia	1,313	1.5	579	0.6	564	0.5	1,180	0.9
China	-	-	54	<0.1	190	0.2	-	-
Australia	24	<0.1	26	<0.1	38	<0.1	91	<0.1
Hong Kong	25	<0.1	21	<0.1	26	<0.1	31	<0.1
	<b>2,307</b>	<b>2.6</b>	<b>1,465</b>	<b>1.4</b>	<b>1,847</b>	<b>1.5</b>	<b>2,128</b>	<b>1.6</b>
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>

### 7.6 BUSINESS DEVELOPMENT AND MARKETING STRATEGIES

Our Group's sales and marketing team is primarily responsible for planning and executing sales and marketing activities, serving existing customers by providing value added services (i.e. providing sourcing advices and recommendations to our customers according to their requirements and intended applications of food ingredients), attending enquiries from potential customers and collecting payments. As at LPD, we have 8 sales representatives led by our Managing Director, Oon Boon Khong, and our Marketing Manager, Tan Hong Sheng. Our Group's mode of marketing and sales are as follows:

#### (i) Direct approach

We secure new customers by directly approaching potential customers to promote our products as well as to showcase our industry knowledge and food technology capabilities to potential customers. Our sales and marketing team also follows up closely with our existing customers to remain up-to-date with their new product launches or business expansions to identify new opportunities to secure more sales.

#### (ii) Referrals from business associates

We secure new customers through referrals from our business associates, including our customers and suppliers. Our ability in providing value added services to our customers and maintaining the quality of our products, coupled with our wide product offerings attributed to our extensive supplier network have brought in referrals through recommendations by our business associates, whom we dedicate to maintaining good relationships with.

**7. BUSINESS OVERVIEW (Cont'd)****(iii) Real time update of inventory through a mobile application**

We utilise a mobile application that connects to our inventory system to keep track of the movement of our inventory, which provides our sales personnel with real-time data of our inventory level to assist them in closing sales with our customers. This enhances the efficiency of our operations as information on our inventory level can be accessed by our sales personnel anytime and anywhere.

**(iv) Participation in trade fairs and exhibitions**

We participate in trade fairs and exhibitions to promote our products. We leverage on these events to showcase our product offerings to new markets and potential customers, build customers relationships and establish direct contact with end-consumers who purchase our products from retail channels, while promoting our brand presence.

As at LPD, we have participated in the following trade fairs and exhibitions:

<b>Year</b>	<b>Events</b>	<b>Organiser</b>	<b>Location</b>
2018	Halfest Giant 2018	GCH (Malaysia) Sdn Bhd and Shapers Malaysia Sdn Bhd	Kuala Lumpur, Malaysia
2023	Minggu Perusahaan Mikro, Kecil & Sederhana (PMKS) Zon Utara 2023	Ministry of Entrepreneur and Cooperatives Development and SME Corporation Malaysia	Pulau Pinang, Malaysia
2023	Malaysia International Halal Showcase	Malaysia External Trade Development Corporation	Kuala Lumpur, Malaysia

We also visit trade mission to keep abreast of market trends and build rapport in the industry. As at LPD, we have participated in the following trade missions:

<b>Year</b>	<b>Events</b>	<b>Organiser</b>	<b>Location</b>
2020	Gulfood	Dubai World Trade Centre	Dubai, United Arab Emirates
2023	Taipei Smart City Trade Mission 2023	Business Media International and Small and Medium Enterprises Association (SAMENTA)	Taipei, Taiwan

**(v) Digital marketing and media advertising**

We conduct online marketing activities through our social media accounts on Facebook, namely 'Agricore CS Sdn Bhd' and 'Bapas Food Product Sdn Bhd', as well as on Instagram namely 'agricorecs\_malaysia'. We regularly update these social media accounts with our product offerings, promotional videos featuring our products, as well as recipes with our products. Further, we also collaborated with a social media content creator in 2021 to promote our products through cooking tutorial videos.

Moving forward, we will continue to explore and engage in different digital marketing and advertising mediums to elevate our brand presence and product awareness.

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**7. BUSINESS OVERVIEW (Cont'd)**

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**(vi) Brand ambassador**

We appoint brand ambassador to enhance the recognition and awareness of our brands and products. On 8 August 2022, we appointed a Malaysian singer, actor and celebrity chef, to be our brand ambassador to promote our products under our house brands through commercials and photographic materials. The tenure of the ambassadorship is from May 2024 to April 2025.

**(vii) Corporate website**

We have established our corporate website at *www.agricore.com.my* as a platform to introduce and broadcast our business to potential customers as well as to provide immediate searchable information on our Group.

The current widespread use of the internet as a source of information enables us to cross geographical boundaries and facilitates access from any part of the world, enhancing our potential market reach and exposure.

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## 7. BUSINESS OVERVIEW (Cont'd)

### 7.7 MAJOR CUSTOMERS

Our top 5 major customers according to their revenue contribution for FYE 2020 to 2023 are as follows:

#### **FYE 2020**

<b>No.</b>	<b>Major customers</b>	<b>Country</b>	<b>Principal activities</b>	<b>Main products sold</b>	<b>Revenue contribution</b>		<b>Length of relationship as at end of FYE</b>
					<b>RM'000</b>	<b>%</b>	<b>Years</b>
1.	Everbest Group of Companies <sup>(1)</sup>	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans and antifoam solutions	12,880	14.5	7
2.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans and coagulant	3,351	3.8	7
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,241	2.5	11
4.	Yi Li Food Based Industries Sdn Bhd	Malaysia	Production and trading of frozen products	Starch products	1,165	1.3	3
5.	UD Tujuh Inti Mulia	Indonesia	Agent for trading of bean sprouts	Black matpe and sprouting nutrient solutions	1,144	1.3	7
					<b>20,781</b>	<b>23.4</b>	

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2021**

<b>No.</b>	<b>Major customers</b>	<b>Country</b>	<b>Principal activities</b>	<b>Main products sold</b>	<b>Revenue contribution</b>		<b>Length of relationship as at end of</b>
					<b>RM'000</b>	<b>%</b>	<b>FYE Years</b>
1.	Everbest Group of Companies <sup>(1)</sup>	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans and antifoam solutions	10,950	10.9	8
2.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans and coagulant, antifoam solutions and modified starches	4,637	4.6	8
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,282	2.3	12
4.	Mr Tauge (M) Sdn Bhd	Malaysia	Cultivating and trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	1,508	1.5	8
5.	Hicomi Sdn Bhd	Malaysia	Manufacturing and distribution of noodles and other food products including rice, grains, flours and sugar	Starch products	1,446	1.4	8
					<b>20,823</b>	<b>20.7</b>	



**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2022**

<b>No.</b>	<b>Major customers</b>	<b>Country</b>	<b>Principal activities</b>	<b>Main products sold</b>	<b>Revenue contribution</b>		<b>Length of relationship as at end of FYE</b>
					<b>RM'000</b>	<b>%</b>	
1.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans, coagulant and modified starches	6,782	5.5	9
2.	Everbest Group of Companies <sup>(1)</sup>	Malaysia	Manufacturing of soy-based products, vegetarian food and other related products	Soybeans, antifoam solutions and starch products	5,868	4.8	9
3.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	3,580	2.9	13
4.	Mr Tauge (M) Sdn Bhd	Malaysia	Cultivating and trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	2,312	1.9	9
5.	Hicomi Sdn Bhd	Malaysia	Manufacturing and distribution of noodles and other food products including rice, grains, flours and sugar	Starch products	2,106	1.7	9
					<b>20,648</b>	<b>16.8</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### FYE 2023

No.	Major customers	Country	Principal activities	Main products sold	Revenue contribution		Length of relationship as at end of FYE Years
					RM'000	%	
1.	Kim Wang Food Industry Sdn Bhd	Malaysia	Manufacturing and trading of food products	Soybeans, coagulant and modified starches	7,936	5.9	10
2.	Sin Chuan Bean Sprout Sdn Bhd	Malaysia	Trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	4,384	3.2	14
3.	Mr Tauge (M) Sdn Bhd	Malaysia	Cultivating and trading of bean sprouts	Black matpe, sprouting soybeans and sprouting nutrient solutions	3,389	2.5	10
4.	Enda Food Industries	Malaysia	Manufacturing and trading of noodles and other food products such as chili sauce and oyster sauce	Starch products	2,444	1.8	8
5.	C.S.K. Trading Company	Malaysia	Manufacturing and trading of food products and bean sprouts	Soybeans and black matpe	2,141	1.6	6
					<b>20,294</b>	<b>15.0</b>	

#### Note:

(1) Comprises Everbest Soya Bean Products Sdn Bhd, Hoshay Food Sdn Bhd (formerly known as Everbest Vege Sdn Bhd) and EB Frozen Food Sdn Bhd. Sales to Everbest Group of Companies include sale of soybeans after provision of processing services such as filtering, cleaning and sieving, which amounted to approximately RM12.9 million, RM11.0 million and RM5.9 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to Everbest Group of Companies since August 2015, and has ceased the provision of such processing services since July 2022. To the best of our Group's knowledge, Everbest Group of Companies is carrying out the filtering, cleaning and sieving processes in-house.

Our top 5 major customers contributed 23.4%, 20.7%, 16.8% and 15.0% to our Group's total revenue for FYE 2020 to 2023 respectively. Save for Everbest Group of Companies who contributed 14.5% and 10.9% to our Group's revenue in FYE 2020 and 2021, there is no other major customers who contributed more than 10.0% to our Group's revenue for FYE 2020 to 2023. As such, we are not dependent on any of our major customers. Moving forward, we expect our major customers to continue contributing to our revenue.

**7. BUSINESS OVERVIEW (Cont'd)****7.8 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

The breakdown of our Group's purchases for supplies for FYE 2020 to 2023 is as follows:

<b>Supplies</b>	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Starch products	23,455	31.3	29,442	36.2	43,949	43.2	53,051	49.2
Beans and pulses	40,685	54.4	41,034	50.5	44,714	44.0	41,958	39.0
Grain products	7,123	9.5	7,144	8.8	8,449	8.3	7,661	7.1
Others <sup>(1)</sup>	3,582	4.8	3,622	4.5	4,554	4.5	5,052	4.7
<b>Total purchases</b>	<b>74,845</b>	<b>100.0</b>	<b>81,242</b>	<b>100.0</b>	<b>101,666</b>	<b>100.0</b>	<b>107,722</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Comprise, amongst others, groundnuts, brown sugar, shallots, onions, cooking oil, packing materials and raw materials for the production of food additives.

For FYE 2020 to 2023, the primary supplies purchased by our Group were starch products as well as beans and pulses which accounted for 85.7%, 86.7%, 87.2% and 88.2% of our Group's total purchases respectively. This was followed by purchases of grain products.

Our Group has not encountered any major disruptions in the purchase of supplies for FYE 2020 to 2023. Our supplies are also generally readily available and can be easily sourced from local and overseas suppliers. Further, to ensure sufficient supply of seasonal products (e.g. certain types of soybeans and wheat starch) from our suppliers, we enter into contracts (less than 1 year term) with our suppliers to secure the supply of these products.

The prices of our supplies are subject to fluctuations according to the global commodity prices and foreign currency fluctuations. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost to our customers. For FYE 2020 to 2022, we have generally been able to pass on the increase in cost of supplies to our customers. For FYE 2023, we were not able to fully pass on the increase in costs of supplies arising from foreign currency fluctuations to our customers, as detailed in Sections 9.1.1 and 9.2.1. Nevertheless, such event did not materially impact our financial performance in overall as our Group recorded profits for FYE 2023. Please refer Section 12.11 of this Prospectus for further details on the impact of foreign exchange rates on our Group.

## 7. BUSINESS OVERVIEW (Cont'd)

### 7.9 MAJOR SUPPLIERS

Our top 5 major suppliers according to their total purchases for FYE 2020 to 2023 are as follows:

#### FYE 2020

No.	Major suppliers	Country	Principal activities	Main products sourced	Value of purchases		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Everbest Group of Companies <sup>(1)</sup>	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans	12,388	16.6	7
2.	Bourne Commercial Ltd	Singapore	Trading of plant-based agricultural products	Beans and pulses, starch products	8,192	10.9	7
3.	Chaodee Trading Co Ltd	Thailand	Manufacturing of tapioca starch	Tapioca starch	8,064	10.8	8
4.	Jilin Cofco Bio-Chem and Bio-Energy Marketing Co Ltd	China	Manufacturing and sale of corn starch and other related products	Corn starch	5,484	7.3	1
5.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	5,323	7.1	9
					<b>39,451</b>	<b>52.7</b>	

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2021**

<b>No.</b>	<b>Major suppliers</b>	<b>Country</b>	<b>Principal activities</b>	<b>Main sourced products</b>	<b>Value of purchases</b>		<b>Length of relationship as at end of FYE</b>
					<b>RM'000</b>	<b>%</b>	<b>Years</b>
1.	Chaodee Trading Co Ltd	Thailand	Manufacturing of tapioca starch	Tapioca starch	11,987	14.8	9
2.	Everbest Group of Companies <sup>(1)</sup>	Malaysia	Manufacturing of soy-based products, vegetarian food and other related food products	Soybeans	10,268	12.6	8
3.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	8,765	10.8	10
4.	All States International Co Ltd	Myanmar	Trading of plant-based agricultural products	Beans and pulses	5,324	6.6	7
5.	Superior Ag LLC	USA	Supply of plant-based agricultural products, animal feeds, fertilisers, agricultural chemicals and other related products	Soybeans	4,940	6.1	10
					<b>41,284</b>	<b>50.9</b>	

**7. BUSINESS OVERVIEW (Cont'd)**

**FYE 2022**

<b>No.</b>	<b>Major suppliers</b>	<b>Country</b>	<b>Principal activities</b>	<b>Main products sourced</b>	<b>Value of purchases</b>		<b>Length of relationship as at end of FYE</b>
					<b>RM'000</b>	<b>%</b>	<b>Years</b>
1.	Chaodee Group of Companies <sup>(2)</sup>	Thailand	Manufacturing of tapioca starch	Tapioca starch	19,515	19.2	10
2.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	9,547	9.4	11
3.	Superior Ag LLC	USA	Supply of plant-based agricultural products, animal feeds, fertilisers, agricultural chemicals and other related products	Soybeans	7,197	7.1	11
4.	All States International Co Ltd	Myanmar	Trading of plant-based agricultural products	Beans and pulses	5,553	5.5	8
5.	Sanstar Bio-polymers Ltd	India	Manufacturing of plant-based agricultural products	Corn starch	5,109	5.0	2
					<b>46,921</b>	<b>46.2</b>	

## 7. BUSINESS OVERVIEW (Cont'd)

### FYE 2023

No.	Major suppliers	Country	Principal activities	Main products sourced	Value of purchases		Length of relationship as at end of FYE
					RM'000	%	Years
1.	Western Freight Solution Ltd	Canada	Provision of supply chain solutions	Soybeans	15,626	14.5	12
2.	Chaodee Group of Companies <sup>(2)</sup>	Thailand	Manufacturing of tapioca starch	Tapioca starch	14,239	13.2	11
3.	Sanstar Group of Companies <sup>(3)</sup>	India	Manufacturing of plant-based agricultural products	Corn starch	13,069	12.1	3
4.	All States International Co Ltd	Myanmar	Trading of plant-based agricultural products	Beans and pulses	6,960	6.5	9
5.	Bangkok Inter Food Co Ltd	Thailand	Manufacturing and distribution of starch products, grain products and other related products	Glutinous rice flour	6,721	6.2	9
					<b>56,615</b>	<b>52.5</b>	

#### Notes:

- (1) Comprises Everbest Soya Bean Products Sdn Bhd and Hoshay Food Sdn Bhd (formerly known as Everbest Vege Sdn Bhd). For FYE 2020 to 2022, Everbest Group of Companies was our Group's supplier and customer. Our Group purchased soybeans from Everbest Group of Companies and carried out activities such as filtering, cleaning and sieving, and subsequently resold the processed soybeans to Everbest Group of Companies. Such purchases from Everbest Group of Companies amounted to approximately RM12.4 million, RM10.3 million and RM4.8 million for FYE 2020 to 2022 respectively. Our Group started to provide such processing services to Everbest Group of Companies in August 2015, and has ceased this business arrangement with Everbest Group of Companies since July 2022. To the best of our Group's knowledge, Everbest Group of Companies is carrying out the filtering, cleaning and sieving processes in-house. As at LPD, Everbest Group of Companies is no longer our Group's supplier, but remains as our Group's customer for the sale of antifoam solutions and starch products.
- (2) Comprises Chaodee Starch (2004) Co., Ltd and Chaodee Trading Co., Ltd.
- (3) Comprises Sanstar Bio-Polymers Ltd and Sanstar Limited. The business of Sanstar Bio-Polymers Ltd has since been merged with Sanstar Limited by way of a court order on 23 November 2023.

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## **7. BUSINESS OVERVIEW (Cont'd)**

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Our Group's top 5 suppliers contributed 52.7%, 50.9%, 46.2% and 52.5% of our purchases for FYE 2020 to 2023 respectively. For FYE 2020 to 2023, we have 1 supplier that continuously contributed more than 10.0% of our total purchases, namely Chaodee Group of Companies. We mainly source tapioca starch from Chaodee Group of Companies. Nevertheless, we are not dependent on Chaodee Group of Companies for the supply of tapioca starch, as tapioca starch is readily available and can be easily sourced from other suppliers in the market.

Our Group is not dependent on any single supplier as we are able to source our products from other suppliers. Purchases from our suppliers are conducted on a purchase order basis. Notwithstanding that we do not have any long term agreements or arrangement with our top 5 suppliers (except for suppliers who supply us with seasonal products whom we enter into contracts of less than 1 year to secure the supply of these products), we have not experienced difficulty in sourcing products for FYE 2020 to 2023 and up to LPD.

### **7.10 TECHNOLOGY USED OR TO BE USED**

Due to the nature of our business, save for the equipment used for R&D activities as set out in Section 7.15, we do not directly utilise relevant technology in our operations.

### **7.11 INTERRUPTIONS TO BUSINESS**

Our Group had not experienced any material interruptions which has significantly affected our business during the past 12 months preceding LPD.

While the outbreak of the COVID-19 pandemic in Malaysia since 2020 had led to minor interruptions to our business operations as we experienced slight delays in order delivery due to movement restrictions imposed by the Government during the first MCO (i.e. 18 March 2020 to 3 May 2020), there was no material disruptions on our delivery schedule during the COVID-19 pandemic that caused material adverse impact on our sales activities. The outbreak of COVID-19 pandemic had also led to an increase in logistics prices in 2021 and 2022 due to the global supply chain disruptions, however, there was no material impact to our financial performance as we were able to pass on the increased cost to our customers. Further, our financial performance was not impacted as we managed to record growth in revenue and PAT for FYE 2020 to 2022 amidst the pandemic.

Following the transition into the 'Endemic Phase' effective April 2022, there has been no adverse impact to our business operations, cash flows, liquidity, financial position and financial performance.



## 7. BUSINESS OVERVIEW (Cont'd)

### 7.12 SEASONALITY

Due to the nature of our business, our sales are not affected by seasonal and cyclical effects as our products are purchased by our customers and consumed throughout the year. Notwithstanding that, some of our supplies may be affected during non-harvest seasons for certain products, in particular certain types of soybeans and wheat starch, therefore we source these products in bulk during their respective harvest seasons.

### 7.13 OPERATING CAPACITIES AND OUTPUT

Our Group's annual capacity, outputs and utilisation rates are measured based on the storage capacity in our facility and the production capacity of our food additives as well as fried shallots.

#### (a) Storage capacity

Our Group's annual available capacity, actual utilised capacity and utilisation rates of our storage space for our sourcing and distribution business segment in our Bukit Minyak Premises for FYE 2020 to 2023 are computed as follows:

Year	Annual available capacity (MT) <sup>(1)</sup>	Actual utilised capacity (MT)	Utilisation rate (%)
FYE 2020	46,440	35,600	76.7
FYE 2021	46,440	46,440	100.0 <sup>(2)</sup>
FYE 2022	46,440	40,700	87.6
FYE 2023	46,440	46,440	100.0 <sup>(2)</sup>

#### Notes:

- (1) The available capacity is calculated based on the total number of pallets that can be stored in the warehouse in each month-end from January to December of each financial years.
- (2) In FYE 2021 and 2023, the storage space in our Bukit Minyak Premises was fully utilised. Due to insufficient storage in our Bukit Minyak Premises, we stored some of our products in a third party warehouse located in Seberang Perai in certain months on a need-to basis. Effectively, this resulted in a total utilised capacity of 48,400 MT and 56,621 MT in FYE 2021 and 2023 respectively. In the event of insufficient storage in our Bukit Minyak Premises in the future, we will temporarily store our products in third party warehouses under similar arrangements.

#### (b) Production capacity

Our Group's annual capacity, actual outputs and utilisation rates for our food additives production for FYE 2020 to 2023 are computed as follows:

Year	Annual capacity (MT)	Actual output (MT)	Utilisation rate (%)
FYE 2020 <sup>(1)</sup>	N/A	N/A	N/A
FYE 2021	1,248 <sup>(2)</sup>	250	20.0
FYE 2022	3,276 <sup>(3)</sup>	2,080	63.5
FYE 2023	4,095 <sup>(4)</sup>	2,744	67.0

#### Notes:

- (1) Not applicable as the production of food additives commenced in January 2021.

## 7. BUSINESS OVERVIEW (Cont'd)

- (2) The total annual capacity for FYE 2021 is calculated based on 1 mixing machine that produced a total of 4 MT of food additives per day, 26 working days per month and 12 months per year.
- (3) The total annual capacity for FYE 2022 is calculated based on 3 mixing machines that produced a total of 10.5 MT of food additives per day, 26 working days per month and 12 months per year.
- (4) The total annual capacity for FYE 2023 is calculated based on 3 mixing machines that produced a total of 10.5 MT of food additives per day, 26 working days per month for 3 months (i.e. January 2023 to March 2023), and 6 mixing machines that produced a total of 14.0 MT of food additives per day, 26 working days per month and 9 months (i.e. April 2023 to December 2023).

Our Group's annual capacity, actual outputs and utilisation rates for our fried shallots production for FYE 2020 to 2023 are computed as follows:

<b>Year</b>	<b>Annual capacity (MT)<sup>(1)</sup></b>	<b>Actual output (MT)</b>	<b>Utilisation rate (%)</b>
FYE 2020	374.4	301.3	80.5
FYE 2021	374.4	304.2	81.3
FYE 2022	374.4	331.2	88.5
FYE 2023	655.2	206.5	31.5

**Note:**

- (1) The total annual capacity for FYE 2020 to 2022 is calculated based on 1 production line that produced a total of 1.2 MT of fried shallots per day, 26 working days per month and 12 months per year.

In April 2023, we relocated our production of fried shallots to our Simpang Empat Factory with a production capacity of 2.4 MT of fried shallots per day. Hence, the total annual capacity for FYE 2023 is calculated based on 1 production line that produced a total of 1.2 MT of fried shallots per day, 26 working days per month for 3 months (i.e. January 2023 to March 2023), and 2 production lines that produced a total of 2.4 MT of fried shallots per day, 26 working days per month for 9 months (i.e. April 2023 to December 2023).

### 7.14 QA&QC PROCEDURES AND CERTIFICATIONS

Our Group places strong emphasis on the quality and safety of our products. We adopt stringent internal quality assurance policy in our operations to ensure our products are in compliance with both our internal and international standards. We have an in-house QA&QC team which is responsible for outlining and maintaining our QA&QC procedures and monitoring the implementation of our QA&QC procedures at various stages of our operations to uphold the quality of our products. Please refer to Section 7.4 for our QA&QC procedures as part of our business processes.

## 7. BUSINESS OVERVIEW (Cont'd)

As a testament to our product quality and compliance as well as the production standards of our products, we have obtained the following certifications through our subsidiaries as at LPD:

<b>Awarded subsidiary</b>	<b>Standard</b>	<b>Certification body</b>	<b>Date first awarded</b>	<b>Current validity period</b>	<b>Scope of certification</b>
ACS	ISO 9001:2015 Quality Management System	National Quality Assurance Certification Limited	18 October 2019	27 October 2022 – 18 October 2025	Trading and repacking of starches, beans, sprouting and food additives
ACS	ISO 9001:2015 Quality Management System	MY CO2 Certification Sdn Bhd	4 December 2019	28 October 2022 – 3 December 2025	Trading and repacking of starches, beans, sprouting and food additives
ACS	Halal <sup>(1)</sup>	JAKIM	1 September 2018	16 September 2022 – 15 September 2024	Broken rice and Beras Super Special Tempatan 5%
ACS	Halal <sup>(1)</sup>	JAKIM	1 September 2018	1 December 2022 – 30 November 2024	Barley, black bean with green kernel, black eyed bean, black matpe, brown bean, chick peas, dun peas, green mung bean, green peas and groundnut
ACS	Halal	JAKIM	1 September 2018	16 July 2023 – 15 July 2025	Antifoam, corn starch, glutinous rice flour, modified tapioca starch, potato starch, sago starch, tapioca starch and wheat starch
ACS	MeSTI <sup>(1)</sup>	MOH	5 December 2018	8 December 2021 – 7 December 2024	Fulfilment of terms and conditions for certification of MeSTI for Bukit Minyak Premises

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Awarded subsidiary</b>	<b>Standard</b>	<b>Certification body</b>	<b>Date first awarded</b>	<b>Current validity period</b>	<b>Scope of certification</b>
Bapas	MeSTI	MOH	10 June 2022	10 June 2022 – 9 June 2025	Fulfilment of terms and conditions for certification of MeSTI for Bukit Minyak Premises
Bapas	MS 1480:2019 HACCP System	SIRIM QAS International Sdn Bhd	20 March 2023	20 March 2023 – 19 March 2026	Mixing, packing and repacking of food additives and food conditioners from receipt of raw materials until transferred to the external warehouse
Bapas	HACCP	MOH	29 March 2023	29 March 2023 – 19 March 2026	Fulfilment of terms and conditions for implementation of HACCP system for food additives, food conditioner, antioxidant and preservative
Bapas	GMP	MOH	29 March 2023	29 March 2023 – 19 March 2026	Fulfilment of terms and conditions for implementation of GMP system for Bukit Minyak Premises.
Bapas	Halal <sup>(1)</sup>	JAKIM	1 March 2017	1 October 2022 – 30 September 2024	Various food additives products
Bapas	Halal	JAKIM	1 March 2017	1 June 2023 – 31 May 2025	Fried shallots
Bapas	MeSTI	MOH	10 May 2023	10 May 2023 – 9 May 2026	Fulfilment of terms and conditions for certification of MeSTI for Simpang Empat Factory

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**7. BUSINESS OVERVIEW (Cont'd)**

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**Note:**

- (1) The remaining validity of these certificates is less than 12 months as at LPD. In the event that these Halal and MeSTI certificates are not renewed or approvals are not obtained upon expiry, our Group will not be permitted to describe the relevant food and goods as Halal or indicate that the food or goods can be consumed or used by a Muslim and our Group will not satisfy the requirement of providing a food safety assurance programme respectively. Further, our Group will not be able to use such labelling (i.e. Halal and MeSTI) on our product packaging and this may result in loss of sales as the customers may choose not to purchase our products that are not labelled with Halal and/or MeSTI. For FYE 2020 to 2023, revenue generated from sale of products labelled with Halal and/or MeSTI amounted to approximately RM5.1 million, RM5.8 million, RM17.5 million and RM22.0 million, which accounted for approximately 5.7%, 5.8%, 14.3% and 16.3% of our total revenue respectively. Our Group has not faced any issues in relation to renewal of our approvals, licences and permits as at LPD. Please refer to Section 6.7 for further details on our major approvals and licences.

**7.15 R&D**

We have an in-house R&D team that possesses food technology knowledge and experience which primarily focuses on R&D activities for food additives, i.e. the development of formulations of food additives to be used by our customers as functional food ingredients in the manufacturing processes of their food products. As at LPD, our R&D team comprise 4 personnel. The areas of expertise of our R&D team are as follows:

- (a) Food chemistry – Our R&D team is equipped with in-depth food chemistry knowledge which allows them to understand the chemical composition of food additives and the effects of food additives on different food products;
- (b) Formulation development – Our R&D team has the expertise to develop new food additive formulations as well as to modify existing food additive formulations;
- (c) Analytical skills – Our R&D team is proficient in conducting analysis on the performance and stability of food additives;
- (d) Food safety – Our R&D team possesses understanding of regulatory standards and requirements in relation to food additives, which allows them to develop food additive formulations that are in accordance with these standards and requirements; and
- (e) Sensory evaluation – Our R&D team conducts sensory analysis to assess the taste, texture and appearance of the food products during the product development process to ensure that they meet our customers' requirements.

Our R&D team works with our customers in their product development process, which includes development of food additives formulations based on our customers' intended applications and requirements in different aspects such as texture, taste, appearance and preservative properties of the end-products. Our in-house developed food additives formulations are different across customers to best suit their intended applications and requirements on different food products. The process of the formulation of food additives entails continuous experiment to test the suitability of different formulations of our food additives in blending with other ingredients in developing new food products by our customers. The outcomes of each experiment are examined and evaluated until the final outcome with desirable texture, taste, appearance and preservative properties is achieved. Our R&D team also carries out R&D activities to continuously improve our existing formulations as well as to develop new formulations to expand our food additives offerings.

## 7. BUSINESS OVERVIEW (Cont'd)

Once a new formulation is obtained, the formulation will be added into our database to be used as reference for future proposals with our customers. Our Group has implemented practices to safeguard our food additives formulations, whereby the formulations are only accessible to certain senior R&D personnel and Oon Boon Khong, our Managing Director, as well as Wong Kam Tong, our Chief Operating Officer. Our R&D activities for food additives are part of our continuous effort to remain competitive in the market, and they assist our customers in their product development activities, which is achieved by understanding their requirements, as well as developing food additive formulations that satisfy their intended applications.

Our Group's equipment used for R&D activities include the following:



Electronic precision balance used for measuring ingredients in precise weight



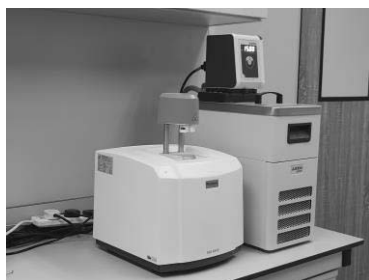
Digital pocket salt meter used for measuring the concentration of salt content in food products



Robot coupe cutter mixer used for cutting and blending food ingredients to form consistent food ingredients mixture



Viscometer used for measuring the viscosity of liquids



Rapid Visco Analyser used for analysing the pasting and gelatinisation of properties of starches and food additives

**7. BUSINESS OVERVIEW (Cont'd)**

Our past R&D achievements, on-going and future R&D projects in the formulation of food additives are as follows:

<b>Food additive</b>	<b>Description</b>	<b>Commencement year</b>	<b>Completion year</b>
<b>Past R&amp;D achievements (Developed and commercialised products)<sup>(1)</sup></b>			
Modified starch for chicken balls and patties	Achieved properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of chicken balls and patties	January 2021	August 2021
Modified starch for tapioca pearls	Achieved properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of tapioca pearls	October 2022	October 2022
Tofu coagulant <sup>(2)</sup>	Achieved properties such as optimised solidification and smoothness of tofu	September 2022	January 2023
Modified starch for sauce	Achieved the required rheological properties of sauces	January 2023	February 2023
Development of jam stabiliser	To achieve properties such as texture, binding properties, moisture retention, freeze-thaw stability and component separation of jams	January 2023	February 2023
Development of modified starch for kuey teow	To achieve properties such as elasticity and texture of kuey teow	January 2023	March 2023
Development of modified starch for surimi balls	To achieve properties such as elasticity and texture of surimi balls	January 2023	March 2023
Development of modified starch for dessert or jelly	To prevent syneresis and to enhance texture of desserts or jelly	January 2023	March 2023
Development of modified starch for fried shallots	To achieve properties such as crunchiness, appearance and preservative properties of fried shallots	February 2023	July 2023
Development of modified starch for mochi	To achieve enhanced freeze-thaw stability of mochi	April 2023	September 2023
Development of modified starch for beef balls and patties	To achieve properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of beef balls and patties	July 2023	December 2023

**7. BUSINESS OVERVIEW (Cont'd)**

<b>Food additive</b>	<b>Description</b>	<b>Commencement year</b>	<b>Completion year</b>
Development of modified starch with low dusting properties	To achieve properties such as texture, moisture content, freeze-thaw stability and mouthfeel of processed meat products, as well as to increase the density of starch molecules to minimise generation of dust during handling	August 2023	December 2023
Development of modified starch for frankfurters / processed meats	To achieve properties such as elasticity, swell prevention, retrogradation prevention, freeze-thaw stability as well as the desired texture of frankfurters / processed meats	July 2023	January 2024
<b>On-going R&amp;D projects (Products under development)</b>			
Development of leavening agent	To achieve optimised expansion of doughs and batters in the production of bakery products	January 2024	<sup>(3)</sup> In progress
Development of batter coating system for frying application	To achieve high crispy retention, airy and flaky outer layer with various seasoning preference	January 2024	<sup>(3)</sup> In progress
<b>Future R&amp;D projects (Products to be developed)</b>			
Food grade defoamer	To achieve elimination or minimisation of foam creation during food processing	<sup>(4)</sup> August 2024	<sup>(5)</sup> N/A

**Notes:**

- (1) Past R&D achievements presented only include developed and commercialised food additive formulations. As at LPD, our Group has completed 13 R&D projects which has resulted in 14 commercialised food additive formulations. As at LPD, our Group has developed 50 food additive formulations, and has commercialised 37 out of the 50 developed food additive formulations. Out of the 37 commercialised food additive formulations, 14 were developed through R&D activities (presented in the table above) and 23 were developed based on formulations that are commonly used in the industry (which were not part of our R&D projects).
- (2) The R&D project for tofu coagulant has resulted in the development of 2 food additive formulations.
- (3) The target completion dates for the on-going R&D projects are subject to the progress of the R&D projects.
- (4) Target commencement dates for future R&D projects.
- (5) The target completion dates for future R&D projects are currently not available and are subject to the commencement of the R&D projects.

For FYE 2020 to 2023, our Group has incurred R&D expenses amounting to RM14,736, RM79,330, RM130,025 and RM255,317 respectively, mainly for staff costs, laboratory test fees and materials.



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**7. BUSINESS OVERVIEW (Cont'd)**

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**7.16 COMPETITIVE STRENGTHS****7.16.1 We source and distribute a wide variety of products as we have a wide network of suppliers and customers**

We have an extensive network of suppliers, which allows us to have wide product offerings to meet the different needs of our customers. As at LPD, we have engaged a total of 80 suppliers from 13 countries for the supply of our plant-based agricultural food ingredients which are originated from 15 countries including Malaysia. Please refer to Section 7.3.4 for further details on our supplier network. With our wide network of suppliers, we have developed a product portfolio for our sourcing and distribution business segment comprising a total of 69 SKUs as at LPD, which enables us to address the sourcing needs of our customers for food ingredients.

Further, we have also established long-standing relationships with our suppliers by maintaining loyalty, timely payments as well as commitment to fulfil purchases. Amongst our major suppliers for FYE 2020 to 2023, 7 of our major suppliers have at least 5 years of business relationship with our Group, of which 3 major suppliers have at least 10 years of business relationship with our Group. Please refer to Section 7.9 for further details on our major suppliers. Our long-standing relationships with our suppliers enable us to ensure consistent quality and volume of supplies on top of our wide variety of product offerings. This has in turn allowed us to build a track record with our customers by continuously maintaining consistent quality and delivery of our products.

Additionally, with a wide range of product offerings sourced from an extensive network of suppliers, we have secured a wide range of customers comprising wholesalers, retailers, food manufacturers, F&B businesses and commercial farmers. Our ability to secure a wide range of customers is also a testament to our product quality and our ability to source relevant products to meet our customers' needs, all of which will continue to be our foundation and credentials to continue expanding our business in the future.

**7.16.2 Our in-depth knowledge and experience in the food ingredients industry and food technology enable us to meet our customers' requirements**

With over 15 years of experience in the food ingredients industry, we have accumulated in-depth industry knowledge and experience as well as understanding on the characteristics and attributes of food ingredients. This allows us to provide advice and recommendations to our customers based on the intended applications of the food ingredients to meet their requirements in food manufacturing, in terms of desired results of the end-products and budget considerations.

Further, we also have an in-house R&D team that possesses food technology knowledge and experience which allows us to develop food additive formulations according to our customers' requirements and intended applications, to achieve certain functions in various aspects such as modifying or enhancing texture, taste, appearance and preservative properties of the end-products. We work closely with our customers by developing and providing formulation samples to assist our customers in their product development. Our food technology capabilities enable us to cater to the needs of a broad customer base in the manufacturing of various types of food, such as processed and frozen food, sauces and gravies, noodles, bakery products, confectioneries, meat replacement (i.e. vegetarian) products and beverages.

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**7. BUSINESS OVERVIEW (Cont'd)**

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In addition, our R&D team continuously carries out R&D to improve our existing food additive formulations, as well as to develop new formulations to expand our offerings. Further, our R&D team also conducts research and analysis on our existing starch products to enhance our sales personnel's understanding of our starch products, allowing them to be better equipped in providing sourcing recommendations to our existing as well as potential customers.

We leverage on our knowledge and experience in the food ingredients industry and food technology expertise to create additional value to our customers in addition to our wide range of product offerings. We believe that we will be able to continue to satisfy the various needs of our customers by providing advice and recommendations, as well as formulation of food additives according to customers' requirements, as well as to attract new customers for the future growth of our business.

**7.16.3 We contribute to food security as our products are widely used in food manufacturing and food preparation, hence our business is sustainable and well-positioned for growth**

Food security refers to people's consistent physical and economic accessibility to sufficient, safe and nutritious food that meets their dietary needs and food preferences to achieve active and healthy lives. As part of the food ingredients industry value chain, our Group contributes to food security as we are involved in the sourcing, distribution and manufacturing of food ingredients.

Our products are staple food ingredients that are widely used in the manufacturing or preparation of food. Our products are used as inputs in food manufacturing by food manufacturers, and food preparation by F&B businesses and households. For example, starch products such as corn starch, tapioca starch and potato starch are widely used as thickening agents, anti-caking agents and/or gluten free substitutes in many food products such as processed foods, frozen foods, snacks and/or dried noodles. Further, beans and pulses such as soybeans are used in various applications including manufacturing of soy sauce and soybean drinks which are commonly used/consumed. In addition, our beans and pulses such as green mung beans and black matpe beans are also used for crop growing, i.e. bean sprouts.

As our products are widely used in many applications as detailed in Section 7.3.2, our business is resilient to economic downturns as food ingredients are necessary to food manufacturing and food preparation which is a necessity in consumers' daily lives.

As the population and economic conditions in Malaysia continue to grow, the demand for food ingredients is expected to grow in tandem as food ingredients are essential in food manufacturing and food preparation. Our Group's revenue increased from approximately RM89.0 million in FYE 2020 to approximately RM135.0 million in FYE 2023, registering a CAGR of 14.9%. As such, our business demonstrates sustainability and we are well-positioned for future growth leveraging on the continuous demand for food and the need to strengthen food security in the country.

## **7. BUSINESS OVERVIEW (Cont'd)**

### **7.16.4 We are accredited with various certifications as a testament to our compliance with internationally recognised food quality and safety standards**

Over the years of our business operations, we have received several certifications which attest to the product quality and compliance as well as the production standards of our products.

Our Group is in compliance with the ISO 9001:2015 Quality Management System for the scope of trading and repacking of starches, beans, sprouting and food additives. Further, our Group has also been awarded with MeSTI. Our products as well as production facilities and processes have also been inspected and certified compliant with the Halal standards, which allow us to manufacture and distribute Halal-certified products to cater to the Halal market.

Additionally, our production facilities and processes for food additives in our Bukit Minyak Premises have also been certified compliant with the internationally recognised HACCP System and GMP System. Please refer to Section 7.14 for further details on the certifications and accreditations received by our Group.

Due to the nature of our business, our Group places strong emphasis on the quality and safety of our products. Such certificates and accreditations provide confidence to our customers and end-consumers on the compliance of our products, which in turn enhances the reputation of our brands in the food ingredient industry. Additionally, with these certifications and accreditations, we believe that we have a strong foundation and are well-positioned to further grow our business in the local and export markets.

### **7.16.5 We have an experienced key senior management team, with strong industry knowledge and functional expertise**

Our Group is led by our key senior management team which possesses in-depth industry knowledge and experience in the food ingredients industry. Our Managing Director, Oon Boon Khong has 28 years of experience in the food ingredients business. He has been instrumental to our Group's expansion since our inception in 2009 and will continue to play a pivotal role in the future growth of our Group.

Oon Boon Khong is supported by a team of key senior management comprising:

<b>Name</b>	<b>Designation</b>	<b>Years of relevant working experience</b>
Lim Swee Chuan	Chief Financial Officer	33
Wong Kam Tong	Chief Operating Officer	23
Tan Hong Sheng	Marketing Manager	7
Cheng Boon Kai	Procurement Manager	13

Each of our key senior management personnel takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

## **7. BUSINESS OVERVIEW (Cont'd)**

### **7.17 BUSINESS STRATEGIES AND PROSPECTS**

#### **7.17.1 We intend to increase our storage capacity by setting up a new regional storage facility in Klang, Selangor**

As at LPD, all our plant-based agricultural products are stored in our Bukit Minyak Premises prior to delivery to our customers. The utilisation rates of the storage space at our Bukit Minyak Premises were recorded at an average of 91.1% for FYE 2020 to 2023. As at LPD, we do not have any storage facility in the central region of Peninsular Malaysia due to limited financial and human resources. In anticipation of our Group's future business growth, we plan to expand our storage capacity by setting up a new regional storage facility in Klang, Selangor, with an approximate built-up area of 30,000 sq ft. In addition to having additional storage capacity, the setup of the new regional storage facility is expected to enhance the efficiency of our business operations in terms of product delivery to our customers, as the new regional storage facility will serve as our regional storage facility to support our business in the central and southern regions of Peninsular Malaysia. With a regional storage facility in Klang, Selangor, we will be able to improve our business operations by providing quicker delivery lead times to our customers in the central and southern regions of Peninsular Malaysia. For FYE 2020 to 2023, revenue from our sourcing and distribution business from the central region (i.e. Selangor, Kuala Lumpur and Negeri Sembilan) and southern region (i.e. Melaka and Johor) of Peninsular Malaysia collectively amounted to RM33.4 million, RM42.1 million, RM55.2 million and RM59.8 million respectively, which accounted for 38.6%, 43.4%, 49.5% and 49.9% respectively of our revenue generated from our sourcing and distribution business segment.

As at LPD, majority of our Group's imported plant-based agricultural products are shipped through international vessels to Port Klang and thereby transferred to domestic vessels for shipment to Penang Port. International vessels generally call at Port Klang for loading and unloading of cargo as Port Klang is the largest port in Malaysia, and any cargo destined to other ports in Malaysia will be transferred for onward shipment by domestic vessels. However, there are also international vessels that call at Penang Port. The destination port of international vessels are determined by the international vessel operators. As such, majority of our Group's imported products are shipped to Port Klang and transferred to domestic vessels for onward shipment to Penang Port. However, some of our Group's imported products from Thailand and Myanmar can be shipped directly to Penang Port, as international vessels carrying these products call at Penang Port. From January 2023 up to LPD, 50.4% of our plant-based agricultural products were shipped to Port Klang (comprising 48.7% of imported products and 1.7% of products sourced from East Malaysia) and thereafter transferred to domestic vessels for shipment to Penang Port, 45.0% of our imported products were shipped directly to Penang Port, and the remaining 4.6% of our products sourced from Peninsular Malaysia were delivered to Penang through land freight. By having a regional storage facility in Klang, Selangor, we will be able to offload some of our products in Port Klang for storage at our regional storage facility. This will help us save on logistics cost and subsequently transportation cost when the products are delivered directly from our new regional storage facility to our customers in the central and southern regions of Peninsular Malaysia. Our new regional storage facility is expected to save approximately RM0.7 million logistics cost and transportation cost per year.

We expect to set up the new regional storage facility and commence operations in October 2024. Upon the commencement of operations of the new regional storage facility, we will begin sourcing and storing products in the new regional storage facility, and products sold to customers based in the central and southern regions of Peninsular Malaysia will be delivered from the new regional storage facility, if available. For products that are not available in the new regional storage facility, including products that are stored in the cold room facilities in our Bukit Minyak Premises, these products will be delivered to our customers from our Bukit Minyak Premises. As at LPD, our Group has no immediate plan to set up cold room facilities in our new regional storage facility. For avoidance of doubt, our new regional storage facility will not be used to carry out other business activities apart from storing our products.

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**7. BUSINESS OVERVIEW (Cont'd)**

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By setting up the new regional storage facility, we will also be able to provide better service and timely delivery to our customers located in the central and southern regions of Peninsular Malaysia. We will also be able to further expand our customer base within the central and southern regions of Peninsular Malaysia due to closer proximity to our potential customers. In order to expand our customer base within the central and southern regions of Peninsular Malaysia, 2 out of 3 Sales Executives who are to be recruited by our Group will also be responsible for the sales activities in the central and southern regions of Peninsular Malaysia. Please refer to Section 7.17.3 for further details on the expansion of our team to support our business growth. Additionally, having the new regional storage facility will free up the storage space of our Bukit Minyak Premises, which will in turn allow us to increase the inventory levels of our Bukit Minyak Premises to serve more customers as part of our continuous effort to grow our business.

The total cost for this initiative, including rental and renovation, hiring of additional staff as well as acquisition of racking systems and lorries, is estimated to be RM2.7 million, which will be fully funded via proceeds from our Public Issue. In addition, we have also allocated RM5.3 million from the proceeds of our Public Issue to purchase inventories for our new regional storage facility. As at LPD, we are in the midst of identifying a suitable premise in Klang. Please refer to Section 4.9 for further details on the breakdown of the total estimated costs and indicative timeline for the setup of the new regional storage facility and the certificate of registration of food premises and business/ storage license required for the operations of the new regional storage facility.

**7.17.2 We plan to continue expanding our sourcing and distribution business by increasing our inventory levels**

From FYE 2020 to 2023, revenue generated from our sourcing and distribution business segment recorded CAGR of 11.4% from RM86.6 million to RM119.8 million. Our Group intends to continue expanding our sourcing and distribution business to fuel our business growth by increasing our inventory levels, as it is crucial to have sufficient and readily available inventory to meet the demand for our products from customers. Through higher inventory levels, we will be able to drive our revenue growth by increasing our sales volume to our existing customers as well as securing new customers. By having higher inventory level on hand, we will be well-equipped to offer products in larger quantities on immediate basis to meet the demand from our existing customers, hence reducing the need for our customers to source the same products from alternative suppliers to fulfil their needs. Further, higher inventory level ensures consistent product availability and prompt order fulfilment, in turn allowing us to seek and secure new customers. In addition, as some of our supplies may be affected during non-harvest seasons, in particular certain types of soybeans and wheat starch, having higher inventory level for these products will enable us to continue to fulfil customers' orders during non-harvest seasons. Moreover, having higher inventory level during favourable market conditions allows our Group to gain competitive advantage from unexpected price fluctuations by offering better pricing to our customers in the event of any increase in market prices.

**7. BUSINESS OVERVIEW (Cont'd)**

The total estimated cost for the expansion of our sourcing and distribution business through increasing our inventory levels is RM18.9 million, of which RM13.7 million will be utilised to purchase inventory for our Bukit Minyak Premises and the remaining RM5.2 million will be utilised to purchase inventory for the new regional storage facility, all of these will be fully funded via proceeds from our Public Issue. The details of proposed allocation for the purchase of inventory are as follows:

	<b>Allocation</b>	
	<b>RM'000</b>	<b>%</b>
<b><u>Bukit Minyak Premises</u></b>		
Starch products	7,800	57.0
Beans and pulses	4,079	29.8
Grain products	1,800	13.2
<b>Total allocation</b>	<b>13,679</b>	<b>100.0</b>
<b><u>New regional storage facility</u></b>		
Starch products	2,850	54.3
Beans and pulses	1,600	30.5
Grain products	800	15.2
<b>Total allocation</b>	<b>5,250</b>	<b>100.0</b>

**7.17.3 We intend to expand our team to support our business growth**

As our business continues to expand, we intend to expand our team in Bukit Minyak Premises to carry out our day-to-day business activities as well as to support our future business growth. As at LPD, our Group employs a total of 94 employees. We intend to expand our team in Bukit Minyak Premises by recruiting 8 additional employees, which comprise:

- (a) 1 Business Development Manager – To identify business opportunities such as new markets and industries, as well as to develop and execute strategic plans for the future growth of our Group.
- (b) 1 Group Accountant – To handle our Group's finance-related matters, including but not limited to, preparing account and financial reports, monitoring our cash flow as well as working capital and budgeting.
- (c) 1 R&D Executive - To enhance our in-house R&D activities, which primarily focus on developing new food additives formulations to expand our food additives offerings, as well as continuously improving our existing food additives formulations.
- (d) 1 QA&QC Executive – To maintain our QA&QC procedures and monitor the implementation of our QA&QC procedures at various stages of our operations to uphold the quality of our products.
- (e) 3 Sales Executives – To expand our sales team and continue securing new customers as well as to provide services to our existing customers such as providing prompt responses to sales enquiries and sales orders, as well as building and maintaining customer relationships.
- (f) 1 Logistics Executive – To plan and arrange product delivery to customers as well as tracking product shipments to ensure successful product delivery.

Recruitment of the abovementioned employees is necessary to support our business operations as we continue to expand. The total estimated cost for the recruitment of employees is approximately RM0.6 million, which will be fully funded via proceeds from our Public Issue.

Please refer to Section 4.9 for further details on the breakdown of the total estimated costs of recruitment.

## 8. IMR REPORT

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SMITH ZANDER

Date: 2 May 2024

The Board of Directors

**Agricore CS Holdings Berhad**

57-G, Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Bayan Lepas  
Pulau Pinang

Dear Sirs / Madams,

**Independent Market Research Report on the Food Ingredients Industry in Malaysia (“IMR Report”)**

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the Prospectus in conjunction with the listing of Agricore CS Holdings Berhad (“Agricore CS Holdings”) on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which Agricore CS Holdings and its subsidiaries (“Agricore CS Group”) operate and to offer a clear understanding of the industry dynamics. As Agricore CS Group is principally involved in the sourcing, distribution and production of food ingredients, the scope of work for this IMR Report will thus address the following areas:

- (i) The food ingredients industry in Malaysia;
- (ii) Key industry drivers, risks and challenges of the food ingredients industry in Malaysia; and
- (iii) Competitive landscape of the food ingredients industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:

  
\_\_\_\_\_  
DENNIS TAN  
MANAGING PARTNER

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SMITH ZANDER

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The research for this IMR Report was completed on 30 April 2024.

For further information, please contact:

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**About SMITH ZANDER INTERNATIONAL SDN BHD**

*SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.*

**Profile of the signing partner, Dennis Tan Tze Wen**

*Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.*



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**1 THE FOOD INGREDIENTS INDUSTRY IN MALAYSIA****Overview**

Food ingredients refer to any unprocessed or processed food item used in the production and/or further processing of food and beverage (“F&B”) products as well as in the preparation of homecooked meals and meals served in the foodservice industry. Food ingredients are the basic building blocks of the F&B industry, and they include a wide range of animal-based and plant-based agricultural products. Food ingredients also include food additives which are typically manufactured substances that are specifically designed to provide certain properties and functions in F&B products.

The food ingredients industry can be broadly segmented into the following categories:

- (i) **Animal-based agricultural products** – refer to commodities or products, whether raw or processed, that are derived from livestock and are intended for various purposes such as human consumption and production of animal feed. Examples of animal-based agricultural products include meat, eggs, fish, seafood and dairy products (e.g. milk, cheese and yoghurt).
- (ii) **Plant-based agricultural products** – refer to commodities or products, whether raw or processed, that are derived from plants and are grown and cultivated for human consumption and production of animal feed. Examples of plant-based agricultural products are segmented as follows:
  - Fruits and vegetables: Fruits are seed-bearing structures of flowering plants whereas vegetables are edible parts of plants such as the leaves and the stems. Examples of fruits include apples, oranges, strawberries and mangoes whereas vegetables include kale, spinach, lettuce and cabbage.
  - Roots and tubers: Roots and tubers are plants which are predominantly grown underground. Examples of roots and tubers include potatoes, sweet potatoes, beets, cassava and yams.
  - Cereal grains: Cereal grains are edible seeds of plants belonging to the grass family. Examples of cereal grains include rice, barley, rye, wheat, oats, and corn.
  - Pulses and legumes: Pulses are edible seeds from a legume plant whereas legumes are plants that develop seeds which are enclosed within protective pods. Examples of pulses and legumes include kidney beans, lentils, mung beans, yellow split peas and soybeans.
  - Flour and starches: Flour and starches are derived from plants, specifically processed to be used for the production of finished F&B products, cooking and baking, amongst others. Flour and starches are typically derived from plant-based agricultural products such as cereal grains as well as roots and tubers. Cereal grains like wheat, corn and rice, as well as roots and tubers like potatoes and cassava can be further processed through processes such as grinding, milling, dehydration, drying and/or sifting to produce flour and starches such as wheat flour, corn starch, glutinous rice flour, potato starch and tapioca starch.
  - Others: Others include other plant-based agricultural products that do not belong to the abovementioned segments. Examples of such products are herbs and spices, nuts and seeds and sugar crops.
- (iii) **Food additives** – Food additives are natural or synthetic substances added to modify and/or enhance the texture, taste, appearance and preservative properties of F&B products. They can be derived naturally from animal-based agricultural products, plant-based agricultural products or minerals, or synthetically through chemical or enzymatic reaction. Further, certain flour and starches such as corn starch, potato starch and tapioca starch can also be used as food additives for functions like thickening sauces and/or to act as a stabiliser, amongst others. Food additives are typically used in the manufacturing and processing of food. Examples of the types of food additives are as follows:
  - Antioxidants: used to prolong the shelf-life of F&B products by delaying or protecting against deterioration caused by oxidation. Examples of antioxidants are ascorbic acid, rosemary extract and tocopherol.
  - Food colouring: used to impart colour when added into food or beverages. Examples of food colouring are allura red, indigo carmine and tartrazine.

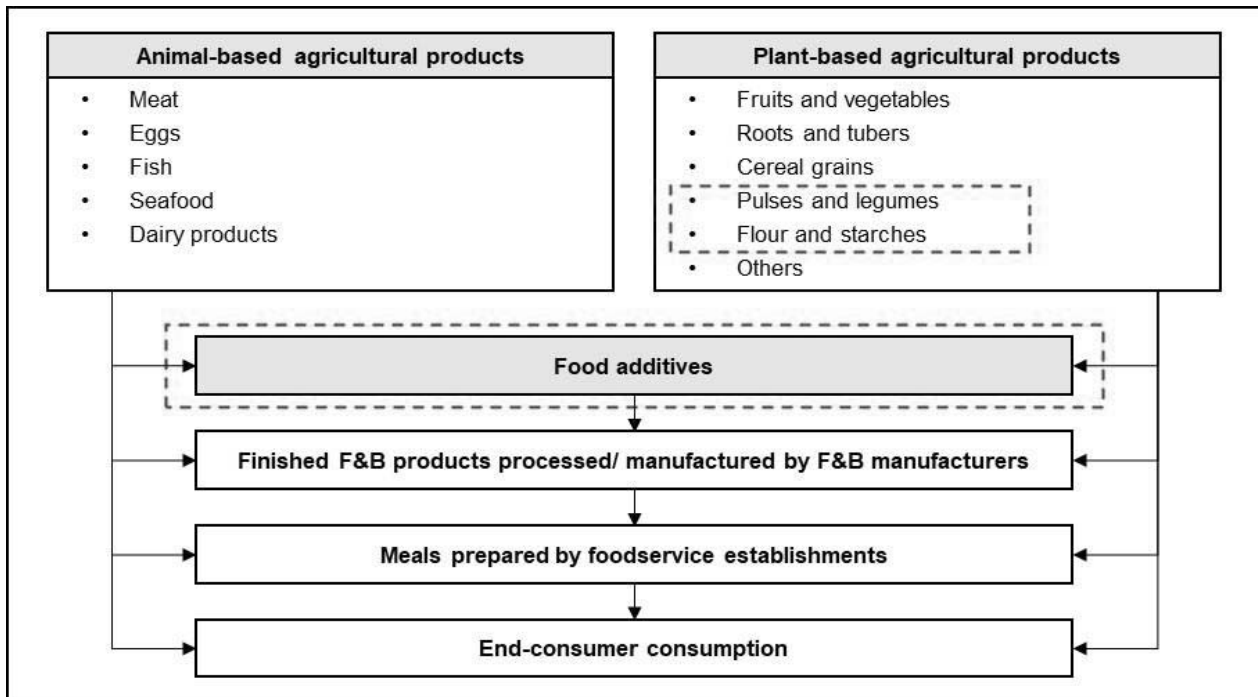
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- Flavour enhancers: used to enhance or intensify the existing flavour in a F&B product. Examples of flavour enhancers are monosodium glutamate, sodium aspartate and disodium guanylate.
- Preservatives: used to prolong the shelf-life of F&B products by protecting against deterioration caused by microorganisms. Example of preservatives are citric acid, potassium sorbate and sodium benzoate.
- Stabilisers: used to maintain or improve the stability, consistency, texture as well as physical and chemical characteristics of a F&B product. Examples of stabilisers are agar, distilled monoglyceride and pectin.
- Thickening agents: used to increase the viscosity of a liquid without substantially affecting its other characteristics or properties. Examples of thickening agents are corn starch, xanthan gum and pectin.

Some food additives may have specific functions and are designed to serve a specific purpose in F&B products. On the other hand, there are multi-purpose food additives that can be used for multiple functions in F&B products. For example, a pectin can be used as a stabiliser as well as a thickening agent.

**Food supply chain**



**Notes:**

- This list is not exhaustive.
- denotes the food ingredient segments of the food supply chain.
- denotes the segments of food ingredients which Agricore CS Group is mainly involved in. Agricore CS Group is also involved in the sourcing and distribution of glutinous rice flour, which is the major contributor under its grain products segment. For the purpose of this IMR Report, glutinous rice flour is categorised under the flour and starches segment.

Source: SMITH ZANDER

Food ingredients such as animal-based agricultural products and plant-based agricultural products can be further processed to manufacture food additives or they can be directly used in the manufacturing of finished F&B products, preparation of meals by foodservice establishments as well as for home cooking by end-consumers. Further, food additives can also be used to further process or manufacture finished F&B products, for preparation of meals by foodservice establishments as well as for home cooking by end-consumers.

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Food ingredients serve as an integral component for the daily consumption through home cooking as well as various F&B related industries such as F&B manufacturing as well as foodservice industries, thus the availability and affordability of food ingredients have a significant impact on the nation's food security. Food ingredients in Malaysia may either be produced or manufactured domestically or imported, and the availability and affordability of food ingredients can be affected by factors such as weather conditions, transportation costs, and global trade policies.

One of the main challenges in attaining food security lies in establishing consistent and reliable supply of food ingredients. For instance, supply of plant-based agricultural food ingredients may be volatile as it is subject to uncontrollable and extraneous factors such as unpredictable weather conditions, pests, and other conditions that may result in food shortages and hike in prices for food ingredients as well as finished F&B products. Further, any imposition of trade policies or occurrence of trade wars or adverse economic conditions may also influence the accessibility, availability and affordability of food ingredients which will in turn impact the country's food security. Despite these challenges, efforts are being made globally to ensure consistent supply of food ingredients and enhance food security through initiatives such as sustainable agricultural practices, diversification of food sources and strengthening international cooperation and partnerships.

The food ingredients industry in Malaysia serves a wide range of business end-users including F&B manufacturers (i.e. for the production of finished F&B products), commercial farmers (i.e. for agricultural activities) and foodservice establishments such as restaurants, cafes and bakeries (e.g. for the preparation of meals or production of bakery products), as well as retail end-users (i.e. general public). Food ingredients are sold by farmers and food ingredient manufacturers directly to business end-users, as well as to distributors and wholesalers (i.e. who purchase food ingredients from farmers and/or food ingredient manufacturers to be subsequently sold to business end-users and/or distributed to retailers for onward sale to the general public), and retailers such as supermarkets, hypermarkets, grocery stores and sundry shops.

**Industry Performance, Size and Growth**

As Agricore CS Group primarily sources and distributes plant-based agricultural food ingredients that are categorised under the pulses and legumes as well as the flour and starches segments, in this IMR Report, the food ingredients industry in Malaysia is represented by the industry size under the aforementioned food ingredients segments.

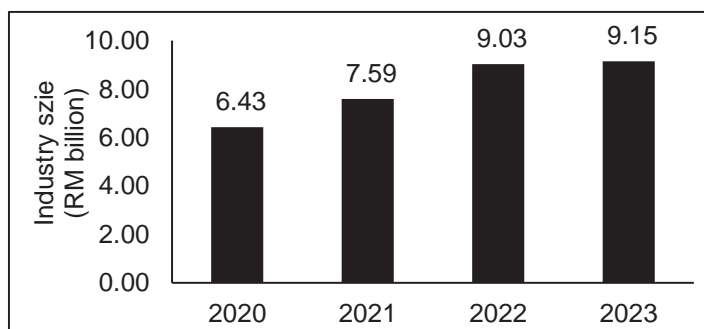
The food ingredients industry also encompasses other products such as fruits and vegetables, roots and tubers, cereal grains as well as herbs and spices, which are not included in the computation of industry size as Agricore CS Group does not focus on, or is not involved in, the sourcing and distribution of these products. Further, the food ingredients industry size also excludes products that Agricore CS Group does not source and distribute despite being categorised under the pulses and legumes as well as the flour and starches segments, such as Bambara beans, pigeon peas, wheat flour and maize flour.

The food ingredients industry in Malaysia grew from RM6.43 billion in 2020 to RM9.15 billion in 2023 recording a compound annual growth rate ("CAGR") of 12.48%.

Further, SMITH ZANDER forecasts the food ingredients industry in Malaysia to grow by 11.26% from RM9.15 billion in 2023 to RM10.18 billion in 2024.

The pulses and legumes industry in Malaysia grew from RM1.57 billion in 2020 to RM2.47 billion in 2022, recording a CAGR of 25.43%. Subsequently, the pulses and legumes industry in Malaysia declined by 8.91% from RM2.47 billion in 2022 to RM2.25 billion in 2023 which may be primarily due to lower import of soybeans.

**Food ingredients industry size (Malaysia), 2020 – 2023**



Note:

- The industry size of food ingredients is an aggregate of the industry sizes of pulses and legumes as well as flour and starches.

Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER

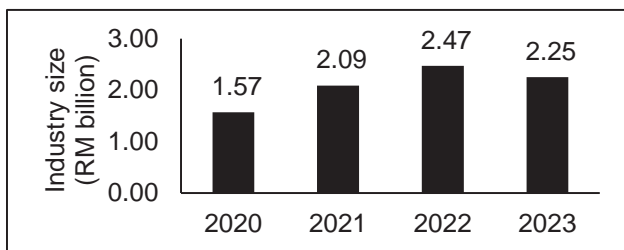
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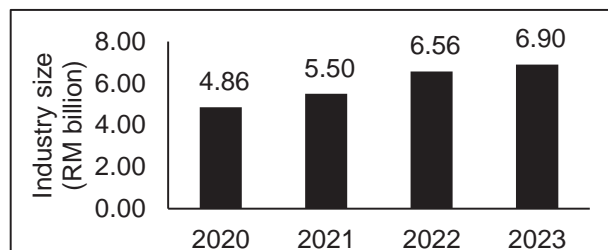
Nonetheless, SMITH ZANDER forecasts the pulses and legumes industry in Malaysia to recover and grow by 7.56% from RM2.25 billion in 2023 to RM2.42 billion in 2024 driven by the key industry drivers shown in **Chapter 2 – Key Industry Drivers, Risks and Challenges of the Food Ingredients Industry in Malaysia** of this IMR Report.

Additionally, the flour and starches industry in Malaysia grew from RM4.86 billion in 2020 to RM6.90 billion in 2023, recording a CAGR of 12.39%. SMITH ZANDER forecasts the flour and starches industry in Malaysia to grow by 12.46% from RM6.90 billion in 2023 to RM7.76 billion in 2024.

**Pulses and legumes industry size (Malaysia), 2020 – 2023**      **Flour and starches industry size (Malaysia), 2020 – 2023**



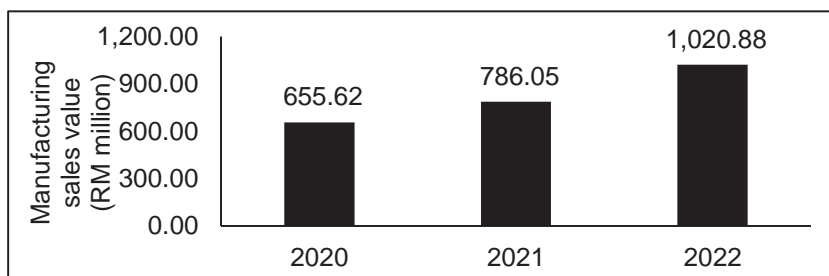
Sources: DOSM, SMITH ZANDER



Sources: DOSM, SMITH ZANDER

The industry size of food additives in Malaysia is represented by the manufacturing sales value of distilled monoglyceride (food additives/ stabilisers/ emulsifiers) in Malaysia<sup>1</sup>. The industry size of food additives in Malaysia observed an upward trajectory, increasing from RM655.62 million to RM1.02 billion from 2020 to 2022, recording a CAGR of 24.78%.

**Food additives industry size (Malaysia), 2020 – 2022**



Source: DOSM

SMITH ZANDER estimates the food additives industry in Malaysia to have grown from RM1.02 billion in 2022 to RM1.05 billion in 2023 and to further grow to RM1.18 billion in 2024, recording a CAGR of 7.56% from year 2022 to 2024.

Moving forward, the food ingredients industry is expected to continue to be driven by the key industry drivers as shown in **Chapter 2 – Key Industry Drivers, Risks and Challenges of the Food Ingredients Industry in Malaysia** of this IMR Report.

**2 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES OF THE FOOD INGREDIENTS INDUSTRY IN MALAYSIA**

**Key Industry Drivers**

- ▶ **The significance of food security serves as a driving factor in propelling the growth of the food ingredients industry**

Food security refers to the availability of food within a nation and the ability of its people to access, afford and source sufficient food supplies. The significance of food security plays an imperative role in fostering a growing need for food ingredients. As societies achieve food security, individuals are better positioned to fulfil their dietary requirements and pursue healthier lives, leading to increased demand for food. Further,

<sup>1</sup> Data on the overall food additives industry size in Malaysia is not publicly available. As such, the manufacturing sales value of distilled monoglyceride in Malaysia is used as the closest available information to represent the industry size of food additives in Malaysia.

**8. IMR REPORT (Cont'd)****SMITH ZANDER**

when the population is assured with access to sufficient nutrition, this may lead to greater productivity and labour force participation, which in turn boosts incomes and enabling greater propensity to spend on food. This, in turn, drives the growth of the food ingredients industry.

In the pursuit of food security, the food ingredients industry is compelled to explore innovative avenues for improving agricultural production, food processing methods, and distribution channels to meet the population's food demand. The emphasis on food security thus acts as a driving factor for driving the growth of the food ingredients industry.

► **Increased food needs as a result of the growth in population and economic affluence, presenting demand potential for food ingredients**

Over the period of 2020 and 2023, Malaysia's population increased from 32.45 million people to 33.38 million people at a CAGR of 0.95%.

Malaysia is a developing country with a growing economy and increasing wealth. The gross national income per capita in Malaysia increased from RM42,838.00 in 2020 to RM52,955.00 in 2023 at a CAGR of 7.32%. This increase in per capita income indicates a rise in a more affluent population with greater spending power, which will in turn create higher demand for food.

Food ingredients are essential not only at an individual level where it is required for the preparation of home cooked meals but is also of importance from an industrial standpoint as it impacts an array of industries especially F&B related industries such as F&B manufacturing and processing as well as foodservice industries. As the population continues to experience growth annually, more food supply is required to sustain the growing population which will naturally drive the demand for food ingredients.

► **Growth in demand from the F&B manufacturing and processing industry as well as the foodservice industry will boost the food ingredients industry**

Food ingredients are used in multiple industries especially in the F&B manufacturing and processing industry as well as the foodservice industry. The F&B manufacturing and processing industry is involved in transforming food ingredients into either semi-finished or finished F&B products. Food ingredients serve as key components in many processed F&B products such as noodles, pastries, meat products, sauces and snacks. As such, increasing utilisation of food ingredients in the F&B manufacturing and processing industry in Malaysia encourages the production and supply of food ingredients.

Further, the demand for food ingredients is driven by the growth of the foodservice industry. The foodservice industry comprises a wide range of businesses that are involved in the provision of F&B services such as restaurants, bars, cafes, cafeterias and street stalls/kiosks. The foodservice industry thrives on offering diverse menus and specialised cuisines to cater to different consumer palates and preferences. This requires a vast selection of food ingredients to craft dishes and flavours. Therefore, increased consumption in foodservice establishments as well as the need to maintain menu diversity to meet customer expectations will boost the food ingredients industry.

The F&B manufacturing and processing industry in Malaysia is represented by the manufacturing sales value of F&B products in Malaysia which increased from RM248.92 billion in 2020 to RM316.81 billion in 2022 at a CAGR of 12.82%. Subsequently, the F&B manufacturing and processing industry in Malaysia declined by 3.57% year-on-year to RM305.50 billion in 2023 in view of a lower economic growth in Malaysia with an overall gross domestic product ("**GDP**") growth rate of 3.68%<sup>2</sup> in 2023 as compared to a 8.65%<sup>2</sup> growth in 2022, thus lowering the demand for F&B products. Nonetheless, the F&B manufacturing and processing industry in Malaysia is expected to grow as the Malaysian economy continues to grow moving forward with an expected GDP growth rate of between 4.00% and 5.00% forecasted by Bank Negara Malaysia for 2024.

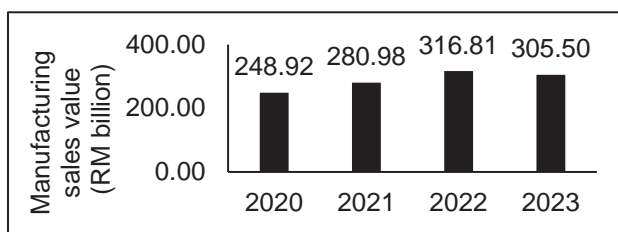
On the other hand, the foodservice industry in Malaysia, represented by the revenue of F&B services in Malaysia, decreased by 9.98% from RM56.43 billion in 2020 to RM50.80 billion in 2021. The decline was primarily due to the impact of the novel coronavirus disease 2019 ("**COVID-19**") whereby the imposition of nationwide movement restrictions by the Government of Malaysia ("**Government**") to curb the spread of COVID-19 had led to restrictions on F&B services during the movement restriction period and the general public was discouraged or cautious in dining in to minimise physical contact. Nonetheless, the foodservice

<sup>2</sup> Sources: DOSM, SMITH ZANDER

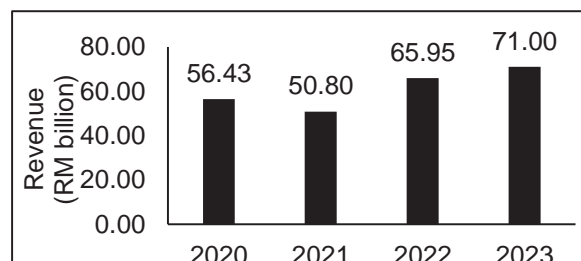
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industry in Malaysia recovered and grew from RM50.80 billion in 2021 to RM71.00 billion in 2023 at a CAGR of 18.22% as the COVID-19 pandemic subsided and business and social activities normalised.

**F&B manufacturing and processing industry Foodservice industry (Malaysia), 2020 – 2023 (Malaysia), 2020 – 2023**



Sources: DOSM, SMITH ZANDER



Source: DOSM

The growth of the F&B manufacturing and processing industry as well as foodservice industry in Malaysia will continue to be driven by the future expansion of the economy due to the necessity of food in people's daily lives as well as the increasing need for diverse food options. As a result, this will boost the demand for food ingredients moving forward.

► **Government initiatives in promoting the F&B manufacturing industry will drive the demand for food ingredients**

According to the Malaysian Investment Development Authority, 79 investment projects in food manufacturing in 2023 with a total worth of RM3.17 billion were approved. These investment projects are expected to drive the growth of the F&B manufacturing industry in Malaysia which will in turn lead to increase in demand for food ingredients in Malaysia.

Further, the Government has been promoting Malaysia as a destination for Halal manufacturing due to the rapid development of Halal certification in the country, and the role of the Department of Islamic Development Malaysia ("JAKIM") as one of the world's major Halal governing bodies. JAKIM's recognition programme for international Halal bodies is also one of the most stringent and sought-after bilateral Halal system recognition programmes. This encourages consumer product companies to seek manufacturing services in Malaysia that are compliant to JAKIM's Halal certification standards, and thus potentially driving the growth of the industry. As the F&B manufacturing industry grows, this will drive the demand for food ingredients including food ingredients that are Halal-certified. Subsequently, increased demand for Halal-certified food ingredients will drive the overall food ingredients industry in Malaysia.

**Key Industry Risks and Challenges**

► **Fluctuating prices impact the food ingredients industry**

Food ingredients are susceptible to price fluctuations as a result of demand and supply conditions in the global market. Price fluctuations are due to environmental and market factors that affect the equilibrium of supply and demand, resulting in imbalance. Environmental factors include adverse weather conditions leading to poor harvest, and market factors include economic fluctuations and speculations, as well as changes in government regulations.

One of the key commodities in the food ingredients industry is soybeans, which is amongst the food ingredients sold by Agricore CS Group. In 2020, global soybean price (i.e. quarterly average price) declined from USD378.49 (RM1,590.26)<sup>3</sup> per metric ton ("MT") in the first quarter ("Q1") of 2020 to USD363.34 (RM1,526.61) per MT in the second quarter ("Q2") of 2020 due to ample global supplies. Nonetheless, starting from Q2 2020 up to Q2 2021, global soybean price observed substantial increases quarter-by-quarter to USD619.54 (RM2,568.24)<sup>4</sup> per MT. This increase in global soybean price may be due to strong demand for soybeans from China amid supply shortfalls in South America.

<sup>3</sup> Exchange rate from USD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at USD1 = RM4.2016.

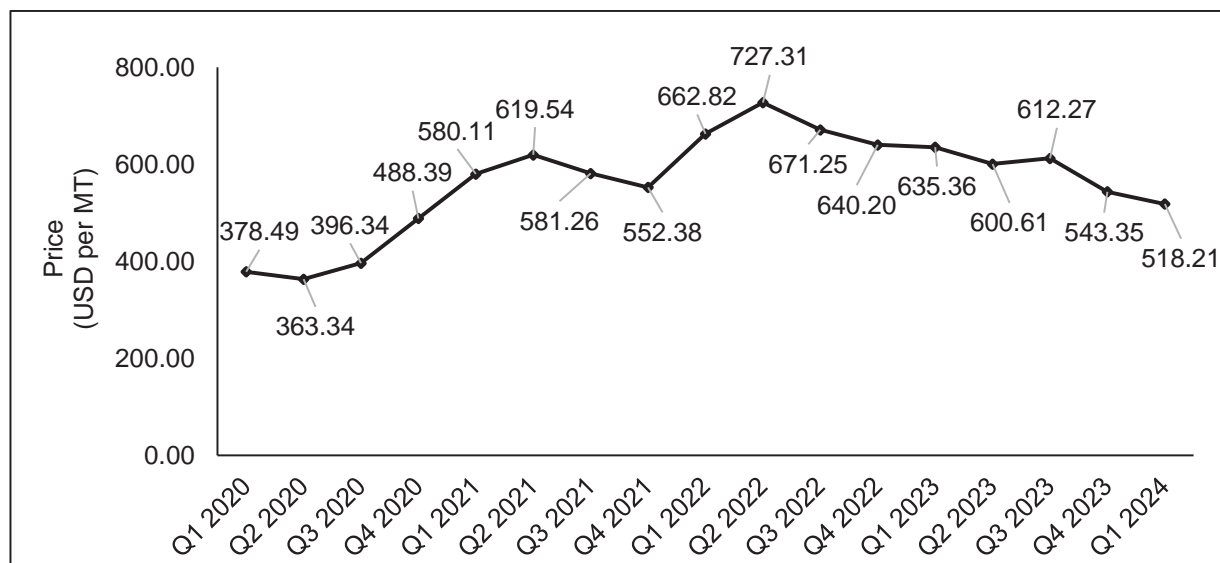
<sup>4</sup> Exchange rate from USD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1454.

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

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Subsequently, global soybean price declined to USD552.38 (RM2,289.84) per MT in the fourth quarter (“Q4”) of 2021 which may be caused by an increase in global supply. This was followed by price increases to USD727.31 (RM3,200.53)<sup>5</sup> per MT in Q2 2022, due to supply shortfalls. Thereafter, global soybean price observed a declining trend to USD600.61 (RM2,741.96)<sup>6</sup> per MT in Q2 2023, due to factors such as higher soybean production and abundance of edible oil in the market leading to softer demand for soybean. Further, the global soybean price increased to USD612.27 (RM2,795.20) per MT in the third quarter (“Q3”) of 2023 which may be due to drought conditions across the United States Midwest leading to reduction in soybean yields. The global soybean price then decreased to USD518.21 (RM2,365.78)<sup>7</sup> per MT in Q1 2024 which was due to near-record production in Brazil, a near-doubling of production in Argentina and subdued Chinese demand.

**Soybean prices (Global), Q1 2020 – Q1 2024**



Sources: World Bank, SMITH ZANDER

► **Vulnerability to product contamination, tampering, adulteration or damage**

Due to the perishable nature of food ingredients, food ingredients industry players (including farmers, food ingredient manufacturers, distributors and wholesalers) are vulnerable to the risk of product contamination, tampering, adulteration or damage. Such incidences could detrimentally affect the quality of the food ingredients and may result in customer dissatisfaction and/or expose the responsible food ingredients industry player to product defect claims. If such incidences were to occur, the responsible food ingredients industry player may have to recall the batch of affected products as well as provide refunds or replacement products to the affected customers which would give rise to additional costs. In extreme cases, the food ingredients industry player may suffer significant losses due to the costs of a widespread product recall and the destruction of inventories, as well as revenue losses as a result of prolonged product unavailability.

Furthermore, aside from facing potential financial losses, the food ingredients industry player may also receive negative publicity which will negatively impact its reputation in the industry. Moreover, this may lead to a decline in demand for the food ingredients industry player’s products as both existing and potential customers may doubt the reliability of the brand and the quality of its products. Consequently, the food ingredients industry player may experience further adverse impact on its financial performance.

<sup>5</sup> Exchange rate from USD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.

<sup>6</sup> Exchange rate from USD to RM in 2023 was converted based on average annual exchange rates in 2023 extracted from published information from Bank Negara Malaysia at USD1 = RM4.5653.

<sup>7</sup> Exchange rate from USD to RM in 2024 was converted based on average annual exchange rates in 2023 extracted from published information from Bank Negara Malaysia at USD1 = RM4.5653, as the average annual exchange rate in 2024 is yet to be available.

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

SMITH ZANDER

**► Dependence on crop yield**

The food ingredients industry, particularly involving plant-based agricultural products, depends heavily on consistent and sufficient supply of crops to produce essential food ingredients. The annual yield of mature crops does not remain constant and varies, arising from external factors such as soil fertility, availability of water, weather conditions as well as presence of pest or diseases. In the event that incidents such as adverse weather conditions (e.g. flood, cyclone and drought), pest infestations or disease outbreak were to occur, this will adversely impact crop productivity, resulting in scarcity, price volatility and supply disruptions. Subsequently, this may pose further challenges for food ingredients industry players in meeting demand and maintaining price stability for their products.

Moreover, variations in crop yield can impact product quality and consistency, thus posing significant challenges to ensure conformity across batches and fulfil the standards and requirements by customers and the relevant regulatory authorities. In order to mitigate such challenges, food ingredients industry players are encouraged to place emphasis on implementing sustainable agricultural practices, exploring diverse sourcing options as well as fostering resilient supply chains to navigate effects arising from unpredictable crop yield.

### 3 COMPETITIVE LANDSCAPE OF THE FOOD INGREDIENTS INDUSTRY IN MALAYSIA

#### Overview

The food ingredients industry in Malaysia is competitive and fragmented due to the large number of industry players including large private companies (i.e. companies with revenue above RM20.00 million) as well as small to medium enterprises (i.e. companies with revenue not exceeding RM20.00 million) that compete in the sourcing, distribution, production and/or manufacturing of various types of food ingredients.

Industry players include farmers (i.e. who produce food ingredients such as pulses and legumes as well as fruits and vegetables), food ingredient manufacturers (i.e. who manufacture food ingredients such as flour and starches as well as food additives), as well as distributors and wholesalers (i.e. who source and distribute food ingredients products from farmers and/or food ingredient manufacturers). Food ingredients are produced/manufactured domestically as well as imported from various countries overseas.

#### Key Industry Players

As Agricore CS Group is principally involved in the sourcing and distribution of plant-based agricultural food ingredients, the basis for selection of the key industry players in the food ingredients industry in Malaysia is as follows:

- Companies who source and distribute plant-based agricultural food ingredients which are similar to those sold by Agricore CS Group, particularly Agricore CS Group's products under the pulses and legumes and/or flour and starches segments; and
- Companies with headquarters located in Peninsular Malaysia.

The list of key industry players in the food ingredients industry in Malaysia is as follows:

Company name	Business activities	Latest available financial year	Revenue <sup>(1)</sup> (RM million)	Gross profit margin (%)	Profit/ (loss) after tax margin (%)
Prima Inter-Chem Sdn Bhd	Importer and stockist of chemicals, excipients, ingredients and additives for various industries	30 April 2023	282.47	13.29	5.33



**8. IMR REPORT (Cont'd)****SMITH ZANDER**

Company name	Business activities	Latest available financial year	Revenue <sup>(1)</sup> (RM million)	Gross profit margin (%)	Profit/ (loss) after tax margin (%)
Agricore Group <sup>(2)(3)</sup> CS	Sourcing and distribution of plant-based agricultural food ingredients, and production and sale of food additives and fried shallots	31 December 2023	134.99	14.27	5.02
Keongco Malaysia Sdn Bhd	Import, wholesale, trading and export of commodities such as garlic, onions, shallots, potatoes, dried chillies, pulses, groundnuts and spices, and provision of short term and long term warehouse and cold storage rental services	31 December 2022	109.78	17.31	4.18
Swee Hin Chan Company Berhad (a subsidiary of Khong Guan Limited) <sup>(4)</sup>	Import and export of flour and starches	31 July 2023	95.50	N/A <sup>(5)</sup>	1.14
Lotus Essential Sdn Bhd	Import and distribution of tapioca starch, corn starch and coal, and provision of paper and plastic recycling services	30 April 2023	79.56	8.46	(23.05)
Antik Sempurna Sdn Bhd	Trading of tapioca starch, corn starch, wheat starch, sago starch, wheat molasses, rice, salt, sugar and others	30 September 2022	67.10	7.30	(0.27)
Resource Food Supplies (M) Sdn Bhd	Import and export of food commodities, raw materials and ingredients	31 December 2022	58.51	14.07	5.64
Hoe Hing Chan Sdn Bhd	Wholesale and trading in all kind of groceries	30 June 2023	42.21	12.82	2.72
MAPS Enterprise Sdn Bhd	Import and distribute spices, lentils, food products, toiletries and all other household products	31 December 2022	34.60	15.61	2.75
Noble Specialty Sdn Bhd	Import, export and act as a manufacturer's representative and stockist of chemical and food ingredients	31 December 2022	30.01	13.06	1.93
Wide Tropism Trading Sdn Bhd	Supply and distribute organic products and natural health products such as beans (e.g. mung beans and soybeans), seeds, nuts, grains and dried fruits	31 December 2022	23.07	27.35	1.91
Sin Yong Huat Enterprise Sdn Bhd	Dealing of food products such as beans, starches, flour, chemical items, peas, seeds, sundry goods and other raw materials	31 December 2022	22.27	N/A <sup>(5)</sup>	7.59

**Notes:**

- The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

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

**SMITH ZANDER**

- For the purpose of this IMR Report, companies with revenue above RM20.00 million in their latest available respective financial years is used as a basis to shortlist the key industry players. Companies with revenue below RM20.00 million in their latest available respective financial years have not been shortlisted.
- (1) Revenue of industry players may include revenue derived from other business activities (i.e. business activities other than the sourcing and distribution of plant-based agricultural products) and/or revenue derived from countries outside Malaysia.
- (2) The financial figures for Agricore CS Group are presented on a group basis and include financials for the production of food additives and fried shallots. The revenue for the production of food additives and fried shallots in the financial year ended (“FYE”) 31 December 2023 is recorded at RM15.18 million.
- (3) Agricore CS Group is deemed as a large private company prior to its listing on Bursa Malaysia Securities Berhad.
- (4) Khong Guan Limited, a Singapore company listed on the Singapore Stock Exchange, is the ultimate holding company of Swee Hin Chan Company Sdn Berhad. Khong Guan Limited is principally involved in the trading of wheat flour and other edible products and investment holding.
- (5) N/A – not available, as gross profit is not reported in the annual report.

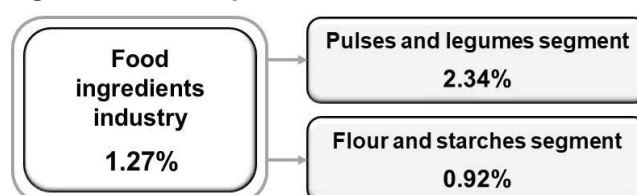
Sources: Agricore CS Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Apart from the companies listed in the table, there are also exempt private companies that are deemed as key industry players of the food ingredients industry in Malaysia which fulfil the 2 aforementioned basis of selection of key industry players. As these companies are exempt private companies filed under Companies Commission of Malaysia, their financials are not publicly available. Examples of such companies are Eng Sheng Sdn Bhd, Sheng Kimn Hong Sdn Bhd, THC Sdn Bhd, Tian Seng Hang Trading Company Sdn Bhd and Victual Industries Sdn Bhd.

**Industry/Market Share**

Agricore CS Group captured a market share of 1.27% in the food ingredients industry, computed based on its revenue from the sourcing and distribution of plant-based agricultural products (not inclusive of revenue generated from other related products segment) of RM116.48 million in FYE 31 December 2023, against the food ingredients industry size of RM9.15 billion in 2023.

**Agricore CS Group’s market share, 2023**



Further, Agricore CS Group primarily sources and distributes beans and pulses (with a revenue contribution of 39.02% in FYE 31 December 2023) which are categorised under the pulses and legumes segment, as well as starch and grain products (with a total revenue contribution of 47.27% in FYE 31 December 2023) which are categorised under the flour and starches segments. Hence, Agricore CS Group’s market share is also calculated using its segmental revenue from these segments against the industry sizes of the respective product segments.

In 2023, Agricore CS Group captured a market share of 2.34% in the pulses and legumes segment, computed based on its revenue from the sourcing and distribution of beans and pulses of RM52.68 million in FYE 31 December 2023, against the industry size of pulses and legumes of RM2.25 billion in 2023. In the same year, Agricore CS Group captured a market share of 0.92% in the flour and starches segment, computed based on its revenue from the sourcing and distribution of starch and grain products of RM63.81 million in FYE 31 December 2023, against the industry size of flour and starches of RM6.90 billion in 2023.

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## 9. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.**

### 9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

#### 9.1.1 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

Our supplies including beans and pulses, starch products, grain products, shallots, onions, cooking oil and packing materials are sourced from local and/or overseas suppliers. Our foreign purchases from overseas suppliers are denominated in USD. As at LPD, our supplies of plant-based agricultural food ingredients for our sourcing and distribution business segment are sourced from 80 suppliers, comprising 35 local suppliers and 45 overseas suppliers. On the other hand, our supplies of ingredients and raw materials for the production of food additives and fried shallots are sourced from 39 suppliers, comprising 24 local suppliers and 15 overseas suppliers. Amongst the 80 suppliers for our sourcing and distribution segment and the 39 suppliers for our production segment, there are 19 common suppliers whereby supplies that we source from these 19 common suppliers are food ingredients that are used in both business segments.

The breakdown of our purchases by currency for FYE 2020 to 2023 are as follows:

Currency	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	29,068	38.8	20,685	25.5	18,275	18.0	12,798	11.9
USD	45,777	61.2	60,557	74.5	83,391	82.0	94,924	88.1
<b>Total purchases</b>	<b>74,845</b>	<b>100.0</b>	<b>81,242</b>	<b>100.0</b>	<b>101,666</b>	<b>100.0</b>	<b>107,722</b>	<b>100.0</b>

For FYE 2020 to 2023, majority of our purchases are denominated in USD which accounted for 61.2%, 74.5%, 82.0% and 88.1% to our Group's total purchases respectively. However, most of our revenue is generated from sales to local customers which are transacted in RM. As such, any substantial depreciation of the RM against the USD will lead to higher costs of supplies in RM. In such circumstances, we will attempt to pass the additional costs arising from the depreciation of RM against the USD to our customers. Our financial performance may be adversely affected should we fail to pass on the increase in costs to our customers effectively in a timely manner.

Further, we do not have a formal policy with respect to our foreign exchange transactions and have not undertaken any hedging activities as at LPD. As such, we are affected by the fluctuations in any foreign currencies that we transact with. For FYE 2020 to 2022, our financial performance was not materially impacted by the foreign exchange fluctuations as we were generally able to pass on the increase in costs to our customers. For FYE 2023, USD fluctuated significantly and we were not able to fully pass on the increase in costs to our customers. Nevertheless, such event did not materially impact our financial performance in overall as our Group recorded profits for FYE 2023. Please refer to Section 12.11 for further details on our gains and losses from foreign exchange fluctuation for FYE 2020 to 2023. Notwithstanding that, there can be no assurance that we will be able to pass on any increase in costs arising from foreign exchange fluctuations to our customers timely in the future, whereby failure in doing so may lead to negative impact on our financial performance.

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

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**9.1.2 We are dependent on our Managing Director and key senior management for continued success and growth of our business**

The future growth and continuing success of our Group largely depend on the continuous contribution and involvement of our Managing Director and key senior management. We are dependent on the leadership of our Managing Director, Oon Boon Khong, who has 28 years of experience in the food ingredients industry, to spearhead the strategic direction and business development of our Group. In addition, we are dependent on our key senior management, namely Lim Swee Chuan, Wong Kam Tong, Tan Hong Sheng and Cheng Boon Kai for their expertise in their respective roles which are essential to support the business operations and growth of our Group. With their experience in the food ingredients industry and/or their respective fields as well as in managing our business, they play a pivotal role in developing and implementing business strategies and policies to drive the growth of our Group. Please refer to Sections 5.1.2 and 5.3.3 for the profiles of our Managing Director and key senior management.

We recognise that the continuing success and growth of our Group depend significantly on the capabilities and efforts of our Managing Director and key senior management. Therefore, the loss of any of our Managing Director and key senior management personnel simultaneously and/or within a short period of time may unfavourably impact our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Managing Director and key senior management personnel in a timely manner, our business operations, financial performance and prospects may be adversely affected.

**9.1.3 We may be affected by negative perception and publicity on our brand names and reputation**

As at LPD, we have 10 plant-based agricultural food ingredients SKUs that are packaged and sold in consumer packs labelled with our house brands, of which 8 SKUs have indication that the products are packed by ACS and 2 SKUs have indication that ACS is the distributor. Further, save for fried shallots that we produced as a contract manufacturer for third party brand owners where the products are packed in packaging provided by our customers that indicates Bapas as the manufacturer but without the brand logo of 'CAP POKOK', all 12 SKUs of our fried shallots are sold and labelled with our house brand with indication of Bapas as the manufacturer and ACS as the distributor. As these products are either packaged in our house brands or indicate us as distributor or manufacturer, and sold to customers such as wholesalers and retailers which eventually sell our products to the general public, our business performance and growth would be affected by any negative perception of our brand name and reputation, which are sensitive to public opinion. We may become the target of malicious sabotage or rumours intended to damage our reputation. In this respect, as an example, we may experience harmful substances being maliciously introduced into our products, or may be subject to market rumours based on unfounded claims of harm resulting from consuming our products. These incidences of sabotage or rumours may have an adverse impact on our brand name, reputation and public perception, leading to loss of consumer trust. Such adverse events may also lead to reduced purchases from food manufacturers, commercial farmers and F&B businesses which use our products in food manufacturing and preparation as well as crop growing, all of which could in turn adversely affect our sales and financial performance.

For the past 10 years and up to LPD, we have not experienced any incidents of malicious sabotage or rumours which led to an adverse impact on our brand names and reputation. Moving forward, notwithstanding our long-standing market reputation and our compliance to food safety standards, there can be no assurance that any negative perception or publicity on our brand names and reputation would not have a material adverse impact on our business and financial performance.

## 9. RISK FACTORS (Cont'd)

### 9.1.4 We may be affected by the presence of counterfeit products or product imitation that are sold under our brands

We may be affected by counterfeit products that are sold under our brands, where such counterfeit products may have similar packaging design as our products but not produced or supplied by us. These counterfeit products may be sold at lower prices than our products which are sold at competitive prices to other similar products in the market, which may affect our sales or even create market confusion amongst consumers. Further, these counterfeit products may be from sources that do not comply with the necessary food safety standards and hence may not meet the food safety requirements. In the event that consumers experience food poisoning or other illnesses after consuming the counterfeit products and subsequently claim that the counterfeit products are products of our Group, it may create material negative impact to our reputation and may eventually affect our sales.

Further, we are exposed to the risk of product imitation arising from the leakage of our in-house developed food additives formulations. Notwithstanding the implementation of practices to safeguard our food additives formulations, there can be no assurance that our food additives formulations will not be leaked to unauthorised parties. In the occurrence of such event, these unauthorised parties may use our food additives formulations to produce and sell food additives under their own brand names, which could, in turn, affect our sales.

While our Group has not been affected by adverse impacts arising from counterfeit products or product imitation for the past 10 years and up to LPD, there can be no assurance that we will not be affected by any counterfeit products or product imitation in the future.

### 9.1.5 We may not be able to secure funding, especially on terms acceptable to us, to meet our working capital requirement

Our ability to obtain external financing is subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysian economies, the cost of financing and the condition of financial markets, and the continuing willingness of banks to provide new loans. There is no assurance that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all.

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our working capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could affect our ability to grow in the food ingredients industry.

The following table sets out the maturity profile of our borrowings and indebtedness (excluding lease liabilities for rental of building) and interest coverage ratio for FYE 2020 to 2023:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank borrowings</b>				
Within the next 12 months	15,363	20,317	18,281	18,999
After the next 12 months	5,085	5,019	6,513	7,242
<b>Total</b>	<b>20,448</b>	<b>25,336</b>	<b>24,794</b>	<b>26,241</b>
<b>Interest coverage ratio</b>	5.9	7.3	9.2	7.2

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

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Based on the table above, a substantial portion of our bank borrowings are due within the next 12 months in each financial year. As such, there is a risk of simultaneous demand for immediate repayment on our outstanding short term credit facilities, and tightening of loan facilities due to deteriorating market conditions arising from economic, financial, political and other reasons. A large and simultaneous repayment of short term facilities would have a material adverse effect on our cash flows, working capital and in turn, will have a material effect on our financial performance. Our Board has, as set out in Section 12.3.1, taken the view that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus. Notwithstanding its view, there can be no assurance that we will be able to secure any further required funding in the future when needed, and on terms satisfactory to us.

**9.1.6 We are dependent on our in-house R&D team**

We started our manufacturing of food additives segment in FYE 2021 and recorded a substantial growth of more than 10 times from RM1.2 million to RM12.1 million in FYE 2023. Moving forward, we expect this segment to further contribute to our growth. This segment is dependent on our in-house R&D team comprising 4 personnel as at LPD. Our R&D team is mainly involved in carrying out R&D activities for the formulation of our food additives. Their expertise in food technology and in-depth industry knowledge allow us to add values to our services, which is one of the key factors driving our business growth. We strive to continuously improve our existing food additive formulations and to develop new food additive formulations to expand our product offerings. Further, our in-house R&D team also conducts research and analysis on our existing starch products whereby the findings would allow our sales personnel to gain better understanding on our starch products, in turn assisting them to provide sourcing recommendations to our customers.

The loss of our R&D team within a short period of time and without any suitable and timely replacements, or our inability to attract or retain qualified and competent R&D personnel may adversely affect our ability to compete and grow in the food ingredients industry. Although we have not encountered any shortage of R&D personnel that caused major disruptions to our operations for FYE 2020 to 2023 and up to LPD, there can be no assurance that we will be able to recruit, develop and retain adequate number of qualified R&D personnel to support the future growth and expansion of our Group.

**9.1.7 We may face liabilities arising from product misstatement or mislabelling**

Due to the nature of our business, we take due care and consideration in the labelling of content and ingredients of our products to provide correct and accurate information to our customers and consumers. Notwithstanding this, there is a risk of product mislabelling which may result in the consumption of ingredients that consumers are allergic to, or which are against their religions and/or other beliefs. This would adversely impact our brand name as well as reputation and public perception of our Group. We may also be forced to recall the products, be subject to administrative actions and/or penalties or fines by the relevant authorities, be forced to compensate affected consumers, and/or be subject to legal actions resulting from product liability claims. Any of these actions may have an adverse effect on the financial performance and prospects of our Group.

While we have not encountered such events for the past 10 years and up to LPD, there can be no assurance that there will be no occurrence of misstatement or mislabelling, and that misstatement or mislabelling will not have a material adverse impact on our brand name, reputation, or ultimately, our business and financial performance in the future.

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

### 9.1.8 **Our business is exposed to unexpected interruptions or delays caused by fire, natural disasters, equipment failures, force majeure events and outbreak of infectious diseases, which may be beyond our control and may lead to interruptions to our operations**

Our Group relies on our business premises to store our inventory which support our sourcing and distribution business segment. Hence, the occurrence of fires or natural disasters such as floods or storms at our business premises may cause damage to our inventory and our business premises, which may lead to delays in fulfilling customer orders and additional costs incurred to refurbish our business premises. Further, we also rely on machinery and equipment to carry out the production of food additives and fried shallots. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. In the event of the abovementioned unexpected interruptions, our day-to-day businesses as well as our financial performance may be adversely impacted.

In addition, any occurrence of force majeure events such as war, strikes and riots may cause disruptions to our sourcing and distribution activities. The occurrence of these unexpected events may affect our ability to meet the agreed delivery schedule with our customers.

For the past 10 years and up to LPD, we have not experienced any major interruptions to our business activities caused by fires, natural disasters, unexpected equipment failures, and force majeure events that have adversely affected our business activities and/or financial performance. Notwithstanding that, there is no assurance that we will not encounter such events and our business activities and/or financial performance will not be adversely affected should such events occur in the future.

Moreover, any large-scale outbreak of infectious diseases such as COVID-19 may cause disruptions to our sourcing activities due to global supply chain disruptions as a result of interruptions/halt of business and economic activities across many countries. Further, our distribution activities may also be affected due to possible imposition of movement restrictions by the Government as a containment measure to curb the spread of the virus. This may result in adverse impact on our financial performance, as our business activities may be temporarily suspended.

In the event that we have to temporarily halt our business activities due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. As such, there is no assurance that we will be able to record profits and have sufficient funds for our operations to recover from the damages caused by such events.

### 9.1.9 **The absence of long-term contracts with our customers and suppliers may result in fluctuations of our Group's financial performance**

We have not entered into any long-term contracts with our customers as our sales are derived based on purchase orders whereby our customers purchase our products on as-needed basis. The absence of long-term contracts may result in fluctuations of our Group's sales and result in uncertainties over our overall financial performance. It poses risks to our Group as any business decision made by our customers that results in reduction or cessation of purchases from our Group may affect our financial performance. Should we fail to retain our existing customers and are unable to secure new customers in a timely manner to replace customers who reduce purchases or cease to purchase from our Group, our financial performance and growth may be adversely impacted. Further, our Group intends to utilise proceeds from our Public Issue to set up a new regional storage facility in Klang, Selangor, as well as to increase our inventory levels. As we do not enter into any long-term contracts with our customers, our future plans and business strategies of setting up a new regional storage facility and increasing our inventory levels may not yield expected results should we fail to increase our sales volume to match with our increased inventory levels by securing additional sales from existing customers and securing sales from new customers.

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

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In addition, we have also not entered into any long-term contracts with our suppliers to secure long-term supplies from them. As such, there can be no assurance that we will be able to consistently source supplies at the volume required and at competitive prices from the same suppliers. In the event we are unable to source certain supplies from our existing suppliers, there is no assurance that we are able to replace them with other suppliers who offer the same supplies that meet our quality and quantity requirements in favourable terms and in a timely manner. Should we fail to do so, our financial performance and growth may be adversely affected.

**9.1.10 We may not be able to successfully implement our future plans and strategies**

We plan to expand our Group's business through our future plans and business strategies as follows:

- (a) increase our storage capacity by setting up a new regional storage facility in Klang, Selangor;
- (b) continue expanding our sourcing and distribution business by increasing our inventory levels; and
- (c) expand our team to support our business growth.

Please refer to Section 7.17 for further details of our business strategies.

The implementation of our business strategies is subject to additional expenditures including operational expenditures and other working capital requirements, which will increase our Group's overall operational cost, including overhead costs and cost of sales. This may result in an adverse impact to our profit margin if we are unable to gain sufficient revenue following the execution of our business strategies.

Thus, while our Managing Director and key senior management have years of experience in our business operations, there can be no assurance that the effort and expenditures spent on the execution of our business strategies will yield expected results in expanding our business. We are also not able to guarantee the successful implementation of our business strategies, nor can we assure that we will be able to anticipate the business and operational risks arising from our business strategies. Such failure may lead to adverse effect on our business operations and financial performance.

**9.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations**

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at LPD, our Group has taken up several insurance policies which include fire, burglary, product liability, marine, goods in transit, public liability, employers' liability, money, fidelity guarantee, plate glass and group personal accident.

However, in the event of claims, our insurance may not be adequate to cover all losses or liabilities that might incur in our operations. If we were to incur a significant liability for which we were not fully insured, it may result in incurrence of additional cost that may adversely affect our business operations and financial performance. While we have not encountered such events for FYE 2020 to 2023 and up to LPD, there can be no assurance that any losses and liabilities arising from unfavourable events in the future would be fully insured by our insurance policies and would not lead to a material adverse impact on our financial performance in the future. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates.



## 9. RISK FACTORS (Cont'd)

### 9.1.12 We are exposed to credit risk and default payment by customers

We generally grant our customers a credit period of 7 to 120 days from the date of invoice. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on trade receivables or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

Our impairment losses or gains on trade receivables for FYE 2020 to 2023 were as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment loss/(gain) on trade receivables	-	67	10	(2)

Please refer to Section 12.8.1 for further details on our trade receivables and impairment losses on trade receivables.

### 9.1.13 We may not be able to maintain our PAT margin and profitability

In FYE 2020 to 2023, our PAT margin was recorded at 3.4%, 4.2%, 5.8% and 5.0% respectively. There can be no assurance that we will be able to maintain such trend in the future, nor maintain our PAT margin within the similar range moving forward.

Our ability to maintain our profitability is primarily dependent on various factors, including fluctuations in foreign exchange rates and purchase prices of our supplies that may affect our cost of sales (as detailed in Sections 9.1.1 and 9.2.1 respectively), as well as our ability to continuously secure sales from customers in view of the absence of long-term contracts with our customers (as detailed in Section 9.1.9). Failures in mitigating the risks arising from the fluctuations in foreign exchange rates and purchase prices of our supplies, and/or in continuously securing sales from customers, are expected to negatively impact our profitability.

## 9.2 RISKS RELATING TO OUR INDUSTRY

### 9.2.1 We may be subject to price fluctuations for the purchases of supplies

Our Group's purchases primarily comprise beans and pulses, starch products and grain products. For FYE 2020 to 2023, beans and pulses, starch products and grain products contributed 95.2%, 95.5%, 95.5% and 95.3% collectively to our Group's total purchases respectively. Please refer to Section 7.8 for further details on our Group's purchases.

The prices of our supplies are subject to price fluctuations due to various factors such as global supply and demand conditions, global and regional economic conditions, as well as uncertainties arising from geopolitical conflicts. As such, should we fail to pass on the increase in costs to our customers, any material increase in the prices of our supplies may result in substantial increase in our cost of sales, thus affecting our financial performance.

For FYE 2020 to 2022, while we have encountered fluctuations in the prices of our supplies, we were generally able to pass on such fluctuations to our customers. For FYE 2023 (as detailed in Section 9.1.1) and up to LPD, we were not able to fully pass on the increase in costs arising from foreign currency fluctuations to our customers. Notwithstanding that we were generally able to pass on such fluctuations to our customers for FYE 2020 to 2022, there is no assurance that we will be able to continue to pass on future increases in cost to our customers.

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

### **9.2.2 We are exposed to risk arising from food contamination**

We are exposed to the risk of food contamination due to numerous processes involved in the production of food additives and fried shallots. The food ingredients used in our production include starches, phosphate, carbonate, salt, shallots, cooking oil, amongst others. These ingredients may be contaminated if not properly handled, stored and packed.

Further, our plant-based agricultural products are stored in our Bukit Minyak Premises prior to delivery to customers. Upon customers' requests, we may also carry out repacking of our plant-based agricultural products. As such, any improper storing or mishandling of these products may expose our Group to food contamination.

In addition, our operations require manual labour in several processes such as repacking and palletising of our plant-based agricultural products, production of food additives including weighing and handling/transfer of ingredients and mixtures between machines, as well as production of fried shallots including rinsing and frying of shallots/onions and handling/transfer of shallots/onions between machines. Therefore, our exposure to the risk of food contamination is subject to our employees' awareness of good hygiene and strict adoption of our food safety management system. Whilst we emphasise and educate our employees on our food safety standards, there is no assurance that we will be able to guarantee the highest level of food safety standards are practised at all times and that we will not be exposed to the risks of food contamination in the future.

Any contamination in our products may result in it being unsafe for consumption and will have an adverse impact on our reputation. This may also result in authorities inspecting our premises, monetary fine and/or temporary closure of our operations for cleaning and/or sanitation, any of which may lead to interruptions to our business operations, which may materially and adversely affect our results of operations and financial performance. While we have been accredited as compliant with various food safety standards such as ISO 9001:2015 Quality Management System, MeSTI, MS 1480:2019 HACCP System, and GMP and have not encountered any food contamination issues for the past 10 years and up to LPD, there is no assurance that there will not be occurrence of food contamination in our products moving forward.

### **9.2.3 We are dependent on consistent and sufficient crop yield**

The food ingredients industry, particularly the plant-based agricultural products, depends heavily on consistent and sufficient supply of crops to produce essential food ingredients. The annual yield of mature crops does not remain constant and varies, arising from external factors such as soil fertility, availability of water, climate as well as presence of pest or diseases. In the event that incidents such as adverse weather conditions (e.g. flood, cyclone and drought), pest infestations or disease outbreak were to occur, this will adversely impact crop productivity, resulting in scarcity, price volatility and supply disruptions of food ingredients. Subsequently, this may pose further challenges for food ingredients industry players especially farmers in meeting the demand and maintaining price stability for their products which will impact the growth of the food ingredients industry.

Moreover, variations in crop yield can impact product quality and consistency, thus posing significant challenge to ensure conformity across batches and fulfil the standards and requirements by customers and the relevant regulatory authorities. In order to mitigate such challenge, food ingredients industry players must place emphasis on implementing sustainable agricultural practices, exploring diverse sourcing options as well as fostering resilient supply chains to navigate effects arising from unpredictable crop yield.

For FYE 2020 to 2023 and up to LPD, while we have not encountered any inconsistency in crop supplies, there is no assurance that we will not encounter any unfavourable effects arising from the crop yield in the industry.

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

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**9.2.4 We are subject to licences, permits and requirements governing the F&B industry**

Our business operations are subject to the licences, permits and requirements governing the F&B industry, which relate to, amongst others, food safety, handling and storage, hygiene standards, labelling of packaging and other requirements imposed by authorities in Malaysia. In this regard, we have obtained relevant MeSTI certifications issued by MOH and manufacturing licences issued by MITI. In addition to these requisite licences and certifications, we have also obtained the ISO 9001:2015 Quality Management System, MS 1480:2019 HACCP System, and GMP as testament to our quality assurance standards.

As the Halal market is one of our targeted consumer groups, we are also required to obtain and maintain a number of Halal certifications issued by JAKIM. As at LPD, we have registered our products with JAKIM to ensure they are certified Halal, save for products that are distributed under plain packaging and our house brand products that are used for crop growing (i.e. nutrient solutions and sprouting soybeans). Please refer to Section 6.7 for further details on our licences, permits and certifications.

If we are unable to continuously comply with all regulations or conditions of our licences, permits and certifications, such licences, permits and certifications may be suspended or revoked and this will negatively affect our business operations. There is also no assurance that the introduction of new laws or any changes to legislations or other future regulatory developments will not have a material adverse effect on our business.

**9.2.5 We are exposed to risks relating to political, legal, regulatory and economic conditions in the countries in which we source our supplies from**

Our plant-based agricultural food ingredients are sourced from 15 countries of origins, including amongst others, Canada, China, Thailand and USA. Our supplies of plant-based agricultural food ingredients may be affected by any adverse developments or uncertainties in political, legal, regulatory or economic conditions that are beyond our control in the countries where we source our supplies from. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, export restrictions, duties and tariffs, civil unrest, methods of taxation, inflation and foreign exchange controls.

Any changes in political situations and government policies as well as widespread and/or prolonged economic slowdowns in the countries we source from, may cause a decline in the supply of our Group's supplies, which may lead to delays in fulfilling our customers' orders if we are unable to source from alternative suppliers in other countries. This may in turn have a material adverse effect on our business and financial performance.

**9.2.6 We face competition from other industry players**

According to the IMR Report, the food ingredients industry in Malaysia is competitive and fragmented due to the large number of industry players including large private companies as well as small and medium enterprises that compete in the sourcing, distribution, production and/or manufacturing of various types of food ingredients. Further, the barriers to entry of the sourcing and distribution of food ingredients, which our Group is involved in, are generally low due to low capital expenditure required if new industry players start with sourcing and distributing a minimal range of food ingredients. Additionally, industry players are not required to set up any production or manufacturing lines, but just a storage space to store food ingredients, hence minimising the capital expenditure required to enter the industry.

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

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Food ingredients industry players generally compete in terms of product range, pricing, quality of products and services, delivery timing, amongst others. Please refer to Section 8 for further details on the competitive landscape of the food ingredients industry in Malaysia.

Failure to remain competitive may adversely impact our Group's ability to sustain the sales secured from our customers at current or increased levels in the future, as well as to attract new customers. This may in turn cause adverse impact on our Group's financial performance.

### **9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**

#### **9.3.1 There is no prior market for our Shares**

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

#### **9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed**

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

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

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**9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile**

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance. These factors may include variations in our financial performance, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, 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 Shares.

**9.4 OTHER RISKS**

**9.4.1 Our Promoters will be able to exert significant influence over our Company**

Our Promoters will collectively hold approximately 67.1% of our enlarged share capital upon Listing. As a result, our Promoters will be able to effectively control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders. The interests of our Promoters may differ from the interests of our other shareholders and they may be able to exercise significant influence over the vote of our Shares. Our Promoters could also have significant influence in determining the outcome of any corporate transactions or other matters submitted to our shareholders for approval. This includes the election of Directors, approval of business ventures and having substantial voting control over our Group. As such, our Promoters will have a deciding vote on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at general meeting, unless they are required to abstain from voting by law, relevant guidelines or regulations.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our related parties which are material to our Group during FYE 2020 to 2023 and up to LPD:

No.	Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
						FYE 2020		FYE 2021		FYE 2022		FYE 2023		<sup>(1)</sup> 1 January 2024 up to LPD	
						RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a)	BBN Network Sdn Bhd	ACS	BBN Network Sdn Bhd	BBN Network Sdn Bhd was a major shareholder of ACS	Provision of management consultancy services to ACS <sup>(8)</sup>	184	<sup>(2)</sup> 5.2	-	-	-	-	-	-	-	-
(b)	Victoria Credit Sdn Bhd	ACS	BBN Network Sdn Bhd	Victoria Credit Sdn Bhd is a subsidiary of BBN Network Sdn Bhd. BBN Network Sdn Bhd was a major shareholder of ACS	Provision of hire purchase facility to ACS for purchase of lorry <sup>(9)</sup>	-	-	70	<sup>(3)</sup> 0.2	-	-	-	-	-	-

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

No.	Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
						FYE 2020		FYE 2021		FYE 2022		FYE 2023		<sup>(1)</sup> 1 January 2024 up to LPD	
						RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(c)	Victoria Credit Sdn Bhd	ACS	BBN Network Sdn Bhd	Victoria Credit Sdn Bhd is a subsidiary of BBN Network Sdn Bhd. BBN Network Sdn Bhd was a major shareholder of ACS	Interest expenses charged by Victoria Credit Sdn Bhd for the loan and hire purchase facilities provided to ACS for purchasing of solar system, mixer machine and packing machine and lorry respectively during 2019 to 2021 <sup>(9)</sup>	23	<sup>(4)</sup> 2.7	28	<sup>(4)</sup> 3.0	19	<sup>(4)</sup> 1.6	-	-	-	-
(d)	Ng Pei Jin	ACS	Oon Boon Khong	Ng Pei Jin is the spouse of Oon Boon Khong. Oon Boon Khong is our Managing Director, Promoter and substantial shareholder	Rental expenses paid to Ng Pei Jin for the tenancy of the Group's dormitory <sup>(10)</sup>	9	<sup>(2)</sup> 0.3	28	<sup>(2)</sup> 0.6	28	<sup>(2)</sup> 0.5	5	<sup>(2)</sup> 0.1	-	-

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

No.	Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
						FYE 2020		FYE 2021		FYE 2022		FYE 2023		<sup>(1)</sup> 1 January 2024 up to LPD	
						RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(e)	Sinar Jaya Transport	ACS and Bapas	Oon Boon Khong	Oon Boon Kean, brother of Oon Boon Khong, is a sole proprietor of Sinar Jaya Transport. Oon Boon Khong is our Managing Director, Promoter and substantial shareholder	Provision of transportation services by Sinar Jaya Transport to ACS and Bapas <sup>(11)</sup>	713	<sup>(5)</sup> 28.2	772	<sup>(5)</sup> 28.2	729	<sup>(5)</sup> 21.8	122	<sup>(5)</sup> 3.6	-	-
				Lorry parking charges and container office rental <sup>(12)</sup> charged by ACS to Sinar Jaya Transport		7	(7)-	6	(7)-	3	(7)-	1	(7)-	-	-
				Purchase of used steel pallets from Sinar Jaya by ACS <sup>(13)</sup>		-	-	-	-	49	<sup>(6)</sup> 0.1	-	-	-	-
(f)	Hal Transport	ACS	Oon Boon Khong	Oon Boon Kean, brother of Oon Boon Khong, was the owner of Hal Transport <sup>(14)</sup> . Oon Boon Khong is our Managing Director, Promoter and substantial shareholder	Provision of transportation services by Hal Transport to ACS	189	<sup>(5)</sup> 7.5	241	<sup>(5)</sup> 8.8	417	<sup>(5)</sup> 12.4	145	<sup>(5)</sup> 4.2	-	-



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

No.	Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
						FYE 2020		FYE 2021		FYE 2022		FYE 2023		<sup>(1)</sup> 1 January 2024 up to LPD	
						RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(g)	Oon Boon Khong	Bapas	Oon Boon Khong	Oon Boon Khong is our Managing Director, Promoter and substantial shareholder	Advances made by Oon Boon Khong to Bapas, which was used for the construction of Bukit Minyak Premises <sup>(15)</sup>	-	-	400	<sup>(3)</sup> 1.0	-	-	-	-	-	-
					Interest expenses charged by Oon Boon Khong to Bapas arising from the advances made by Oon Boon Khong to Bapas <sup>(15)</sup>	-	-	11	<sup>(4)</sup> 1.2	-	-	-	-	-	-

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

No.	Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
						FYE 2020		FYE 2021		FYE 2022		FYE 2023		<sup>(1)</sup> 1 January 2024 up to LPD	
						RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(h)	Aromi, BBN Network Sdn Bhd, Oon Boon Khong and Leong Yeok Wah	ACS	Aromi, BBN Network Sdn Bhd, Oon Boon Khong and Leong Yeok Wah	Aromi is our substantial shareholder  BBN Network was a major shareholder of ACS  Oon Boon Khong is our Managing Director, Promoter and substantial shareholder  Leong Yeok Wah was our substantial shareholder	Novation of rights, liabilities and obligations in, to and towards part of a debt by ACS to the said interested persons (please refer to Section 6.5(b) for further details of the novation and debt settlement agreement) <sup>(16)</sup>	-	-	3,250	<sup>(3)</sup> 8.4	-	-	-	-	-	-

**Notes:**

- (1) The percentage of the related party transaction is not calculated as the financial statements up to LPD is not prepared.
- (2) Computed based on our Group's administrative and general expenses for each of the respective financial years.
- (3) Computed based on our Group's total liabilities for each of the respective financial years.
- (4) Computed based on our Group's finance costs for each of the respective financial years.

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

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- (5) Computed based on our Group's selling and distribution expenses for each of the respective financial years.
- (6) Computed based on our Group's total assets for each of the respective financial years.
- (7) Less than 0.1%.
- (8) The scope of the management consultancy services provided by BBN Network Sdn Bhd were mainly in relation to the oversee of internal control systems and ISO standards of ACS. The consultancy fee was based on the salary offered to a similar position pursuant to a survey conducted by a professional human resources company namely PERSOLKELLY. The management consultancy services had been terminated on 31 December 2020.
- (9) The hire purchase facility was provided by Victoria Credit Sdn Bhd to ACS for the purchase of a lorry at an interest rate of 4.5% per annum. The hire purchase facility had been fully settled in December 2022.
- (10) ACS has rented a property located at 25, Lorong Santuari 14, Taman Santuari, 14000 Bukit Mertajam, Pulau Pinang for use by its local employees. The tenancy was for a period of 2 years commencing from 1 September 2022 to 31 August 2024 at a monthly rental of RM2,200. The rental rate is based on the prevailing market rental rates as advertised on iProperty's website. The tenancy agreement was terminated effective 1 March 2023 as our Group no longer provides accommodation to its local employees.
- (11) The amount of the transportation charges is within the comparable quotes provided by third party suppliers. The arrangements have ceased since April 2023.
- (12) The rental of the container office was not conducted at arm's length basis as our Group is unable to procure comparative information to ascertain the market rate for rental of container office. Such arrangement has ceased since August 2021.
- (13) ACS purchased the used steel pallets from Sinar Jaya Transport for a purchase price of RM492 per unit. This was a one-off transaction.
- (14) The amount of the transportation charges is within the comparable quotes provided by third party suppliers. Oon Boon Kean has ceased to be the owner of Hal Transport in March 2023.
- (15) The advances made by Oon Boon Khong to Bapas was used to finance the construction costs for the Bukit Minyak Premises at an interest rate of 5.0% per annum whilst pending the bank's approval on the drawdown of the term loan. The advances have been fully repaid in December 2021.
- (16) The novated debt has been fully capitalised into 3,250,000 new shares of ACS at RM1.00 each on 30 November 2021.

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

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Save for the items (c), (g), (h) and Notes (12) and (13) above, our Directors are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties than those generally available to the public and were not detrimental to our Group.

Although the transactions were not at arm's length, the interest expenses paid in relation to items (c) and (g) above were not detrimental to the Group as they were below the then prevailing interest rates. In addition, the transaction in Note (12) is not material and represented less than 0.1% of our Group's selling and distribution expenses for each financial years and the transaction in Note (13) is a one-off transaction.

In relation to the transactions in items (g) and (h) above relating to advances received by our Group and novation of our debt to related parties, these were one-off transactions which will not recur after our Listing.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

**(a) Recurrent related party transactions**

- (i) at least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) if quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

**(b) Other related party transactions**

- (i) whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) the rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

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

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Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, our Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

**10.2 OTHER TRANSACTIONS****10.2.1 Transactions entered into that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2020 to 2023, and up to LPD.

**10.2.2 Outstanding loans (including guarantees of any kind)****(a) Outstanding loans and/or balances**

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

**10. RELATED PARTY TRANSACTIONS (Cont'd)****(b) Guarantees**

- (i) Our Managing Director, Promoter and substantial shareholder, namely Oon Boon Khong has provided personal guarantees for the banking and hire purchase facilities extended by the following financial institutions ("Financiers"):

Financiers	Type of facilities	Outstanding balance as at	Facility limit	Guarantor
		LPD		
		RM'000	RM'000	
Alliance Bank Malaysia Berhad	• 3 term loans	7,053	9,200	Oon Boon Khong
	• 2 overdraft facilities	-	3,200	
	• 3 trade facilities	10,689	12,400	
	• 2 forward foreign exchange contract facilities	-	1,200	
CIMB Bank Berhad	• 1 overdraft facility	-	500	Oon Boon Khong
	• 1 trade facility	1,287	1,500	
Malayan Banking Berhad	• 1 overdraft facility	-	500	Oon Boon Khong
	• 1 term loan	364	1,000	
	• 3 trade facilities	8,674	10,500	
	• 1 forward foreign exchange contract facility	-	2,000	
RHB Bank Berhad	• 1 overdraft facility	335	400	Oon Boon Khong
	• 1 trade facility	2,582	2,600	
	• 1 foreign exchange contract facility	-	100	
PAC Lease Berhad	• 1 term loan	197	485	Oon Boon Khong
Public Bank Berhad	• 8 hire purchase facilities	384	593	Oon Boon Khong
		<b>31,565</b>	<b>46,178</b>	

In conjunction with our Listing, we have applied to the Financiers to obtain a conditional consent for the release and/or discharge of the personal guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Promoter, substantial shareholder and Managing Director, Oon Boon Khong will continue to guarantee the banking and hire purchase facilities extended to our Group.

As at LPD, we have received conditional approvals from the Financiers, namely Alliance Bank Malaysia Berhad, CIMB Bank Berhad, RHB Bank Berhad, Malayan Banking Berhad, PAC Lease Berhad and Public Bank Berhad (subject to, among others, our Listing) to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

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

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**(c) Financial assistance provided for the benefit of a related party**

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

**10.2.3 Transactions entered into with M&A Securities**

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 27 January 2023 between ACS and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and
- (b) Underwriting Agreement dated 2 May 2024 entered into between our Company and M&A Securities for the underwriting of 20,280,000 Issue Shares.

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## 11. CONFLICT OF INTEREST

### 11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

Save as disclosed below, as at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group, or have interest in the business of our customers and/or suppliers:

<u>Company</u>	<u>Principal activity</u>	<u>Nature of interest</u>
Starch Trade Sdn Bhd ("Starch Trade")	Supply of all kinds of starch, beans and pulse and other related food products	Wong Pak Zen is our Group's indirect substantial shareholder through his interest in Aromi. He is also a director and shareholder of Starch Trade.

Our Board is of the view that the interests of Wong Pak Zen in Starch Trade does not give rise to a conflict of interest situation as Wong Pak Zen is merely a passive shareholder of our Company through his interest in Aromi and is not involved in any procurement decisions made by our Group. During FYE 2020 to 2023, the total purchases from Starch Trade amounted to RM3.1 million, RM3.9 million, RM4.2 million and RM5.0 million respectively, all of which were transacted at arm's length, and accounted for 4.1%, 4.8%, 4.1% and 4.6% of our Group's total purchases in each respective financial year.

It is our Board's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:
  - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
  - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may, however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.



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

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In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

**11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;
- (b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;
- (c) Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) SMITH ZANDER has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Act on 16 May 2023 as a private limited company. Our Company was incorporated as a special purpose vehicle to facilitate the Listing. As such, the historical financial information of our Group for FYE 2020 to 2023 is prepared based on the historical combined audited financial statements of our Group. Our historical financial information for FYE 2020 to 2023 were prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Results of Operations and Financial Condition and the Accountants' Report set out in Sections 12.2 and 13, respectively.

#### 12.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2020 to 2023, which have been extracted from the Accountants' Report.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	88,995	100,832	122,685	134,992
Cost of goods sold	(78,195)	(86,651)	(103,294)	(115,733)
<b>GP</b>	<b>10,800</b>	<b>14,181</b>	<b>19,391</b>	<b>19,259</b>
Interest income	85	35	76	98
Other income	285	135	167	102
Administrative and general expenses	(3,555)	(4,811)	(5,333)	(5,531)
Impairment (losses)/gains on financial assets	-	(67)	(10)	2
Loss on derecognition on financial assets measured at amortised cost	(51)	(7)	(27)	-
Selling and distribution expenses	(2,532)	(2,736)	(3,350)	(3,433)
<b>Profit from operations</b>	<b>5,032</b>	<b>6,730</b>	<b>10,914</b>	<b>10,497</b>
Finance costs	(841)	(923)	(1,179)	(1,443)
<b>PBT</b>	<b>4,191</b>	<b>5,807</b>	<b>9,735</b>	<b>9,054</b>
Tax expense	(1,200)	(1,525)	(2,618)	(2,272)
<b>PAT</b>	<b>2,991</b>	<b>4,282</b>	<b>7,117</b>	<b>6,782</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial year</b>	<b>2,991</b>	<b>4,282</b>	<b>7,117</b>	<b>6,782</b>
<b>PAT attributable to:</b>				
- Owners of our Company	2,980	4,282	7,117	6,782
- Non-controlling interest	11	-	-	-
	<b>2,991</b>	<b>4,282</b>	<b>7,117</b>	<b>6,782</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of our Company	2,980	4,282	7,117	6,782
- Non-controlling interest	11	-	-	-
	<b>2,991</b>	<b>4,282</b>	<b>7,117</b>	<b>6,782</b>
EBIT (RM'000) <sup>(1)</sup>	4,947	6,695	10,838	10,399
EBITDA (RM'000) <sup>(1)</sup>	5,715	7,554	11,920	11,755
GP margin (%) <sup>(2)</sup>	12.1	14.1	15.8	14.3
PBT margin (%) <sup>(3)</sup>	4.7	5.8	7.9	6.7
PAT margin (%) <sup>(4)</sup>	3.4	4.2	5.8	5.0
Basic EPS (sen) <sup>(5)</sup>	2.0	2.8	4.7	4.5
Diluted EPS (sen) <sup>(6)</sup>	1.5	2.1	3.5	3.3

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

- (1) EBIT and EBITDA are calculated as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	2,991	4,282	7,117	6,782
Less:				
Interest income	85	35	76	98
Add:				
Finance costs	841	923	1,179	1,443
Tax expense	1,200	1,525	2,618	2,272
<b>EBIT</b>	<b>4,947</b>	<b>6,695</b>	<b>10,838</b>	<b>10,399</b>
Add:				
Depreciation	768	859	1,082	1,356
<b>EBITDA</b>	<b>5,715</b>	<b>7,554</b>	<b>11,920</b>	<b>11,755</b>

- (2) Calculated based on GP divided by revenue.
- (3) Calculated based on PBT divided by revenue.
- (4) Calculated based on PAT divided by revenue.
- (5) Calculated based on PAT attributable to owners of our Company divided by our share capital of 151,086,000 Shares before Public Issue.
- (6) Calculated based on PAT attributable to owners of our Company divided by our enlarged share capital of 202,800,000 Shares after Public Issue.

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**12. FINANCIAL INFORMATION (Cont'd)****12.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2020, 2021, 2022 and 2023 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountant's Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>			
	<b>As at 31 December</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>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9,100	10,128	11,899	12,844
Right-of-use assets	2,554	2,646	3,292	2,616
<b>Total non-current assets</b>	<b>11,654</b>	<b>12,774</b>	<b>15,191</b>	<b>15,460</b>
<b>Current assets</b>				
Inventories	14,956	15,380	26,047	22,701
Receivables <sup>(1)</sup>	9,908	13,906	15,245	18,221
Prepayments	716	579	312	2,028
Current tax assets	-	1	-	-
Cash and cash equivalents	4,515	9,474	12,068	11,510
<b>Total current assets</b>	<b>30,095</b>	<b>39,340</b>	<b>53,672</b>	<b>54,460</b>
<b>TOTAL ASSETS</b>	<b>41,749</b>	<b>52,114</b>	<b>68,863</b>	<b>69,920</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of our Company</b>				
Share capital	2,450	5,700	10,000	10,000
Retained earnings	4,257	7,659	14,776	20,135
<b>TOTAL EQUITY</b>	<b>6,707</b>	<b>13,359</b>	<b>24,776</b>	<b>30,135</b>
<b>Non-current liabilities</b>				
Loans and borrowings	4,944	4,739	6,092	7,055
Lease liabilities	141	327	770	420
Deferred tax liabilities	220	269	438	510
Deferred income on government grants	-	-	-	<sup>(3)</sup> 206
<b>Total non-current liabilities</b>	<b>5,305</b>	<b>5,335</b>	<b>7,300</b>	<b>8,191</b>
<b>Current liabilities</b>				
Payables <sup>(2)</sup>	13,547	12,507	17,547	12,081
Loans and borrowings	15,221	20,129	18,076	18,869
Lease liabilities	152	220	338	235
Contract liabilities	-	-	28	-
Current tax liabilities	817	564	798	409
<b>Total current liabilities</b>	<b>29,737</b>	<b>33,420</b>	<b>36,787</b>	<b>31,594</b>
<b>TOTAL LIABILITIES</b>	<b>35,042</b>	<b>38,755</b>	<b>44,087</b>	<b>39,785</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41,749</b>	<b>52,114</b>	<b>68,863</b>	<b>69,920</b>

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

- (1) The breakdown of the receivables are as follows:

	<b>Audited</b>			
	<b>As at 31 December</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>
Trade receivables	9,809	13,824	15,133	18,111
- Loss allowance	-	(67)	(12)	(2)
	9,809	13,757	15,121	18,109
Other receivables				
- Related party <sup>(a)</sup>	7	7	-	-
- Unrelated parties <sup>(b)</sup>	92	142	124	112
	99	149	124	112
	<b>9,908</b>	<b>13,906</b>	<b>15,245</b>	<b>18,221</b>

**Notes:**

- (a) Being company in which a director's close family members have substantial financial interests. Comprise mainly lorry parking charges and container office rental expenses.
- (b) Comprise mainly utilities deposits, rental deposits, fixed deposit interest receivables and loan to employees.

- (2) The breakdown of the payables are as follows:

	<b>Audited</b>			
	<b>As at 31 December</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>
Trade payables	11,362	8,385	15,435	11,078
Other payables				
- Related parties <sup>(a)</sup>	51	86	63	-
- Unrelated parties <sup>(b)</sup>	1,399	3,523	2,049	1,003
	1,450	3,609	2,112	1,003
Dividend payable	735	513	-	-
	<b>13,547</b>	<b>12,507</b>	<b>17,547</b>	<b>12,081</b>

**Notes:**

- (a) Being companies in which a director's close family members have substantial financial interests. Comprise mainly transportation charges.
- (b) Comprise mainly accruals of staff related expenses, payables of construction costs of Phase 3 of our Bukit Minyak Premises, amount owing to Bourne Commercial Ltd due to the classification from trade payables to other payables upon the execution of the novation and debt settlement agreement dated 24 September 2021 (as detailed in Section 6.5(b)) as well as payables of forwarding and transportation charges.
- (3) Relates to government grant by SME Corporation Malaysia for productivity and automation project, of which the said grant was taken up as deferred income and amortised over the remaining useful life of the assets.

**12. FINANCIAL INFORMATION (Cont'd)****12.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for FYE 2020 to 2023 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis Results of Operations and Financial Conditions" and Accountant's Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
PBT	4,191	5,807	9,735	9,054
Adjustments for:				
Amortisation of deferred income	-	-	-	(17)
Depreciation	768	859	1,082	1,356
Gain on derecognition of right-of-use-assets	-	-	-	(1)
Gain on disposal of property, plant and equipment	-	(29)	(81)	(2)
Impairment losses/(gains) on financial assets	-	67	10	(2)
Interest expenses	841	923	1,179	1,443
Interest income	(85)	(35)	(76)	(98)
Inventories written off	-	-	-	(3)40
Loss on derecognition of financial assets measured at amortised cost	51	7	27	-
<b>Operating profit before changes in working capital</b>	<b>5,766</b>	<b>7,599</b>	<b>11,876</b>	<b>11,773</b>
Change in inventories	(5,704)	(424)	(10,667)	3,306
Change in receivables	1,850	(4,072)	(1,376)	(2,974)
Change in prepayments	(615)	137	267	(1,716)
Change in payables	20	2,674	5,553	(5,466)
Change in contract liabilities	-	-	28	(28)
<b>Cash generated from operations</b>	<b>1,317</b>	<b>5,914</b>	<b>5,681</b>	<b>4,895</b>
Tax paid	(456)	(1,730)	(2,214)	(2,589)
<b>Net cash from operating activities</b>	<b>861</b>	<b>4,184</b>	<b>3,467</b>	<b>2,306</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(771)	(1,664)	(2,671)	(1,661)
Acquisition of right-of-use assets	-	(61)	(196)	-
Grant received	-	-	-	223
Interest received	85	35	76	98
Proceeds from disposal of property, plant and equipment	-	29	429	4
<b>Net cash used in investing activities</b>	<b>(686)</b>	<b>(1,661)</b>	<b>(2,362)</b>	<b>(1,336)</b>
<b>Cash flows from financing activities</b>				
Acquisition of shares from non-controlling interests	(2)(84)	-	-	-
Changes in term deposits pledged as security	(680)	(182)	(121)	(187)
Dividends paid	(264)	(1,102)	(513)	(1,423)
Drawdown of term loans	1,000	1,000	2,271	1,769
Interest paid	(841)	(923)	(1,179)	(1,443)
Issue of shares	50	-	4,300	-
Net (decrease)/increase in short-term loans and borrowings	(372)	5,491	(1,367)	692
Repayment of lease liabilities	(157)	(242)	(419)	(418)
Repayment of term loans	(105)	(404)	(1,583)	(705)
<b>Net cash (used in)/ from financing activities</b>	<b>(1,453)</b>	<b>3,638</b>	<b>1,389</b>	<b>(1,715)</b>

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

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (decrease)/increase in cash and cash equivalents	(1,278)	6,161	2,494	(745)
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>732</b>	<b>(546)</b>	<b>5,615</b>	<b>8,109</b>
Cash and cash equivalents at end of the financial year <sup>(1)</sup>	<b>(546)</b>	<b>5,615</b>	<b>8,109</b>	<b>7,364</b>

**Notes:**

- (1) Cash and cash equivalents included in the statements of cash flows comprise the following:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term deposits	3,656	3,838	3,960	4,448
Cash and bank balances	859	5,636	8,108	7,062
Bank overdrafts	(1,405)	(21)	-	-
Term deposits pledged as security	(3,656)	(3,838)	(3,959)	(4,146)
<b>Total cash and cash equivalents</b>	<b>(546)</b>	<b>5,615</b>	<b>8,109</b>	<b>7,364</b>

- (2) Being the acquisition of the remaining shares in Bapas from Wong Kam Tong, Ooi Su Heng, Leung Hak Kong and Cheng Boon Kai on 28 October 2020.
- (3) Inventories written off in FYE 2023 was due to expiry and damage of glutinous rice flour.

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

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**12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following discussion and segmental analysis of our combined financial information for FYE 2020 to 2023 should be read with the Accountants' Report included in Section 13.

**12.2.1 Overview of our operations****(a) Principal activities**

Our Group is principally involved in the sourcing, distribution and production of food ingredients which core business activities are segmented as follows:

- (i) sourcing and distribution of plant-based agricultural food ingredients comprising starch products, beans and pulses, grain products and other related products; and
- (ii) production and sale of food additives and fried shallots.

Please refer to Section 7 for our Group's detailed business overview.

**(b) Revenue**

Our Group's revenue for FYE 2020 to 2023 was derived from sourcing and distribution of plant-based agricultural products and production and sale of food additives and fried shallots.

Our revenue is recognised at a point in time when the goods are delivered and accepted by the customers.

**(c) Cost of goods sold**

Our cost of goods sold comprises plant-based agricultural products costs, raw material costs, direct labour costs and overheads:

**(i) Plant-based agricultural products**

Our Group's plant-based agricultural food ingredients comprise starch products, beans and pulses, grain products and other related products.

**(ii) Raw materials**

Our Group's raw materials for production of food additives mainly comprise starch products and phosphates. For production of fried shallots, our raw materials mainly comprise fresh shallots and/or onions, and starch.

**(iii) Direct labour**

Our direct labour comprises salaries, wages and allowances for production and warehouse workers.

**(iv) Overheads**

Overheads mainly includes depreciation, forwarding charges, packing materials, warehouse rental and laboratory test fees.



**12. FINANCIAL INFORMATION (Cont'd)****(d) Other income**

Other income mainly comprises gain on disposal of property, plant and equipment, interest income from cash and cash equivalents placed with licensed banks, government grant, rental income and net realised gain on foreign exchange.

**(e) Administrative and general expenses**

Administrative and general expenses are expenses not directly attributable to the generation of revenue. It mainly comprise costs incurred to maintain our operations such as staff related expenses, directors' remuneration, depreciation, professional fees, rental of buildings and office equipment, road tax and insurance, upkeep expenses and utilities expenses.

**(f) Selling and distribution expenses**

Selling and distribution expenses are costs related to the marketing and distribution of our products which mainly comprise transportation fee, travelling expenses, advertisement and promotion expenses, sales commission and upkeep of motor vehicles.

**(g) Finance costs**

Finance costs comprise interest expense on our loans and borrowings and lease liabilities.

**(h) Recent developments**

Save for the Acquisition, there were no other significant events subsequent to our audited combined financial statements for FYE 2020 to 2023.

**(i) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2020 to 2023. In addition, our audited combined financial statements for the financial years under review were not subject to any audit qualifications.

**12.2.2 Significant factors affecting our revenue**

Please refer to Section 9 for the details of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenue and profit include but not limited to the following:

**(a) We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group**

For FYE 2020 to 2023, majority of our purchases are denominated in USD which accounted for 61.2%, 74.5%, 82.0% and 88.1% to our Group's total purchases respectively. However, most of our revenue is generated from sales to local customers which are transacted in RM. As such, any substantial depreciation of the RM against the USD will lead to higher costs of supplies in RM. In such circumstances, we will attempt to pass the additional costs arising from the depreciation of RM against the USD to our customers. Our financial performance may be adversely affected should we fail to pass on the increase in costs to our customers effectively in a timely manner.

Please refer to Section 9.1.1 for further details.

**12. FINANCIAL INFORMATION (Cont'd)****(b) We may be affected by negative perception and publicity on our brand names and reputation**

As some of our products are packaged in our house brands and sold to customers such as wholesalers and retailers which eventually sell our products to the general public, our business performance and growth would be affected by our brand name and reputation, which are sensitive to public perception. We may become the target of malicious sabotage or rumours intended to damage our reputation. In this respect, as an example, we may experience harmful substances being maliciously introduced into our products, or may be subject to market rumours based on unfounded claims of harm resulting from consuming our products. These incidences of sabotage or rumours may have an adverse impact on our brand name, reputation and public perception, leading to loss of consumer trust. Such adverse events may also lead to reduced purchases from food manufacturers, commercial farmers and F&B businesses which use our products in food manufacturing and preparation as well as crop growing, all of which could in turn adversely affect our sales and financial performance.

Please refer to Section 9.1.3 for further details.

**(c) We may be affected by the presence of counterfeit products or product imitation that are sold under our brands**

We may be affected by counterfeit products that are sold under our brands, where such counterfeit products may have similar packaging design as our products but not produced or supplied by us. These counterfeit products may be sold at much lower prices, which may affect our sales or even create market confusion amongst consumers. Further, the manufacturing process of these counterfeit products may not be compliant with the necessary food safety standards and hence may not meet the food safety requirements. In the event that consumers experience food poisoning or other illnesses after consuming the counterfeit products and subsequently claim that the counterfeit products are products of our Group, it may create material negative impact to our reputation and may eventually affect our sales.

Please refer to Section 9.1.4 for further details.

**(d) The absence of long-term contracts with our customers and suppliers may result in fluctuations of our Group's financial performance**

The absence of long-term contracts may result in fluctuations of our Group's sales and result in uncertainties over our overall financial performance. It poses risks to our Group as any business decision made by our customers that results in reduction or cessation of purchases from our Group may affect our financial performance. Should we fail to retain our existing customers and are unable to secure new customers in a timely manner to replace customers who reduce purchases or cease to purchase from our Group, our financial performance and growth may be adversely impacted.

Please refer to Section 9.1.9 for further details.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.2.3 Review of our results of operations

#### (a) Revenue

##### Analysis of revenue by product segments

Business activity	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Sourcing and distribution of plant-based agricultural products</b>								
Starch products	27,000	30.3	36,309	36.0	44,872	36.6	53,850	39.9
Beans and pulses	46,161	51.9	49,093	48.7	53,264	43.4	52,676	39.0
Grain products	10,421	11.7	8,591	8.5	10,288	8.4	9,955	7.4
Other related products <sup>(1)</sup>	3,025	3.4	3,114	3.1	3,079	2.5	3,327	2.5
	<b>86,607</b>	<b>97.3</b>	<b>97,107</b>	<b>96.3</b>	<b>111,503</b>	<b>90.9</b>	<b>119,808</b>	<b>88.8</b>
<b>Production of food additives and fried shallots</b>								
Food additives	-	-	1,186	1.2	8,012	6.5	12,086	8.9
Fried shallots	2,388	2.7	2,539	2.5	3,170	2.6	3,098	2.3
	<b>2,388</b>	<b>2.7</b>	<b>3,725</b>	<b>3.7</b>	<b>11,182</b>	<b>9.1</b>	<b>15,184</b>	<b>11.2</b>
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>

#### Note:

<sup>(1)</sup> Comprises mainly nutrient solutions, brown sugar, sesame seeds and groundnuts.

Our revenue for FYE 2020 to 2023 was mainly derived from the sourcing and distribution of plant-based agricultural products, which accounted for more than 88.0% of our total revenue.

## 12. FINANCIAL INFORMATION (Cont'd)

### Analysis of revenue by brands

Business activity	Audited								
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
<b>Sourcing and distribution of plant-based agricultural products</b>									
House brands	82,632	92.8	92,093	91.3	105,749	86.2	115,016	85.2	
Third party brands	3,975	4.5	5,014	5.0	5,754	4.7	4,792	3.6	
	<b>86,607</b>	<b>97.3</b>	<b>97,107</b>	<b>96.3</b>	<b>111,503</b>	<b>90.9</b>	<b>119,808</b>	<b>88.8</b>	
<b>Production of food additives and fried shallots</b>									
House brands	-	-	1,186	1.2	8,012	6.5	14,190	10.5	
Third party brands	2,388	2.7	2,539	2.5	3,170	2.6	994	0.7	
	<b>2,388</b>	<b>2.7</b>	<b>3,725</b>	<b>3.7</b>	<b>11,182</b>	<b>9.1</b>	<b>15,184</b>	<b>11.2</b>	
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>	

### Analysis of revenue by geographical markets

Geographical area	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Malaysia</b>	<b>86,688</b>	<b>97.4</b>	<b>99,367</b>	<b>98.6</b>	<b>120,838</b>	<b>98.5</b>	<b>132,864</b>	<b>98.4</b>
<b>Overseas</b>								
Singapore	945	1.0	785	0.8	1,029	0.8	826	0.6
Indonesia	1,313	1.5	579	0.6	564	0.5	1,180	0.9
China	-	-	54	<0.1	190	0.2	-	-
Australia	24	<0.1	26	<0.1	38	<0.1	91	<0.1
Hong Kong	25	<0.1	21	<0.1	26	<0.1	31	<0.1
	<b>2,307</b>	<b>2.6</b>	<b>1,465</b>	<b>1.4</b>	<b>1,847</b>	<b>1.5</b>	<b>2,128</b>	<b>1.6</b>
<b>Total</b>	<b>88,995</b>	<b>100.0</b>	<b>100,832</b>	<b>100.0</b>	<b>122,685</b>	<b>100.0</b>	<b>134,992</b>	<b>100.0</b>

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

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### Comparison between FYE 2020 and FYE 2021

Our Group's total revenue increased by RM11.8 million or 13.3% to RM100.8 million in FYE 2021 (FYE 2020: RM89.0 million). This was mainly due to the following:

- (i) revenue from sourcing and distribution of plant-based agricultural products segment increased by RM10.5 million or 12.1% to RM97.1 million in FYE 2021 (FYE 2020: RM86.6 million), mainly due to the increase in sales by RM15.2 million of starch, soybeans and soy protein as a result of higher demand from major customers, especially customers from the bean curd, noodles, surimi and processed meat industry. Sales of starch, soybeans and soy protein increased by RM6.6 million (25.8%), RM5.7 million (20.9%) and RM2.9 million (810.0%) respectively in FYE 2021. However, such increase was partially offset with the decrease in sales of glutinous rice flour, black matpe and other beans products by RM5.2 million in total due to lower sales volume as a result of overall slower demand from customers.
- (ii) revenue from production of food additives and fried shallots products increased by RM1.3 million or 54.2% to RM3.7 million in FYE 2021 (FYE 2020: RM2.4 million), which was mainly due to our business expansion into the manufacturing of food additives in March 2021. The sales of food additives reached RM1.2 million during our first year of operations due to the effort of our sales team in promoting and penetrating new customer base for our food additive products. Besides, there was also an overall increase in sales of RM0.2 million or 6.3% for fried shallots from FYE 2020 to 2021.
- (iii) revenue from Malaysia increased by RM12.7 million or 14.6% to RM99.4 million in FYE 2021 (FYE 2020: RM86.7 million) mainly due to the increase in the demand of major customers for our major products, specifically starch, soybeans and soy protein as discussed in the segmental analysis above.
- (iv) revenue from overseas decreased by RM0.8 million or 34.8% to RM1.5 million in FYE 2021 (FYE 2020: RM2.3 million), as our Group kept focus on the Malaysian market as most of our customers are from Malaysia.

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

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### Comparison between FYE 2021 and FYE 2022

Our Group's total revenue increased by RM21.9 million or 21.7% to RM122.7 million in FYE 2022 (FYE 2021: RM100.8 million). This was mainly due to the following:

- (i) revenue from sourcing and distribution of plant-based agricultural products increased by RM14.4 million or 14.8% to RM111.5 million in FYE 2022 (FYE 2021: RM97.1 million), which was mainly due to the increase in the demand from our major customers and new customers, especially customers from flour based noodle and snacks industry (starch segment), bean sprout farming (beans and pulses segment) and confectionery and dessert industry (grain segment). The sales of starch, black matpe and glutinous rice flour increased by RM14.8 million from FYE 2021 to FYE 2022. However, the increase of sales from the aforementioned segments was partially offset with the decrease in sales of soy protein of RM1.8 million from FYE 2021 to FYE 2022 as the company put less attention on this low margin product.
- (ii) revenue from production of food additives and fried shallots products increased by RM7.5 million or 202.7% to RM11.2 million in FYE 2022 (FYE 2021: RM3.7 million), largely in relation to sales of food additives. Our Group focused on business expansion for our food additives segment where we developed and commercialised more new food additives products based on our R&D on the market's needs and feedback from our existing customers. Our Group's new food additives such as modified starch obtained good feedback and support from our customers due to improvements in their end product's texture and taste.
- (iii) revenue from Malaysia increased by RM21.4 million or 21.5% to RM120.8 million in FYE 2022 (FYE 2021: RM99.4 million), which was in line with our overall increase in revenue as explained above, as most of our customers are from Malaysia.
- (iv) revenue from overseas increased by RM0.3 million or 20.0% to RM1.8 million in FYE 2022 (FYE 2021: RM1.5 million), which was due to additional export of food additives products to China and beans to Singapore.

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

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### Comparison between FYE 2022 and FYE 2023

Our Group's total revenue increased by RM12.3 million or 10.0% to RM135.0 million in FYE 2023 (FYE 2022: RM122.7 million). This was mainly due to the following:

- (i) revenue from sourcing and distribution of plant-based agricultural products increased by RM8.3 million or 7.4% to RM119.8 million in FYE 2023 (FYE 2022: RM111.5 million), which was mainly due to the increase in the demand from our major customers and new customers, especially customers from flour based noodle and snacks industry (starch segment). The sales of starch increased by RM9.0 million from FYE 2022 to FYE 2023. However, the increase of sales from the aforementioned segment was partially offset with the decrease in sales of beans and pulses and grains products by RM0.9 million from FYE 2022 to FYE 2023 mainly due to lower sales volume, as a result of lower demand of soybeans from soy based vegetarian products industry (beans and pulses segment) and confectionery and dessert industry (grain segment).
- (ii) revenue from production of food additives and fried shallots products increased by RM4.0 million or 35.7% to RM15.2 million in FYE 2023 (FYE 2022: RM11.2 million), mainly due to higher demand for food additives. In line with our Group's expansion of in-house R&D team and R&D activities, our Group has further expanded the food additives portfolio by developing and commercialising more food additives formulations based on our research on market needs and further coordination with our existing customers. Our Group's food additives such as modified starch obtained favourable feedback and support from our customers due to improvements in their end product's texture and taste.
- (iii) revenue from Malaysia increased by RM12.0 million or 9.9% to RM132.8 million in FYE 2023 (FYE 2022: RM120.8 million), which was in line with our overall increase in revenue as explained above, as most of our customers are from Malaysia.
- (iv) revenue from overseas increased by RM0.3 million or 16.7% to RM2.1 million in FYE 2023 (FYE 2022: RM1.8 million), which was due to increase in export of beans, starch, black matpe and peas to Indonesia.

## 12. FINANCIAL INFORMATION (Cont'd)

### (b) Cost of goods sold, GP and GP margin

Our Group's cost of goods sold mainly comprises plant-based agricultural products costs, raw materials costs, direct labour cost and overheads. Our plant-based agricultural products costs is our main cost component, representing 97.2%, 96.1%, 90.9% and 89.1% of our Group's cost of goods sold for FYE 2020, 2021, 2022 and 2023 respectively. This cost component are the costs of purchase from suppliers for starch products, beans and pulses, grain products and other related products.

Please refer to Section 7.9 for further information on our Group's major suppliers.

#### Analysis of cost of goods sold

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sourcing and distribution of plant-based agricultural products	76,037	97.2	83,277	96.1	93,860	90.9	103,155	89.1
Production of food additives and fried shallots	2,158	2.8	3,374	3.9	9,434	9.1	12,578	10.9
	<b>78,195</b>	<b>100.0</b>	<b>86,651</b>	<b>100.0</b>	<b>103,294</b>	<b>100.0</b>	<b>115,733</b>	<b>100.0</b>

#### Analysis of GP and GP margin

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP RM'000	GP margin %	GP RM'000	GP margin %	GP RM'000	GP margin %	GP RM'000	GP margin %
Sourcing and distribution of plant-based agricultural products	10,570	12.2	13,830	14.2	17,643	15.8	16,653	13.9
Production of food additives and fried shallots	230	9.6	351	9.4	1,748	15.6	2,606	17.2
	<b>10,800</b>	<b>12.1</b>	<b>14,181</b>	<b>14.1</b>	<b>19,391</b>	<b>15.8</b>	<b>19,259</b>	<b>14.3</b>



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

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Our Group does not record GP and GP margin information by house brands and third party brands as well as geographical location. Accordingly, such information is not available. Our Group monitors our performance and profitability based on our overall and by product segment GP and GP margin. The increase in GP and GP margins over the financial years under review except for FYE 2023 were mainly attributable to the increase in demand of our products and better sales mix. During FYE 2023, there was a reduction in GP and GP margin from the sourcing and distribution of plant-based agricultural products segment mainly due to the increase in material costs as a result of the unfavourable RM against USD where our Group was not able to substantially pass on the higher costs to our customers.

**Comparison between FYE 2020 and FYE 2021**

Our Group's total cost of goods sold increased by RM8.5 million or 10.9% to RM86.7 million in FYE 2021 (FYE 2020: RM78.2 million), which was in line with the increase in revenue by 13.3% as more purchases are required to meet the increase in demand from our customers. As a result, our GP increased by RM3.4 million or 31.5% to RM14.2 million in FYE 2021 (FYE 2020: RM10.8 million) in a similar trend with the increase in our revenue. Meanwhile, our GP margin increased from 12.1% in FYE 2020 to 14.1% in FYE 2021, mainly due to better sales mix of starch and soybeans products, which yield a better product margin. As compared to FYE 2020, the average selling price of starch and soybeans increased by 2.4% and 8.5% respectively. The supply shortage of starch has caused the selling price of starch to increase. For soybeans, the surge in selling price was in tandem with the increase in commodities price as a result of the increase in crude palm oil price as soybean oil is a replacement source for crude palm oil.

The increase in cost of goods sold, GP and GP margin by business activity is as analysed as follows:

- (i) increase in cost of goods sold for the sourcing and distribution of plant-based agricultural products segment by RM7.3 million or 9.6% to RM83.3 million (FYE 2020: RM76.0 million), which was lower than the 12.1% increase in our revenue for this segment, resulting in the increase in our GP from RM10.6 million to RM13.8 million, and the improvement in GP margin for this segment from 12.2% to 14.2%. The improvement in GP margin was mainly due to the better sales mix of starch and soybeans products which yield a better product margin as explained above; and
- (ii) increase in cost of goods sold for the production of food additives and fried shallots segment by RM1.2 million or 54.5% to RM3.4 million in FYE 2021 (FYE 2020: RM2.2 million), mainly due to the labour costs incurred for the production of food additives, a new segment for our Group in FYE 2021, which took time to increase its production capacity during its first year of operation. Correspondingly, the segment's GP margin decreased marginally from 9.6% in FYE 2020 to 9.4% in FYE 2021.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2021 and FYE 2022**

Our Group's total cost of goods sold increased by RM16.6 million or 19.1% to RM103.3 million in FYE 2022 (FYE 2021: RM86.7 million). The increase in cost of goods sold was in line with the increase in revenue by RM21.9 million or 21.7%. In addition, production of food additives and fried shallots recorded increment by several times, achieving additional RM7.5 million revenue mainly contributed by food additives segment which increased by RM6.8 million. As a result, our GP increased by RM5.2 million or 36.6% to RM19.4 million in FYE 2022 (FYE 2021: RM14.2 million). Meanwhile, our GP margin increased from 14.1% in FYE 2021 to 15.8% in FYE 2022 due to a better sales mix of starch, black matpe and glutinous rice flour products which yield a better product margin. As compared to FYE 2021, the average selling price of starch and black matpe increased by 1.0% and 8.8% respectively, whilst the average cost for glutinous rice flour reduced by 4.5%. The selling price for black matpe increased substantially due to supply shortage in market. The reduction in the average cost of glutinous rice flour was largely due to high crop harvest from our suppliers where we managed to sustain the selling price despite of cost reduction.

The increase in cost of goods sold, GP and GP margin by business activity is as analysed as follows:

- (i) increase in cost of goods sold for the sourcing and distribution of plant-based agricultural products segment by RM10.6 million or 12.7% to RM93.9 million in FYE 2022 (FYE 2021: RM83.3 million), which was slightly lower than the 14.8% increase in our revenue for this segment, and resulted in the GP increasing from RM13.8 million to RM17.6 million, and GP margin improving from 14.2% to 15.8%. The improvement in GP margin was mainly due to the better sales mix of starch, black matpe and glutinous rice flour products which yield a better product margin as explained above; and
- (ii) increase in cost of goods sold for the production of food additives and fried shallots segment by RM6.0 million or 176.5% to RM9.4 million in FYE 2022 (FYE 2021: RM3.4 million), mainly due to higher production of food additives which was in tandem with the growth of our revenue by RM6.8 million. With this growth, our GP increased from RM0.4 million to RM1.7 million, and we enjoyed economies of scale from the production of food additives, resulting in the segment's GP margin increasing from 9.4% in FYE 2021 to 15.6% in FYE 2022.

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## 12. FINANCIAL INFORMATION (Cont'd)

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### Comparison between FYE 2022 and FYE 2023

Our Group's total cost of goods sold increased by RM12.4 million or 12.0% to RM115.7 million in FYE 2023 (FYE 2022: RM103.3 million). The increase in cost of goods sold was mainly due to effect of unfavourable RM against USD as explained below. As a result, despite the increase in our Group's total revenue for FYE 2023, our GP reduced by RM0.1 million or 0.5% to RM19.3 million in FYE 2023 (FYE 2022: RM19.4 million). Meanwhile, our GP margin decreased from 15.8% in FYE 2022 to 14.3% in FYE 2023 as starch and glutinous rice flour products recorded a drop in product margin due to increase in average cost for starch and glutinous rice flour as a result of unfavourable RM against USD movements as explained below.

The increase in cost of goods sold which resulted in lower GP and GP margin by business activity is as analysed as follows:

- (i) increase in cost of goods sold for the sourcing and distribution of plant-based agricultural products segment by RM9.3 million or 9.9% to RM103.2 million in FYE 2023 (FYE 2022: RM93.9 million), which was slightly higher than the 7.4% increase in our revenue for this segment, had resulted in the GP reduction from RM17.6 million to RM16.7 million, and GP margin decreased from 15.8% to 13.9%. The decline in GP margin was mainly due to the effect of unfavourable RM against USD. In comparison, RM depreciated against USD by approximately 3.6% in FYE 2023 (average USD1 : RM4.57) compared to FYE 2022 (average USD1 : RM4.41) as our Group was unable to fully pass on the higher costs to our customers; and
- (ii) increase in cost of goods sold for the production of food additives and fried shallots segment by RM3.2 million or 34.0% to RM12.6 million in FYE 2023 (FYE 2022: RM9.4 million), mainly due to higher production of food additives which was in tandem with the growth of our revenue by RM4.0 million. With this growth, our GP increased from RM1.7 million to RM2.6 million and we enjoyed better economies of scale, resulting in the segment's GP margin increasing from 15.6% in FYE 2022 to 17.2% in FYE 2023. This improvement in margins is despite the food additives segment being affected by the unfavourable RM against USD movements.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Interest income**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Interest income	85	100.0	35	100.0	76	100.0	98	100.0

The changes in our interest income from FYE 2020 to 2023 were mainly due to the revisions of interest rates by Bank Negara Malaysia.

**(d) Other income**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Amortisation of deferred income	-	-	-	-	-	-	17	16.6
Bad debts recovered	-	-	-	-	1	0.6	-	-
Gain on disposal of property, plant and equipment	-	-	29	21.5	81	48.5	2	2.0
Gain on derecognition of right of use assets	-	-	-	-	-	-	2	2.0
Government grants under Wage Subsidy Programme	235	82.5	11	8.1	-	-	-	-
Realised gain on foreign exchange	7	2.4	-	-	24	14.4	-	-
Rental income	10	3.5	8	5.9	5	3.0	4	3.9
Insurance claim and compensation <sup>(1)</sup>	30	10.5	26	19.3	-	-	39	38.2
Solar income <sup>(2)</sup>	2	0.7	48	35.6	44	26.3	31	30.4
Others <sup>(3)</sup>	1	0.4	13	9.6	12	7.2	7	6.9
	<b>285</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>167</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>

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

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### Notes:

- (1) Represents insurance compensation received from damage of forklift due to a fire incident in FYE 2020 and inventories due to a marine cargo damage claim in FYE 2021 and 2023.
- (2) Being the solar photovoltaic energy sold to Tenaga Nasional Berhad from the excess electricity generated from our own solar photovoltaic system after offsetting the actual consumption of electricity.
- (3) Being the scrap sales and compensation of operation cost and labour charges by a supplier due to defects.

### Comparison between FYE 2020 and FYE 2021

Our other income decreased by RM0.2 million or 66.7% to RM0.1 million in FYE 2021 (FYE 2020: RM0.3 million). The decrease was mainly due to a one-off gain in government grants under Wage Subsidy Programme of RM0.2 million received in FYE 2020 due to the COVID-19 pandemic.

### Comparison between FYE 2021 and FYE 2022

Our other income increased by RM0.1 million or 100.0% to RM0.2 million in FYE 2022 (FYE 2021: RM0.1 million). The increase was mainly due to increase in gain on disposal of property, plant and equipment of RM0.1 million, in relation to 3 motor vehicles, 1 forklift and 1 lorry.

### Comparison between FYE 2022 and FYE 2023

Our other income decreased by RM0.1 million or 50.0% to RM0.1 million in FYE 2023 (FYE 2022: RM0.2 million). The decrease was mainly due to decrease in gain on disposal of property, plant and equipment of RM0.1 million, in relation to 1 machinery. However, such decrease was partially offset by a compensation of RM0.04 million paid by the shipping company on cargo damage of our soybeans products during shipment and government grant by SME Corporation Malaysia for productivity and automation project received through amortisation of deferred income of RM0.02 million.

**12. FINANCIAL INFORMATION (Cont'd)****(e) Administrative and general expenses**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Auditors' remuneration	18	0.5	37	0.8	57	1.1	35	0.6
Bank charges	58	1.6	71	1.5	83	1.6	90	1.6
Depreciation	287	8.1	340	7.1	372	7.0	380	6.9
Office expenses	52	1.5	54	1.1	58	1.1	81	1.5
Printing, stationery and postage	54	1.5	64	1.3	67	1.3	94	1.7
Professional fee	223	6.3	73	1.5	107	2.0	79	1.4
Realised loss on foreign exchange	-	-	1	<0.1	-	-	73	1.3
Rental expenses	25	0.7	45	0.9	49	0.9	88	1.6
Road tax and insurance	69	1.9	101	2.1	108	2.0	87	1.6
Staff related expenses	2,286	64.3	3,582	74.5	3,821	71.6	3,875	70.1
Subscription fee	32	0.9	44	0.9	61	1.1	50	0.9
Upkeep expenses	83	2.3	35	0.7	96	1.8	115	2.1
Utilities	187	5.3	152	3.2	169	3.2	190	3.4
Others <sup>(1)</sup>	181	5.1	212	4.4	285	5.3	294	5.3
	<b>3,555</b>	<b>100.0</b>	<b>4,811</b>	<b>100.0</b>	<b>5,333</b>	<b>100.0</b>	<b>5,531</b>	<b>100.0</b>

**Note:**

- <sup>(1)</sup> Comprising mainly certification fee, donation and gift, laboratory test expenses, license fee, guarantee fee, noise risk assessment fee, secretarial fee, security charges, small value assets, stamp duty and tools and equipment.

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

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### **Comparison between FYE 2020 and FYE 2021**

Our administrative and general expenses increased by RM1.2 million or 33.3% to RM4.8 million in FYE 2021 (FYE 2020: RM3.6 million), mainly attributable to:

- (i) increase in staff related expenses by RM1.3 million, mainly due to the addition of 4 management personnel in the R&D department and Sales & Marketing department for our food additives segment in FYE 2021 who joined us at the end of year 2020, and 2 additional management personnel in the Finance Department who joined in FYE 2021, as well as annual increment of the staff salaries; and
- (ii) increase in depreciation by RM0.1 million arising from the addition of solar photovoltaic energy system, 1 unit of lorry and 1 motor vehicle.

However, the increase was partially offset by decrease in the professional fee of RM0.2 million due to cessation of consultation fee charged by BBN Network Sdn Bhd, our previous shareholder, during FYE 2021 after our recruitment of an inhouse manager to oversee, amongst others, the internal control system and ISO standards of ACS.

### **Comparison between FYE 2021 and FYE 2022**

Our administrative and general expenses increased by RM0.5 million or 10.4% to RM5.3 million in FYE 2022 (FYE 2021: RM4.8 million), mainly attributable to:

- (i) increase in staff related expenses by RM0.2 million, mainly due to the annual increment of the staff salaries and recruitment of a senior personnel in our R&D department in line with the expansion of our food additives segment;
- (ii) increase in depreciation by RM0.1 million arising from the addition of 3 units of forklift, 2 units of lorry, 3 units of motor vehicles, and plant and machinery for expansion of our production line, and depreciation of the Bukit Minyak Premises which Phase 3 was completed in FYE 2022; and
- (iii) increase in upkeep expenses by RM0.1 million arising from the upkeep of property, plant and equipment such as furniture, fittings and equipment, plant and machinery and motor vehicles, in line with our expansion.

## 12. FINANCIAL INFORMATION (Cont'd)

### Comparison between FYE 2022 and FYE 2023

Our administrative and general expenses increased by RM0.2 million or 3.8% to RM5.5 million in FYE 2023 (FYE 2022: RM5.3 million), mainly attributable to:

- (i) increase in staff related expenses by RM0.1 million, mainly due to annual increment of the staff salaries and bonuses; and
- (ii) increase in realised loss on foreign exchange by RM0.1 million being mainly the unfavourable RM to USD exchange rate movements.

### (f) Impairment losses/(gains) on financial assets

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment losses/(gains) on financial assets	-	-	67	100.0	10	100.0	(2)	100.0

### (g) Loss on derecognition of financial assets measured at amortised cost

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Loss on derecognition of financial assets measured at amortised cost	51	100.0	7	100.0	27	100.0	-	-

The impairment losses/gains on financial assets and loss on derecognition of financial assets measured at amortised cost from FYE 2020 to 2023 were mainly in relation to trade receivables which were individually assessed every financial year.



**12. FINANCIAL INFORMATION (Cont'd)****(h) Selling and distribution expenses**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Advertisement and promotion	192	7.6	254	9.3	256	7.7	255	7.4
Commission	277	10.9	185	6.8	143	4.3	144	4.2
Entertainment	17	0.7	9	0.3	27	0.8	21	0.6
Insurance	24	0.9	26	0.9	34	1.0	36	1.0
Transportation fee	1,690	66.8	1,860	68.0	2,450	73.1	2,555	74.5
Travelling expenses	34	1.3	37	1.4	74	2.2	87	2.5
Petrol, toll and parking	164	6.5	229	8.4	225	6.7	227	6.6
Upkeep of vehicle	134	5.3	136	4.9	141	4.2	108	3.2
	<b>2,532</b>	<b>100.0</b>	<b>2,736</b>	<b>100.00</b>	<b>3,350</b>	<b>100.00</b>	<b>3,433</b>	<b>100.0</b>

**Comparison between FYE 2020 and FYE 2021**

Our selling and distribution expenses increased by RM0.2 million or 8.0% to RM2.7 million in FYE 2021 (FYE 2020: RM2.5 million), mainly attributable to:

- (i) increase in transportation fee by RM0.2 million mainly due to higher revenue recorded in FYE 2021 and increase in number of customers from 796 customers in FYE 2020 to 946 customers in FYE 2021; and
- (ii) increase in advertisement and promotion by RM0.1 million mainly due to appointment of a social media content creator for promotion of our products on social media and participation in branding and promotional activities to build up our brand recognition.

However, the increase was partially offset by the decrease in commission by RM0.01 million due to less commission paid to external agents as most of our sales for FYE 2021 were generated by our sales and marketing personnel.

**Comparison between FYE 2021 and FYE 2022**

Our selling and distribution expenses increased by RM0.7 million or 25.9% to RM3.4 million in FYE 2022 (FYE 2021: RM2.7 million), mainly attributable to the increase in transportation fee by RM0.6 million resulting from the increase in distribution activities of plant-based agricultural products in the central and southern regions of Malaysia, which was in tandem with the increase in our sales.

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

Our selling and distribution expenses increased by RM0.1 million or 3.0% to RM3.4 million in FYE 2023 (FYE 2022: RM3.3 million), mainly attributable to the increase in transportation fee by RM0.1 million resulting from the increase in distribution activities of plant-based agricultural products in the central and southern regions of Malaysia, which was in tandem with the increase in our sales.

**(i) Finance costs**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Bank overdrafts	86	10.2	34	3.7	17	1.4	6	0.4
Bankers' acceptance	509	60.5	529	57.3	824	69.9	1,034	71.7
Lease liabilities	20	2.4	32	3.5	39	3.3	44	3.0
Term loan	226	26.9	312	33.8	299	25.4	359	24.9
Trust receipt	-	-	16	1.7	-	-	-	-
	<b>841</b>	<b>100.0</b>	<b>923</b>	<b>100.0</b>	<b>1,179</b>	<b>100.0</b>	<b>1,443</b>	<b>100.0</b>

**Comparison between FYE 2020 and FYE 2021**

Finance costs increased by RM0.1 million or 12.5% to RM0.9 million in FYE 2021 (FYE 2020: RM0.8 million), which was mainly due to:

- (i) increase in bankers' acceptance interest as we utilised more trade facilities during the year to support our business growth in the sourcing and distribution of plant-based agricultural products segment; and
- (ii) increase in the use of bank credit facilities and new term loan for working capital purposes.

**Comparison between FYE 2021 and FYE 2022**

Finance costs increased by RM0.3 million or 33.3% to RM1.2 million in FYE 2022 (FYE 2021: RM0.9 million), largely in relation to the bankers' acceptance interest which increased by RM0.3 million as we utilised more trade facilities during the year in line with our business growth. However, such increase was partially offset by the decrease in bank overdrafts and term loan interest due to the repayment of these banking facilities.

**Comparison between FYE 2022 and FYE 2023**

Finance costs increased by RM0.2 million or 16.7% to RM1.4 million in FYE 2023 (FYE 2022: RM1.2 million), largely in relation to the bankers' acceptance interest which increased by RM0.2 million as we utilised more trade facilities during the year in line with our business growth.

**12. FINANCIAL INFORMATION (Cont'd)****(j) PBT and PAT margins**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
PBT (RM'000)	4,191	5,807	9,735	9,054
PBT margin (%)	4.7	5.8	7.9	6.7
PAT (RM'000)	2,991	4,282	7,117	6,782
PAT margin (%)	3.4	4.2	5.8	5.0

**Comparison between FYE 2020 and FYE 2021**

We recorded an increase in PBT of RM1.6 million or 38.1% to RM5.8 million in FYE 2021 (FYE 2020: RM4.2 million). Such increase was in line with the increase of revenue and GP due to higher demand from customers as well as the commencement of the production of food additives in FYE 2021. Our PBT margin increased from 4.7% in FYE 2020 to 5.8% in FYE 2021, mainly attributable to the increase in GP margin from 12.1% in FYE 2020 to 14.0% in FYE 2021 as a result of a better sales mix, as explained in Section 12.2.3(b) above.

Correspondingly, our PAT margin increased from 3.4% in FYE 2020 to 4.2% in FYE 2021, while our PAT increased by RM1.3 million or 43.3% to RM4.3 million in FYE 2021 (FYE 2020: RM3.0 million).

**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT of RM3.9 million or 67.2% to RM9.7 million in FYE 2022 (FYE 2021: RM5.8 million). Such increase was mainly due to the increase in our revenue and GP, which were driven by growth in demand for both sourcing and distribution of plant-based agricultural products and production of food additives and fried shallot segments in FYE 2022. These were offset by the increase in RM0.5 million in administrative and general expenses, RM0.7 million in selling and distribution expenses and RM0.3 million in finance costs as explained in Sections 12.2.3(h) and 12.2.3(i) above respectively. Our PBT margin increased from 5.8% in FYE 2021 to 7.9% in FYE 2022, mainly attributable to the increase in GP margin from 14.0% in FYE 2021 to 15.8% in FYE 2022 as a result of a better sales mix, as explained in Section 12.2.3(b) above.

Correspondingly, our PAT margin increased from 4.2% in FYE 2021 to 5.8% in FYE 2022, while our PAT increased by RM2.8 million or 67.4% to RM7.2 million in FYE 2022 (FYE 2021: RM4.3 million).

**Comparison between FYE 2022 and FYE 2023**

We recorded a decrease in PBT of RM0.6 million or 6.2% to RM9.1 million in FYE 2023 (FYE 2022: RM9.7 million). Despite our Group's total revenue having increased by 10.0%, such increase was affected by the lower GP margins due to higher cost of goods sold which was mainly an effect of unfavourable RM against USD as explained in Section 12.2.3(b).

Correspondingly, our PAT margin decreased from 5.8% in FYE 2022 to 5.0% in FYE 2023, while our PAT decreased by RM0.4 million or 5.5% to RM6.8 million in FYE 2023 (FYE 2022: RM7.2 million).

**12. FINANCIAL INFORMATION (Cont'd)****(k) Tax expense**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Tax expense (RM'000)	1,200	1,525	2,618	2,272
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%) <sup>(1)</sup>	27.9	26.2	26.2	25.1

**Note:**

(1) Calculated based on tax expense over PBT for each financial year.

Our effective tax rate for FYE 2020 to 2023 were higher than the statutory tax rate of 24.0% mainly due to certain non-deductible expenses for income tax purpose and depreciation for non-qualifying assets such as leasehold land and building.

**12.2.4 Review of cash flows**

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	861	4,184	3,467	2,306
Net cash used in investing activities	(686)	(1,661)	(2,362)	(1,336)
Net cash (used in)/ from financing activities	(1,453)	3,638	1,389	(1,715)
Net (decrease)/ increase in cash and cash equivalents	(1,278)	6,161	2,494	(745)
Cash and cash equivalents at the beginning of financial year	732	(546)	5,615	8,109
<b>Cash and cash equivalents at end of financial year</b>	<b>(546)</b>	<b>5,615</b>	<b>8,109</b>	<b>7,364</b>
<b>Cash and cash equivalents at the end of the financial year comprise:</b>				
Cash and cash equivalents	4,515	9,474	12,068	11,510
Less: Bank overdrafts	(1,405)	(21)	-	-
Less: Term deposits pledged as security	(3,656)	(3,838)	(3,959)	(4,146)
	<b>(546)</b>	<b>5,615</b>	<b>8,109</b>	<b>7,364</b>

**FYE 2020****Net cash for operating activities**

For FYE 2020, we recorded net cash from operating activities of RM0.9 million. Operating profit before changes in working capital changes of RM5.8 million was adjusted for negative changes in working capital of RM4.5 million comprising mainly the following:

- (a) increase in inventories of RM5.7 million, mainly due to higher purchase of materials towards end of the year which was in line with our revenue growth;
- (b) decrease in receivables of RM1.9 million, mainly due to better collection from customers; and

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

- (c) increase in prepayments of RM0.6 million, mainly due to higher advanced payments to suppliers for purchase of materials without credit terms. Such purchases are termed as "Payment Against Documents", where suppliers will only release the original cargo title documents once they received payments from us so that we may thereafter receive the materials purchased from these suppliers. Advanced payment under "Payment Against Documents" terms is common for international commodities, unless there is a credit term granted by the supplier.

**Net cash for investing activities**

For FYE 2020, we recorded a net cash outflow of RM0.7 million from our investing activities mainly due to the purchase of 1 unit of packing machine, 3 units of forklifts, 1 unit of moisture analyser, 1 unit of motor vehicle for sales personnel, 59 units of steel pallets and 1 container cabin for warehouse amounting to RM0.8 million. However, the decrease was offset with the interest income of RM0.1 million which was received from fixed deposits with licensed banks.

**Net cash for financing activities**

For FYE 2020, we recorded a net cash outflow of RM1.5 million from our financing activities, mainly due to the following:

- (a) dividend paid of RM0.3 million in respect of FYE 2020;
- (b) additional fixed deposits pledged as security of RM0.7 million;
- (c) interest paid of RM0.8 million mainly for bank overdrafts, bankers' acceptances, hire purchase and term loans;
- (d) repayment of lease liabilities pursuant to the hire purchase facilities of RM0.2 million for motor vehicles and plant and machinery;
- (e) repayment of short-term borrowings of RM0.4 million; and
- (f) net drawdown of term loans of RM0.9 million to finance our working capital requirements.

**FYE 2021****Net cash for operating activities**

For FYE 2021, we recorded net cash from operating activities of RM4.2 million. Operating profit before changes in working capital changes of RM7.6 million was adjusted for negative changes in working capital of RM1.7 million which mainly comprised the following:

- (a) increase in inventories of RM0.4 million, mainly due to higher purchase of materials towards end of the year, in line with our revenue growth;
- (b) increase in receivables of RM4.1 million, which is in line with our revenue growth;
- (c) decrease in prepayments of RM0.1 million, mainly due to less advanced payments to suppliers for purchase of materials; and
- (d) increase in payables of RM2.7 million, mainly due to longer credit term granted to us by supplier for RM2.1 million.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for investing activities**

For FYE 2021, we recorded net cash used in investing activities of RM1.7 million mainly due to the construction of Phase 3 of our Bukit Minyak Premises of RM1.4 million and purchase of other plant and machinery, furniture, fittings and equipment and motor vehicles amounting to RM0.2 million for business expansion.

**Net cash for financing activities**

For FYE 2021, we recorded net cash from financing activities of RM3.6 million mainly due to the following:

- (a) dividend paid of RM1.1 million in respect of FYE 2020 and FYE 2021;
- (b) net drawdown of term loans of RM0.6 million and short-term borrowings of RM5.5 million for our working capital requirements;
- (c) repayment of lease liabilities, being hire purchase facilities of RM0.2 million for motor vehicles and plant and machinery;
- (d) interest paid of RM0.9 million in relation to bank overdrafts, bankers' acceptances, hire purchase and term loans; and
- (e) additional fixed deposits pledged as security of RM0.2 million for trade facilities secured.

**FYE 2022****Net cash for operating activities**

For FYE 2022, we recorded net cash from operating activities of RM3.5 million. Operating profit before changes in working capital changes of RM11.9 million was adjusted for negative changes in working capital of RM6.2 million which mainly comprised the following:

- (a) increase in inventories of RM10.7 million, mainly due to higher purchase of materials towards end of the year, in line with our revenue growth;
- (b) increase in receivables of RM1.4 million, which is in line with our revenue growth;
- (c) decrease in prepayments of RM0.3 million, mainly due to less advanced payments to suppliers for purchase of materials; and
- (d) increase in payables of RM5.6 million, mainly due to increase in purchases of materials towards end of the year, in line with our revenue growth.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for investing activities**

For FYE 2022, we recorded net cash used in investing activities of RM2.4 million mainly due to the following:

- (a) construction of Phase 3 of our Bukit Minyak Premises of RM0.9 million;
- (b) purchase of other plant and machinery, furniture, fittings and equipment and motor vehicles amounting to RM1.8 million of which RM1.3 million was for business expansion of our food additives segment; and
- (c) acquisition of right-of-use assets of RM0.2 million for purchase of motor vehicles and machinery through hire purchase facilities.

However, it was partially offset with the interest income of RM0.1 million received from fixed deposits with licensed banks and proceeds from the disposal of motor vehicles of RM0.4 million.

**Net cash for financing activities**

For FYE 2022, net cash from financing activities of RM1.4 million were mainly due to the following:

- (a) proceeds of RM4.3 million received from the issuance of shares, being a capital injection from our shareholders;
- (b) drawdown of term loans of RM2.3 million for the construction of Phase 3 of our Bukit Minyak Premises;
- (c) additional fixed deposits pledged as security of RM0.1 million for trade facilities secured;
- (d) dividend paid of RM0.5 million in respect of FYE 2021;
- (e) interest paid of RM1.2 million in relation to bank overdrafts, bankers' acceptances, hire purchase facilities and term loans;
- (f) net repayment of short-term borrowings of RM1.4 million;
- (g) repayment of lease liabilities of RM0.4 million, being hire purchase facilities for motor vehicles and plant and machinery; and
- (h) net repayment of term loans of RM1.6 million for our working capital requirements.

**FYE 2023****Net cash for operating activities**

For FYE 2023, we recorded net cash generated from operating activities of RM2.3 million. Operating profit before working capital changes of RM11.8 million was adjusted for the negative changes in working capital of RM6.9 million which mainly comprised the following:

- (a) decrease in inventories of RM3.3 million, mainly due to less purchases of materials during end of the year, specifically for the beans and pulses segment due to the lower demand from customers;

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

- (b) increase in receivables of RM3.0 million, which was in line with revenue growth;
- (c) increase in prepayments of RM1.7 million, mainly due to payment for listing expenses; and
- (d) high payout for settlement of payables of RM5.5 million, mainly in relation to purchases of materials for beans and pulses segment during the harvest season in the fourth quarter of FYE 2022, as well as other trade purchases in FYE 2022.

**Net cash for investing activities**

For FYE 2023, we recorded net cash used in investing activities of RM1.3 million mainly attributable to the purchase of plant and machinery, motor vehicle, furniture & fittings and equipment amounting to RM1.6 million of which:

- (a) purchase of analytical instrument for our R&D activities of RM0.3 million and food additives production machinery of RM0.4 million, for business expansion of our food additives segments;
- (b) purchase of motor vehicle of RM0.2 million including purchase of forklift of RM0.1 million;
- (c) purchase of plant and machinery for Bukit Minyak Premises and Simpang Empat Factory of RM0.6 million; and
- (d) purchase of furniture, fittings and equipment of RM0.1 million.

However, the above net cash generated was partially offset with the interest income of RM0.1 million received from fixed deposits with licensed banks and government grant by SME Corporation Malaysia of RM0.2 million for productivity and automation project.

**Net cash for financing activities**

For FYE 2023, we recorded net cash from financing activities of RM1.7 million mainly attributable to:

- (a) drawdown of term loans of RM1.8 million for the construction of Phase 3 of our Bukit Minyak Premises of RM0.5 million and the corresponding purchase of plant and machinery of RM1.3 million, coupled with net drawdown of RM0.7 million in trade facilities to finance purchase of materials;
- (b) interest payment of RM1.4 million in relation to bank overdrafts, bankers' acceptances, hire purchase facilities and term loans;
- (c) payment of dividend of RM1.4 million in respect of FYE 2022;
- (d) repayment of lease liabilities of RM0.4 million for the hire purchase facilities and leasing of motor vehicles, plant and machinery and factory, coupled with repayment of term loans of RM0.7 million; and
- (e) additional fixed deposit of RM0.2 million pledged as bank security for trade facilities.



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

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**12.3 LIQUIDITY AND CAPITAL RESOURCES****12.3.1 Working capital**

We finance our operations with cash generated from operations, supplier's credit, various credit facilities extended by financial institutions as well as existing cash and bank balances. Our credit facilities from financial institutions comprise bankers' acceptance, term loans, bank overdrafts and finance lease liabilities.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

- (a) our cash and cash equivalents of approximately RM3.0 million as at LPD;
- (b) our expected future cash flows from operations after servicing of bank borrowings;
- (c) our total banking facilities limit as at LPD of RM34.9 million (excluding hire purchase facilities and term loans used for capital expenditure and lease liabilities for rental of building), of which RM23.6 million have been utilised; and
- (d) our pro forma gearing level of 0.5 times, based on our pro forma statements of financial position as at 31 December 2023 after the Acquisition, Public Issue and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance and accounting team work closely with our sales and marketing team for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.4 BORROWINGS AND INDEBTEDNESS

As at 31 December 2023, our Group's total outstanding borrowings and indebtedness stood at RM26.2 million (excluding lease liabilities of rental of building of approximately RM0.3 million), details of which are set out below:

	<u>Purpose</u>	<u>Tenure of facility</u>	<u>Security</u>	<u>Effective interest rate</u> %	<u>As at 31 December 2023</u> RM'000
<b>Current</b>					
Banker acceptances	To finance purchases of goods related to business from local and overseas suppliers	90 to 120 days	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"); (iii) Legal charge over Bukit Minyak Premises; and (iv) Memorandum of charge over fixed deposit.	4.0 - 5.0	18,037
Term loans	To part finance the purchase of a solar photovoltaic system construction of factory, cold room and electrical installation with fire protection system at Bukit Minyak Premises and purchase of new/used machinery/equipment together with accessories, working capital requirements	5 to 15 years	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by SJPP; (iii) Legal charge over Bukit Minyak Premises; (iv) Specific debenture over all machinery/equipment to be financed; and (v) Corporate guarantee by ACS.	3.5 - 7.0	832
Hire purchases	Finance the purchase of motor vehicles and machinery	3 to 5 years	Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong	4.0 - 8.5	130
					<b>18,999</b>

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

	<b>Purpose</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective interest rate %</b>	<b>As at 31 December 2023 RM'000</b>
<b>Non-current</b>					
Term loans	To part finance the purchase of a solar photovoltaic system construction of factory, cold room and electrical installation with fire protection system at Bukit Minyak Premises and purchase of new/used machinery/equipment together with accessories, working capital requirements	5 to 15 years	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by SJPP; (iii) Legal charge over Bukit Minyak Premises; (iv) Specific debenture over all machinery/equipment to be financed; and (v) Corporate guarantee by ACS.	3.5 - 7.0	7,055
Hire purchases	Finance the purchase of motor vehicles and machinery	3 to 5 years	Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong	4.0 - 8.5	187
					<b>7,242</b>
<b>Total borrowings</b>					<b>26,241</b>
<b>Gearing (times)</b>					
After Acquisition but before Public Issue and utilisation of proceeds <sup>(1)</sup>					1.1
After Public Issue and utilisation of proceeds <sup>(2)</sup>					0.6

**Notes:**

- (1) Computed based on our pro forma total equity of RM23.4 million after the Acquisition but before Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma total equity of RM45.5 million after Public Issue and utilisation of proceeds.

## 12. FINANCIAL INFORMATION (Cont'd)

The maturity profile of our total outstanding borrowings and indebtedness (excluding lease liabilities for rental of building) as at 31 December 2023 is as follows:

	<b>RM'000</b>
Within 1 year	18,999
1 to 5 years	2,847
More than 5 years	4,395
<b>Total</b>	<b>26,241</b>

Separately, we have also recognised the following lease liabilities:

	<b>Purpose</b>	<b>Tenure</b>	<b>As at 31 December 2023 RM'000</b>
Lease liabilities payable within 1 year	Rental of factory	(Initial lease of 2 to 3 years with option to renew for another 2 years)	105
Lease liabilities payable after 1 year	Rental of factory	(Initial lease of 2 to 3 years with option to renew for another 2 years)	232
			<b>337</b>

As at LPD, all of our borrowings are interest bearing and denominated in RM.

We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2020 to 2023 and up to LPD.

As at LPD, our Group is not in breach of any terms, conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During FYE 2020 to 2023, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

In conjunction with our Listing, we have applied to the Financiers to obtain a conditional consent for the release and/or discharge of the personal guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Promoter, substantial shareholder and Managing Director, Oon Boon Khong will continue to guarantee the banking and hire purchase facilities extended to our Group.

**12. FINANCIAL INFORMATION (Cont'd)****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4, we do not utilise any other financial instruments. We receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD from our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Our Group's lease liabilities and part of the loan and borrowings which carry fixed interest rates, while some of other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, save for the planned capital expenditures as disclosed in Section 4.9 which has been approved but not contracted for, we do not have any other material capital commitments.

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****(a) Material litigation**

As at LPD, 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 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.

**(b) Contingent liabilities**

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our Group's business, financial results and financial position.

**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2020 to 2023 are as follows:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Trade receivables turnover (days) <sup>(1)</sup>	42	43	43	45
Trade payables turnover (days) <sup>(2)</sup>	51	44	40	45
Inventory turnover (days) <sup>(3)</sup>	35	32	35	40
Current ratio (times) <sup>(4)</sup>	1.0	1.2	1.5	1.7
Gearing ratio (times) <sup>(5)</sup>	3.0	1.9	1.0	0.9

**Notes:**

- (1) Computed based on average trade receivables as at financial year-end over revenue for the respective financial years, multiplied by 365 days for each financial year.
- (2) Computed based on average trade payables as at financial year-end over total purchases for the respective financial years multiplied by 365 days for each financial year.

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

- (3) Computed based on average inventories as at financial year-end over cost of goods sold (excluding goods-in-transit as stated in Section 12.8.3) for the respective financial years, multiplied by 365 days for each financial year.
- (4) Computed based on current assets over current liabilities as at the end of the respective financial years.
- (5) Computed based on interest-bearing borrowings and lease liabilities (excluding rental of building) over total equity as at the end of the respective financial years.

**12.8.1 Trade receivables turnover**

The normal credit terms granted by our Group to our customers range from 7 to 120 days from the date of invoice. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount owing. We use ageing analysis to monitor the credit quality of our trade receivables.

Our trade receivable turnover days for FYE 2020 to 2023 were within our credit terms granted to our customers and remained relatively consistent at around 42 to 45 days.

The ageing analysis of our trade receivables as at 31 December 2023 is as follows:

	Trade receivables as at 31 December 2023		Collection from 1 January 2024 up to LPD	Balance as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	12,565	69.4	12,565	-
Past due but not impaired:				
- less than 30 days	4,751	26.2	4,751	-
- 31 to 60 days	629	3.5	524	105
- 61 to 90 days	30	0.2	30	-
- over 90 days	136	0.7	5	131
	5,546	30.6	5,310	236
<b>Total</b>	<b>18,111</b>	<b>100.0</b>	<b>17,875</b>	<b>236</b>

As at LPD, we have collected 98.7% of our total outstanding trade receivables as at 31 December 2023. The outstanding past due receivable of RM0.2 million are on instalment payment arrangement by certain customers.

Our Group has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and ongoing basis. Credit evaluations are performed on all customers requiring credit. We use suppliers' reference and external information services to evaluate our customers' credit standing and financial health. Based on these evaluations, approvals are sought from designated authorised management personnel, depending on the credit limit. For existing customers, we also review their payment record and current credit standing with us before accepting any new orders, where we will evaluate the projects that are being undertaken as well as any peculiar circumstances that affects these customers, such as restrictions by pandemic, if any.

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

All our outstanding debts are closely monitored by our management personnel and reported to authorised management personnel on a periodic basis. We also conduct periodic credit control meetings with our sales team to monitor collections and recoverability of our debts.

**12.8.2 Trade payables turnover**

The normal credit terms granted to us by our suppliers range from 30 to 60 days from the date of invoice. Our trade payables turnover days for FYE 2020 to 2023 were within the normal credit period granted by our suppliers and within the range of 30 to 60 days. As we have been in continuous communication with our suppliers and have not defaulted in payment throughout our relationship with them, our suppliers provide us higher credit limits for their purchases and did not stop supplying us with our inventories.

In FYE 2021, our trade payables turnover days decreased from 51 days in FYE 2020 to 44 days in FYE 2021 mainly due to speedier repayment to suppliers especially for the purchase of plant-based agricultural products.

In FYE 2022, our trade payables turnover days decreased from 44 days in FYE 2021 to 40 days in FYE 2022, mainly due to certain purchases, for which advanced payments were made to the suppliers in FYE 2021, and the remaining being paid in full in FYE 2022.

In FYE 2023, our trade payables turnover days increased from 40 days to 45 days in FYE 2023, mainly due to higher purchase of materials for our food additives segment in line with our revenue growth.

The ageing analysis of our trade payables as at 31 December 2023 is as follows:

	<b>Trade payables as at 31 December 2023</b>		<b>Payment from 1 January 2024 up to LPD</b>	<b>Balance as at LPD</b>
	<b>RM'000</b>	<b>Percentage of trade payables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000 (c) = (a)- (b)</b>
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(b)</b>
Within credit period	9,409	84.9	9,409	-
Exceeding credit period:				
- 1 to 30 days	1,034	9.3	1,034	-
- 31 to 60 days	635	5.8	635	-
- More than 90 days	-	-	-	-
	1,669	15.1	1,669	-
<b>Total</b>	<b>11,078</b>	<b>100.0</b>	<b>11,078</b>	<b>-</b>

As at LPD, we have fully settled all of our outstanding trade payables as at 31 December 2023. As at LPD, there are no outstanding disputes in respect of our trade payables and there is no legal action initiated by our suppliers to demand for payment from us.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.8.3 Inventory turnover

Our Group's inventories mainly comprise materials, work-in-progress and finished goods. Our plant-based agricultural products including those in transits accounted for 99.5%, 96.6%, 94.7% and 85.1% of our total inventories for FYE 2020 to 2023 respectively.

The breakdown of our inventories by product segments for FYE 2020 to 2023 are as follows:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Raw materials	23	188	929	1,661
Work-in-progress	38	3	23	30
Finished goods	13	69	213	773
Plant-based agricultural products	7,894	7,002	11,425	10,117
	<b>7,968</b>	<b>7,262</b>	<b>12,590</b>	<b>12,581</b>
Goods-in-transit	6,988	8,118	13,457	10,120
	<b>14,956</b>	<b>15,380</b>	<b>26,047</b>	<b>22,701</b>
Inventories turnover period (days)	35	32	35	40

Our inventories have a lifespan ranging from 6 months up to 24 months depending on the type of products and storage condition, which can be prolonged up to 24 months if stored under cold room condition.

Our inventory turnover days has been relatively consistent at 32 to 40 days for FYE 2020 to 2023.

We review our slow moving/obsolete inventories of more than 12 months by adopting a specific identification approach which requires our management to consider the frequency of demand of our inventories and ensure that there is no over-stocking or over-production. As our management judgement and estimates are required, possible changes in these estimates could result in impairment to the inventories.

As at 31 December 2023, the inventory ageing analysis is as follows:

	<b>1-30</b>	<b>31-60</b>	<b>61-90</b>	<b>More than 90 days but less than 1 year</b>	<b>More than 1 year<sup>(1)</sup></b>	<b>Total</b>
	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Raw materials	1,183	373	267	645	101	2,569
Work-in-progress	30	-	-	-	-	30
Finished goods	612	37	38	86	-	773
Plant-based agricultural products	13,337	2,023	544	3,368	57	19,329
	<b>15,162</b>	<b>2,433</b>	<b>849</b>	<b>4,099</b>	<b>158</b>	<b>22,701</b>

**Note:**

- (1) Consists of raw materials which have long lifespan such as monosodium phosphate, packaging materials and plant-based agricultural products such as soybeans. There was no impairment made as the said raw materials have long lifespan. As at LPD, these inventories have been reduced from RM0.2 million to RM0.1 million.



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

Based on the above, 66.8% of our inventories fall within 1 to 30 days. We are of the opinion that there is no material slow moving or obsolete inventories, premised on the following:

- (a) our plant-based agricultural products, work-in-progress and finished goods comprising fried shallots and food additives were purchased according to anticipated market demand or produced according to purchase orders; and
- (b) there were no instances of damage to our inventories.

The Board confirms that there are no obsolete inventories as at LPD. The slow moving inventories currently held by our Group mainly consists of pyrophosphate and packaging materials that are still useable and sellable as at LPD.

**12.8.4 Current ratio**

Our current ratio throughout FYE 2020 to 2023 is as follows:

	<b>As at 31 December</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>
Current assets	30,095	39,340	53,672	54,460
Current liabilities	29,737	33,420	36,787	31,594
<b>Net current assets</b>	<b>358</b>	<b>5,920</b>	<b>16,885</b>	<b>22,866</b>
Current ratio (times)	1.0	1.2	1.5	1.7

Our current ratios range between 1.0 time to 1.7 times for FYE 2020 to 2023. This indicates that our Group is capable of meeting short-term obligations as our current assets, such as trade receivables and inventories, which can be readily converted to cash, together with our cash and cash equivalents, are enough to meet our current liabilities.

The increase in current ratio for FYE 2020 to 2023 was mainly due to:

- (a) increase in trade receivables which was in tandem with higher sales towards the end of the year;
- (b) increase in inventories to maintain sufficient stock to support the demand of our products; and
- (c) increase in cash and cash equivalents, mainly generated from our operating activities and financing activities.

**12.8.5 Gearing ratio**

Our gearing ratio throughout FYE 2020 to 2023 is as follows:

	<b>As at 31 December</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>
Total borrowings <sup>(1)</sup>	20,448	25,336	24,794	26,241
Total equity	6,707	13,359	24,776	30,135
Gearing ratio (times)	3.0	1.9	1.0	0.9

**Note:**

- <sup>(1)</sup> Based on total interest bearing borrowings and lease liabilities (excluding rental of building) as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023.

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

Our gearing ratio decreased from 3.0 times in FYE 2020 to 1.9 times in FYE 2021, mainly due to increase in total equity as a result of additional capitalisation by RM3.2 million from the issuance of 3.2 million new shares at RM1.00 each and our profits generated in FYE 2021. However, the decrease was partially offset with an increase in loans and borrowings for working capital purposes.

We recorded a lower gearing ratio of 1.0 time in FYE 2022, mainly due to increase in total equity as a result of further RM4.3 million capital raised from the issuance of 4.3 million new shares at RM1.00 each, as well as our profits generated in FYE 2022.

In FYE 2023, despite higher borrowings, our gearing ratio stood at 0.9 times mainly due to our profits generated and retained in FYE 2023, after accounting for the dividend payout of RM1.4 million in respect of FYE 2022.

**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

Save for policies in relation to COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2020 to 2023. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9.

**12.10 IMPACT OF INFLATION**

During FYE 2020 to 2023, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

**12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS****(a) Impact of foreign exchange rates**

We have minimal exposure to foreign currency in terms of our sales as 97.4%, 98.6%, 98.5% and 98.5% of our total revenue were denominated in RM for FYE 2020 to 2023 respectively.

However, our purchases denominated in USD made up 61.2%, 74.5%, 82.0% and 88.1% of our total purchases for FYE 2020 to 2023 respectively. As such, any significant change in foreign exchange rates may affect our financial performance if we are unable to pass on the higher costs to our customers.

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

Our Group's gain or loss from foreign exchange fluctuations for FYE 2020 to 2023 are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gain in foreign exchange	7	-	25	472
Loss in foreign exchange	-	(1)	-	(545)
Net gain/(loss)	<u>7</u>	<u>(1)</u>	<u>25</u>	<u>(73)</u>

Based on the table above, save for FYE 2023, our Group has not been materially impacted by the foreign exchange fluctuations. For FYE 2023, our Group was not able to fully pass on the increase in costs arising from foreign currency fluctuations to our customers. Nevertheless, such event did not materially impact our financial performance in overall as our Group recorded profits for FYE 2023.

**(b) Impact of interest rates**

Our exposure to changes in interest rate risk relates primarily to our loans and borrowings.

A sensitivity analysis performed on our Group based on the outstanding floating rate of our loans and borrowings as at 31 December 2023 indicates that our PBT for FYE 2023 would increase or decrease by approximately RM0.01 million, as a result of increase or decrease in interest rates by 10 basis points on these borrowings.

Our financial results for FYE 2020 to 2023 were not materially affected by fluctuations in interest rates.

**(c) Impact of commodity prices**

Our products' material mainly consists of plant based agricultural products and fresh onions. Our financial performance was not materially affected by fluctuations in commodity prices for FYE 2020 to 2023. Any adverse changes in such commodity prices will raise our cost of goods sold and may have adverse effect on us. However, any such price increase will affect the entire food industry. We will generally pass on such price increase to our customers, wherever possible, to minimise the impact on our financial performance.

**12.12 ORDER BOOK**

There is no order book as our sales are mainly based on purchase orders received from customers with specifications and quantity required on an on-going basis.

**12.13 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) our revenue will remain sustainable with an upward growth trend, in line with positive outlook of the food ingredients industry as set out in the IMR Report in Section 8;
- (b) our liquidity will improve subsequent to the Public Issue, given the additional funds to be raised for our Group to carry out our future plans business strategies as stated in Section 7.17; and
- (c) our capital resources will strengthen, considering the proceeds to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

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

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In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

**12.14 TREND INFORMATION**

As at LPD, after all reasonable enquiries, our Board confirms that our operations 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 expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 7.12, 12.9, 12.10 and 12.11;
- (b) material commitments for capital expenditure as disclosed in Section 12.6;
- (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 as discussed in Sections 7.12 and 9;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2 and 12.11; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.11.

Based on the above, our Board is optimistic about the future prospects of our Group given the long term positive outlook of the food ingredients industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.16 and our Group's intention to implement the business strategies as set out in Section 7.17.

**12.15 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

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

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During FYE 2020 to 2023 and up to LPD, we declared the following dividends:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>1 January 2024 up to LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend declared	999	880	-	1,423	-

There were no further dividends declared and/or paid up to LPD. Further to the above, we do not intend to declare and pay any dividends from LPD up to our Listing.

Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to approval of our shareholders at our AGM.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

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

- (a) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- (b) our operating cash flow requirements and financing commitments;
- (c) our expected financial performance including return on equity and retained earnings;
- (d) any restrictive covenants contained in our current and future financing arrangements;
- (e) the availability of adequate reserves and cash flows; and
- (f) any material impact of tax laws and regulatory requirements.

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**12. FINANCIAL INFORMATION (Cont'd)****12.16 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (a) Based on latest unaudited combined financial information of our Group as at 31 March 2024; and
- (b) After adjusting for the effects of the Public Issue and utilisation of proceeds.

	<b>Unaudited</b>	<b>I</b>	<b>II</b>
	<b>As at</b>	<b>After Public</b>	<b>After I and use of</b>
	<b>31 March 2024</b>	<b>Issue</b>	<b>proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>			
Share capital	23,358	49,215	48,467
<b>Total capitalisation</b>	<b>23,358</b>	<b>49,215</b>	<b>48,467</b>
<b>Indebtedness</b>			
<b><u>Current</u></b>			
<i>Secured</i>			
Term loans	841	841	841
Bankers' acceptances	22,607	22,607	22,607
Lease liabilities	132	132	132
<i>Unsecured</i>			
Bankers' acceptances	1,368	1,368	1,368
<b><u>Non-current</u></b>			
<i>Secured</i>			
Term loans	6,842	6,842	6,842
Lease liabilities	153	153	153
<b>Total indebtedness:</b>	<b>31,943</b>	<b>31,943</b>	<b>31,943</b>
<b>Total capitalisation and indebtedness</b>	<b>55,301</b>	<b>81,158</b>	<b>80,410</b>
Debt-to-capital ratio (times) <sup>(1)</sup>	1.4	0.6	0.7

**Note:**

- (1) Calculated based on total indebtedness divided by total capitalisation.

## 13. ACCOUNTANTS' REPORT



**Crowe Malaysia PLT**  
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The Board of Directors  
**Agricore CS Holdings Berhad**  
57-G, Persiaran Bayan Indah,  
Bayan Bay, Sungai Nibong  
11900, Bayan Lepas  
Pulau Pinang, Malaysia

Dear Sirs,

### **REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF AGRICORE CS HOLDINGS BERHAD ("AGRICORE CS HOLDINGS" OR THE "COMPANY")**

#### **Opinion**

We have audited the financial information of Agricore CS Holdings and its subsidiaries ("the Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and notes to the combined financial statements, including a summary of material accounting policy information, as set out on pages 4 to 40.

This historical financial information has been prepared for inclusion in the prospectus of Agricore CS Holdings in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Guidelines") and is given for the purpose of complying with the Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and of their financial performance and their cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

#### **Basis for Opinion**

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

**13. ACCOUNTANTS' REPORT (Cont'd)***Independence and Other Ethical Responsibilities*

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

**Responsibilities of the Directors for the Financial Statements**

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

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

**Reporting Accountants' Responsibilities for the Audit of Financial Information**

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 financial information.

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

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



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



#### Reporting Accountants' Responsibilities for the Audit of Financial Information (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group 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 financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

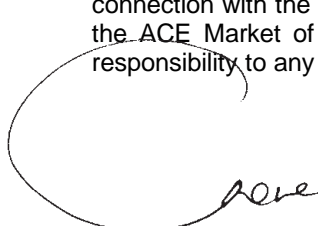
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

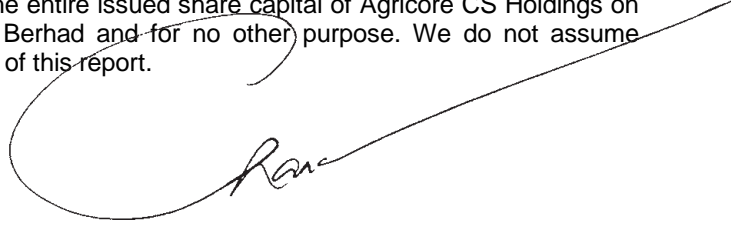
#### Other Matters

The significant events during and subsequent to the end of the financial year ended 31 December 2023 have been disclosed in Note 30 to the combined financial statements.

#### Restriction on Distribution and Use

This report is made solely to the Group for inclusion in the Prospectus of Agricore CS Holdings in connection with the listing of and quotation for the entire issued share capital of Agricore CS Holdings on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

  
**Eddy Chan Wai Hun**  
 02182/10/2025 J  
 Chartered Accountant

Date: 02 MAY 2024

Penang

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****COMBINED STATEMENTS OF FINANCIAL POSITION**

		31 December 2020	31 December 2021	31 December 2022	31 December 2023
	Note	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>					
Property, plant and equipment	5	9,100	10,128	11,899	12,844
Right-of-use assets	6	2,554	2,646	3,292	2,616
		<u>11,654</u>	<u>12,774</u>	<u>15,191</u>	<u>15,460</u>
<b>Current assets</b>					
Inventories	7	14,956	15,380	26,047	22,701
Receivables	8	9,908	13,906	15,245	18,221
Prepayments		716	579	312	2,028
Current tax assets		-	1	-	-
Cash and cash equivalents	9	4,515	9,474	12,068	11,510
		<u>30,095</u>	<u>39,340</u>	<u>53,672</u>	<u>54,460</u>
<b>Current liabilities</b>					
Payables	10	13,547	12,507	17,547	12,081
Loans and borrowings	11	15,221	20,129	18,076	18,869
Lease liabilities	12	152	220	338	235
Contract liabilities	13	-	-	28	-
Current tax liabilities		817	564	798	409
		<u>29,737</u>	<u>33,420</u>	<u>36,787</u>	<u>31,594</u>
<b>Net current assets</b>		358	5,920	16,885	22,866
<b>Non-current liabilities</b>					
Loans and borrowings	11	4,944	4,739	6,092	7,055
Lease liabilities	12	141	327	770	420
Deferred tax liabilities	14	220	269	438	510
Deferred income on government grants	15	-	-	-	206
		<u>5,305</u>	<u>5,335</u>	<u>7,300</u>	<u>8,191</u>
<b>Net assets</b>		<u>6,707</u>	<u>13,359</u>	<u>24,776</u>	<u>30,135</u>
<b>Equity</b>					
Invested capital	16	2,450	5,700	10,000	10,000
Retained profits		4,257	7,659	14,776	20,135
<b>Total equity</b>		<u>6,707</u>	<u>13,359</u>	<u>24,776</u>	<u>30,135</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Year ended 31 December 2020 RM'000	Year ended 31 December 2021 RM'000	Year ended 31 December 2022 RM'000	Year ended 31 December 2023 RM'000
Revenue	17	88,995	100,832	122,685	134,992
Cost of goods sold		(78,195)	(86,651)	(103,294)	(115,733)
Gross profit		10,800	14,181	19,391	19,259
Other income		370	170	243	200
Administrative and general expenses		(3,555)	(4,811)	(5,333)	(5,531)
Selling and distribution expenses		(2,532)	(2,736)	(3,350)	(3,433)
Finance costs		(841)	(923)	(1,179)	(1,443)
Impairment (losses)/gains on financial assets	18	0	(67)	(10)	2
Loss on derecognition of financial assets measured at amortised cost		(51)	(7)	(27)	-
Profit before tax	19	4,191	5,807	9,735	9,054
Tax expense	21	(1,200)	(1,525)	(2,618)	(2,272)
Profit for the financial year		2,991	4,282	7,117	6,782
Other comprehensive income for the financial year		-	-	-	-
Comprehensive income for the financial year		2,991	4,282	7,117	6,782
Profit for the year attributable to:-					
- Owners of the Company		2,980	4,282	7,117	6,782
- Non-controlling interests		11	-	-	-
		2,991	4,282	7,117	6,782
Comprehensive income for the financial year attributable to:-					
- Owners of the Company		2,980	4,282	7,117	6,782
- Non-controlling interests		11	-	-	-
		2,991	4,282	7,117	6,782
Basic earnings per share (sen)	22	123	143	117	68

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Note	Invested capital RM'000	Retained profits RM'000	Equity attributables to owners of the Company RM'000	Non- controlling interests RM'000	Total RM'000
Balance at 1 January 2020		2,400	2,335	4,735	14	4,749
Profit (representing comprehensive income) for the financial year		-	2,980	2,980	11	2,991
Issue of shares		50	-	50	-	50
Dividends	23	-	(999)	(999)	-	(999)
Contributions by/(Distributions to) owners		50	(999)	(949)	-	(949)
Change in ownership interest in subsidiary		-	(59)	(59)	(25)	(84)
Total transactions with owners		50	(1,058)	(1,008)	(25)	(1,033)
Balance at 31 December 2020		2,450	4,257	6,707	-	6,707
Profit (representing comprehensive income) for the financial year		-	4,282	4,282	-	4,282
Issue of shares		3,250	0	3,250	-	3,250
Dividends	23	-	(880)	(880)	-	(880)
Total transactions with owners		3,250	(880)	2,370	-	2,370
Balance at 31 December 2021		5,700	7,659	13,359	-	13,359
Profit (representing comprehensive income) for the financial year		-	7,117	7,117	-	7,117
Issue of shares (representing total transactions with owners)		4,300	-	4,300	-	4,300
Balance at 31 December 2022		10,000	14,776	24,776	-	24,776
Profit (representing comprehensive income) for the financial year		-	6,782	6,782	-	6,782
Dividends (representing total transactions with owners)	23	-	(1,423)	(1,423)	-	(1,423)
Balance at 31 December 2023		10,000	20,135	30,135	-	30,135

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****COMBINED STATEMENTS OF CASH FLOWS**

Note	Year ended 31 December 2020 RM'000	Year ended 31 December 2021 RM'000	Year ended 31 December 2022 RM'000	Year ended 31 December 2023 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	4,191	5,807	9,735	9,054
Adjustments for:				
Amortisation on deferred income	-	-	-	(17)
Depreciation	768	859	1,082	1,356
Gain on derecognition of right-of-use assets	-	-	-	(1)
Gain on disposal of property, plant and equipment	-	(29)	(81)	(2)
Impairment losses/(gains) on financial assets	-	67	10	(2)
Interest expense	841	923	1,179	1,443
Interest income	(85)	(35)	(76)	(98)
Inventories written off	-	-	-	40
Loss on derecognition of financial assets measured at amortised cost	51	7	27	-
Operating profit before working capital changes	5,766	7,599	11,876	11,773
Changes in:				
Inventories	(5,704)	(424)	(10,667)	3,306
Receivables	1,850	(4,072)	(1,376)	(2,974)
Prepayments	(615)	137	267	(1,716)
Payables	20	2,674	5,553	(5,466)
Contract liabilities	-	-	28	(28)
Cash generated from operations	1,317	5,914	5,681	4,895
Tax paid	(456)	(1,730)	(2,214)	(2,589)
Net cash from operating activities	861	4,184	3,467	2,306
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(771)	(1,664)	(2,671)	(1,661)
Acquisition of right-of-use assets 24	-	(61)	(196)	-
Grants received	-	-	-	223
Interest received	85	35	76	98
Proceeds from disposal of property, plant and equipment	-	29	429	4
Net cash used in investing activities	(686)	(1,661)	(2,362)	(1,336)

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

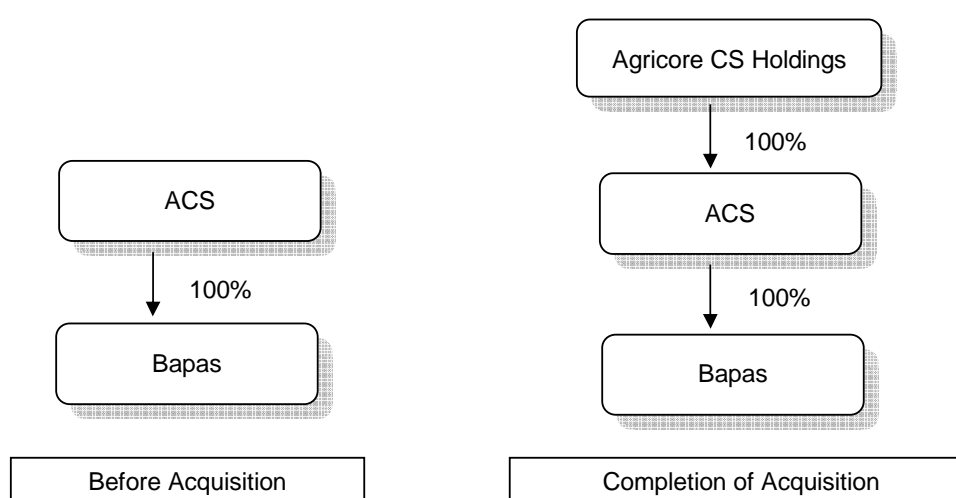
		Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
	Note	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from financing activities</b>					
Acquisition of shares from non-controlling interests		(84)	-	-	-
Changes in term deposits pledged as security		(680)	(182)	(121)	(187)
Dividend paid		(264)	(1,102)	(513)	(1,423)
Drawdown of term loans	24	1,000	1,000	2,271	1,769
Interest paid		(841)	(923)	(1,179)	(1,443)
Issue of shares		50	-	4,300	-
Net (decrease)/increase in short-term loans and borrowings	24	(372)	5,491	(1,367)	692
Payment of lease liabilities	24	(157)	(242)	(419)	(418)
Repayment of term loans	24	(105)	(404)	(1,583)	(705)
Net cash (used in)/from financing activities		(1,453)	3,638	1,389	(1,715)
Net (decrease)/increase in cash and cash equivalents		(1,278)	6,161	2,494	(745)
Cash and cash equivalents brought forward		732	(546)	5,615	8,109
Cash and cash equivalents carried forward	9	(546)	5,615	8,109	7,364

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. General information**

Agricore CS Holdings Berhad ("Agricore CS Holdings") was incorporated in Malaysia as a private limited liability company on 16 May 2023 under the Companies Act 2016.

On 11 September 2023, Agricore CS Holdings was converted from a private company to public company limited by shares and assumed its present name of Agricore CS Holdings Berhad.

As an integral part of listing of Agricore CS Holdings on the ACE Market of Bursa Malaysia Securities Berhad, Agricore CS Holdings entered into a conditional share sale agreement to acquire the entire equity interest in ACS ("the Acquisition"). Upon completion of the above share swap, ACS becomes a wholly-owned subsidiary of Agricore CS Holdings with Bapas becomes an indirect wholly-owned subsidiary of Agricore CS Holdings.



Agricore CS Holdings Berhad, Agricore CS Sdn Bhd and Bapas Food Products Sdn Bhd (collectively known as the "Group") are incorporated in Malaysia.

The principal activities, registered office and principal place of business of the companies are as follows:

Name of company	Principal Activities	Registered office	Principal place of business
Agricore CS Holdings	Investment holding	57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
Agricore CS Sdn Bhd ("ACS")	Sourcing and distribution of plant-based agricultural food ingredients	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. General information (cont'd)**

Name of company	Principal Activities	Registered office	Principal place of business
Bapas Food Products Sdn Bhd ("Bapas")	Production and sale of food additives and fried shallots	57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, MK13, 14100 Bukit Mertajam, Pulau Pinang  46, Lengkok IKS Simpang Empat 1, Taman IKS Simpang Empat, 14100 Simpang Ampat, Pulau Pinang

**2. Basis of preparation**

As the Acquisition was only executed on 8 August 2023 and completed on 7 March 2024, there are no consolidated financial statements of Agricore CS Holdings for financial years ended 31 December 2020, 2021, 2022, and 2023.

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

Combining Entity	Relevant Reporting Periods	Accounting Standards Applied	Auditors
Agricore CS Holdings	FPE 31 December 2023	MFRS	Crowe Malaysia PLT
ACS	FYE 31 December 2023 FYE 31 December 2022 FYE 31 December 2021 FYE 31 December 2020	MFRSs MFRSs MFRSs MFRSs	Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT
Bapas	FYE 31 December 2023 FYE 31 December 2022 FYE 31 December 2021 FYE 31 December 2020	MFRSs MFRSs MFRSs MFRSs	Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT

## Notes:

FPE = Financial period ended

FYE = Financial year ended

MFRSs = Malaysian Financial Reporting Standards

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if entities within the Group 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 entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant period.



**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. Basis of preparation (cont'd)**

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

The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases. The identified assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies by the Group.

The acquisition of ACS from its shareholders in exchange for the shares issued by Agricore CS Holdings was accounted for using the "pooling-of-interest" method of consolidation. Any excess or deficiency of the nominal value of the shares acquired is taken to the shareholders' equity as a merger reserve or deficit.

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

The combined financial statements of the Group have been prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the material accounting policy information, and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The audited financial statements used to prepare the financial statements are not subject to any audit qualifications, modifications or disclaimers.

The Group has not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective for the financial year ended 31 December 2023:

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the combined financial statements.

**2.1 Statement of Compliance**

The financial statements have been prepared in accordance with MFRS and IFRS.

**2.2 Functional and Presentation Currency**

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. Basis of preparation (cont'd)****2.3 Basis of Measurement**

The financial statements have been prepared on the basis stated in the notes described below using the audited financial statements under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the Material accounting policy information.

**3. Material accounting policy information****3.1 Business combinations**

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

**Acquisition method**

Business combinations are accounted for using the acquisition method, except for those involving entities under common control. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) the aggregate of:
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 3.5. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.1 Business combinations (cont'd)****Merger method**

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the value of shares acquired and any difference arising from the cancellation is taken to equity.

**3.2 Basis of consolidation**

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

**3.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 3.5.

Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:

Buildings	2% - 2.5%
Cold room	10%
Furniture, fittings and equipment	10% - 30%
Motor vehicles	10%
Plant and machinery	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.4 Leases**

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

**Lessor accounting**

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group have not entered into any finance lease.

**Initial recognition and measurement**

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

**Subsequent measurement**

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 3.5.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.5 Impairment of non-financial assets**

At the end of each reporting period, the Group assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

**3.6 Inventories**

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

**3.7 Contract assets and contract liabilities**

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 3.8. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

**3.8 Financial assets**

Financial assets of the Group consist of receivables and cash and cash equivalents.

**Initial recognition and measurement**

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 3.12). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

**Subsequent measurement**

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.8 Financial assets (cont'd)****Subsequent measurement (cont'd)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

**Impairment**

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

**Derecognition**

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

**Fair value measurement**

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are reasonable approximations of fair values.

**3.9 Financial liabilities**

Financial liabilities of the Group consist of payables, loans and borrowings.

**Initial recognition and measurement**

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.9 Financial liabilities (cont'd)****Subsequent measurement**

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

**Derecognition**

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

**Fair value measurement**

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities.

**3.10 Foreign currency transactions and translation**

The consolidated financial statements of the Group are presented in Ringgit Malaysia, which is also the Group's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

**3.11 Share capital**

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the interim financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.12 Revenue from contracts with customers**

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

**3.13 Other income**

Interest income is recognised in profit or loss using the effective interest method.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

**3.14 Government grants**

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.



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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Material accounting policy information (cont'd)****3.15 Employee benefits****Short-term employee benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

**Defined contribution plans**

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

**3.16 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.17 Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable results and does not give rise to equal taxable and deductible temporary differences.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**3.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. Judgements and estimation uncertainty****Judgements made in applying accounting policies**

In the process of applying the accounting policies of the Group, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the interim financial statements.

**Sources of estimation uncertainty**

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 7).

Impairment of receivables

The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 8).

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

**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**5. Property, plant and equipment**

	Buildings RM'000	Cold room RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>							
Balance at 1 January 2020	6,642	745	918	1,026	1,764	20	11,115
Additions	-	-	43	155	522	51	771
Balance at 31 December 2020	6,642	745	961	1,181	2,286	71	11,886
Additions	-	-	61	97	71	1,435	1,664
Disposals/Write-offs	-	-	-	(273)	-	-	(273)
Transfer from right-of-use assets	-	-	-	101	-	-	101
Balance at 31 December 2021	6,642	745	1,022	1,106	2,357	1,506	13,378
Additions	-	-	295	279	790	1,307	2,671
Disposals/Write-offs	-	-	-	(570)	(5)	-	(575)
Reclassifications	2,121	-	5	-	664	(2,790)	-
Transfer from right-of-use assets	-	-	-	240	188	-	428
Balance at 31 December 2022	8,763	745	1,322	1,055	3,994	23	15,902
Additions	7	-	118	178	1,358	-	1,661
Disposals/Write-offs	-	-	-	(100)	(7)	-	(107)
Reclassifications	23	-	-	-	-	(23)	-
Transfer from right-of-use assets	-	-	-	527	269	-	796
Balance at 31 December 2023	8,793	745	1,440	1,660	5,614	-	18,252

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

**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**5. Property, plant and equipment (cont'd)**

	Buildings RM'000	Cold room RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Accumulated depreciation</b>							
Balance at 1 January 2020	458	149	391	604	565	-	2,167
Depreciation	118	75	133	102	191	-	619
Balance at 31 December 2020	576	224	524	706	756	-	2,786
Depreciation	118	75	118	88	277	-	676
Disposals/Write-offs	-	-	-	(273)	-	-	(273)
Transfer from right-of-use assets	-	-	-	61	-	-	61
Balance at 31 December 2021	694	299	642	582	1,033	-	3,250
Depreciation	145	74	132	110	396	-	857
Disposals/Write-offs	-	-	-	(222)	(5)	-	(227)
Transfer from right-of-use assets	-	-	-	29	94	-	123
Balance at 31 December 2022	839	373	774	499	1,518	-	4,003
Depreciation	171	74	167	141	554	-	1,107
Disposals/Write-offs	-	-	-	(100)	(5)	-	(105)
Transfer from right-of-use assets	-	-	-	338	65	-	403
Balance at 31 December 2023	1,010	447	941	878	2,132	-	5,408
<b>Carrying amount</b>							
Balance at 1 January 2020	6,184	596	527	422	1,199	20	8,948
Balance at 31 December 2020	6,066	521	437	475	1,530	71	9,100
Balance at 31 December 2021	5,948	446	380	524	1,324	1,506	10,128
Balance at 31 December 2022	7,924	372	548	556	2,476	23	11,899
Balance at 31 December 2023	7,783	298	499	782	3,482	-	12,844

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. Property, plant and equipment (cont'd)**

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Buildings	6,066	5,948	7,924	7,783
Cold room	521	446	372	298
Plant and machinery	690	994	458	338
	<u>7,277</u>	<u>7,388</u>	<u>8,754</u>	<u>8,419</u>

**6. Right-of-use assets**

	Leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Plant and Machinery RM'000	Total RM'000
Balance at 1 January 2020	1,855	39	426	141	2,461
Additions	-	-	-	242	242
Depreciation	(36)	(29)	(63)	(21)	(149)
Balance at 31 December 2020	1,819	10	363	362	2,554
Additions	-	-	192	27	219
Remeasurement of lease liabilities	-	96	-	-	96
Depreciation	(37)	(29)	(73)	(44)	(183)
Transfer to property, plant and equipment	-	-	(40)	-	(40)
Balance at 31 December 2021	1,782	77	442	345	2,646
Additions	-	443	733	-	1,176
Depreciation	(36)	(50)	(103)	(36)	(225)
Transfer to property, plant and equipment equipment	-	-	(211)	(94)	(305)
Balance at 31 December 2022	1,746	470	861	215	3,292
Depreciation	(36)	(116)	(85)	(12)	(249)
Derecognition	-	(34)	-	-	(34)
Transfer to property, plant and equipment equipment	-	-	(190)	(203)	(393)
Balance at 31 December 2023	1,710	320	586	-	2,616

The Group acquired the right to use the leasehold land as their principal place of business for 60 years. The Group also leases the buildings as food processing plant for 4 years (2022 : 3 years). The rights to use the motor vehicles and plant and machinery were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease term of 5 years.

The leasehold land has been pledged as security for credit facilities granted to the Group.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****7. Inventories**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Raw materials	23	188	929	1,661
Work-in-progress	38	3	23	30
Finished goods	13	69	213	773
Trading goods	7,894	7,002	11,425	10,117
Goods-in-transit	6,988	8,118	13,457	10,120
	<u>14,956</u>	<u>15,380</u>	<u>26,047</u>	<u>22,701</u>

**8. Receivables**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade receivables	9,809	13,824	15,133	18,111
- Loss allowance	-	(67)	(12)	(2)
	<u>9,809</u>	<u>13,757</u>	<u>15,121</u>	<u>18,109</u>
Other receivables:				
- Related party*	7	7	-	-
- Unrelated parties	92	142	124	112
	<u>99</u>	<u>149</u>	<u>124</u>	<u>112</u>
	<u>9,908</u>	<u>13,906</u>	<u>15,245</u>	<u>18,221</u>

\* Being a company in which a director's close family members have substantial financial interests

**Trade Receivables**

The Group and the Company determine credit risk concentration in terms of counterparties. As at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, the Group did not have any major credit risk concentration relating to any individual customer or counterparty.

The credit terms of trade receivables range from 7 to 120 days. The Group use past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Not past due	6,469	9,959	10,377	12,565
1 to 30 days past due	2,103	2,977	3,533	4,751
31 to 60 days past due	755	555	797	629
61 to 90 days past due	208	23	315	30
More than 90 days past due	274	310	111	136
	<u>9,809</u>	<u>13,824</u>	<u>15,133</u>	<u>18,111</u>

The Group determine that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally consider a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****8. Receivables (cont'd)**

The Group measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowance are as follows:

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Balance at 1 January	-	-	67	12
Impairment losses/(gains)	-	67	10	(2)
Write-offs	-	-	(65)	(8)
Balance at 31 December	<u>-</u>	<u>67</u>	<u>12</u>	<u>2</u>

The above loss allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

**9. Cash and cash equivalents**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Cash and bank balances	859	5,636	8,108	7,062
Term deposits	<u>3,656</u>	<u>3,838</u>	<u>3,960</u>	<u>4,448</u>
	<u>4,515</u>	<u>9,474</u>	<u>12,068</u>	<u>11,510</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits have been pledged as security for credit facilities granted to the Group and not freely available for use are as follows:

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Term deposits	<u>3,656</u>	<u>3,838</u>	<u>3,959</u>	<u>4,146</u>

The effective interest rates of term deposits as at the end of the reporting period are as follows:

	<b>2020</b> <b>%</b>	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>	<b>2023</b> <b>%</b>
Effective interest rates (per annum)	<u>1.50 – 1.85</u>	<u>1.50 – 1.85</u>	<u>1.85 – 2.85</u>	<u>2.10 – 3.10</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****9. Cash and cash equivalents (cont'd)**

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Cash and cash equivalents	4,515	9,474	12,068	11,510
Bank overdrafts	(1,405)	(21)	-	-
Term deposits pledged as security	(3,656)	(3,838)	(3,959)	(4,146)
	<u>(546)</u>	<u>5,615</u>	<u>8,109</u>	<u>7,364</u>

**10. Payables**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Trade payables	11,362	8,385	15,435	11,078
Other payables:				
- Related parties*	51	86	63	-
- Unrelated parties	1,399	3,523	2,049	1,003
	1,450	3,609	2,112	1,003
Dividend payable	735	513	-	-
	<u>13,547</u>	<u>12,507</u>	<u>17,547</u>	<u>12,081</u>

\* Being companies in which a director's close family members have substantial financial interests

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 30 to 180 days.

**11. Loans and borrowings**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
<b>Secured</b>				
Banker acceptances	12,445	18,712	17,152	17,185
Bank overdrafts	1,405	21	-	-
Term loans	5,340	5,235	6,689	7,887
Trust receipts	776	-	-	-
<b>Unsecured</b>				
Banker acceptances	-	-	193	852
Term loans	199	900	134	-
	<u>20,165</u>	<u>24,868</u>	<u>24,168</u>	<u>25,924</u>
Disclosed as:				
- Current liabilities	15,221	20,129	18,076	18,869
- Non-current liabilities	4,944	4,739	6,092	7,055
	<u>20,165</u>	<u>24,868</u>	<u>24,168</u>	<u>25,924</u>



**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****11. Loans and borrowings (cont'd)**

Secured loans and borrowings are secured against certain property, plant and equipment (Note 5), right-of-use assets (Note 6) and term deposits (Note 9).

The effective interest rate of the term loans at the end of the reporting period is as follows:

	<b>2020</b> %	<b>2021</b> %	<b>2022</b> %	<b>2023</b> %
Effective interest rates (per annum)	<u>2.95 – 6.70</u>	<u>2.95 – 7.00</u>	<u>3.50 – 7.00</u>	<u>3.50 – 7.00</u>

Except for term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Term loans are repayable over 1 to 15 years. The repayment analysis is as follows:

	<b>2020</b> RM'000	<b>2021</b> RM'000	<b>2022</b> RM'000	<b>2023</b> RM'000
Gross loan instalments:				
- Within 1 year	799	1,622	1,027	1,184
- 1 to 5 years	2,966	3,054	3,401	3,756
- After 5 years	<u>3,057</u>	<u>2,629</u>	<u>4,019</u>	<u>4,741</u>
Total contractual undiscounted cash flows	6,822	7,305	8,447	9,681
Future finance charges	<u>(1,283)</u>	<u>(1,170)</u>	<u>(1,624)</u>	<u>(1,794)</u>
Present value of term loans	<u>5,539</u>	<u>6,135</u>	<u>6,823</u>	<u>7,887</u>

The fair values of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities. The fair values measured were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

**12. Lease liabilities**

	<b>2020</b> RM'000	<b>2021</b> RM'000	<b>2022</b> RM'000	<b>2023</b> RM'000
Gross lease liabilities:				
- Within 1 year	164	245	387	262
- 1 to 5 years	147	351	822	438
Total contractual undiscounted cash flows	311	596	1,209	700
Future finance charges	<u>(18)</u>	<u>(49)</u>	<u>(101)</u>	<u>(45)</u>
Present value of lease liabilities	<u>293</u>	<u>547</u>	<u>1,108</u>	<u>655</u>
Disclosed as:				
- Current liabilities	152	220	338	235
- Non-current liabilities	141	327	770	420
	<u>293</u>	<u>547</u>	<u>1,108</u>	<u>655</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**
**AGRICORE CS HOLDINGS BERHAD**
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**
**12. Lease liabilities (cont'd)**

The incremental borrowing rates applied to lease liabilities as at the end of the reporting period is as follows:

	2020 %	2021 %	2022 %	2023 %
Effective interest rates (per annum)	<u>4.00 – 6.72</u>	<u>4.00 – 8.41</u>	<u>4.00 – 8.50</u>	<u>4.00 – 8.50</u>

**13. Contract liabilities**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Balance at 1 January	-	-	-	28
Revenue recognised from opening contract liabilities	-	-	-	(28)
Excess of consideration over revenue recognised	-	-	28	-
Balance at 31 December	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>

As disclosed in Note 3.12, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

As a practical expedient, information about remaining performance obligations for contracts with original duration of one year or less has not been disclosed.

**14. Deferred tax liabilities**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Balance at 1 January	100	220	269	430
Deferred tax expense relating to origination and reversal of temporary differences	87	43	155	47
Deferred tax liabilities underprovided in prior year	33	6	14	33
Balance at 31 December	<u>220</u>	<u>269</u>	<u>438</u>	<u>510</u>

In respect of:

- Taxable/(Deductible)  
temporary differences of:

- Property, plant and equipment	326	257	379	493
- Right-of-use assets	72	106	289	148
- Financial instruments	-	(16)	(98)	(1)
- Lease liabilities	(150)	(77)	(132)	(130)
- Unused tax losses	(28)	(1)	-	-
	<u>220</u>	<u>269</u>	<u>438</u>	<u>510</u>

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

**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**15. Deferred income on government grants**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Balance at 1 January	-	-	-	-
Grants related to property, plant and equipment	-	-	-	223
Amortisation	-	-	-	(17)
Balance at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>206</u>

The Company received grants from the local government for productivity and automation project. The grants covered 50% of the project costs subject to the limits approved by the local government.

**16. Invested capital**

	Number of ordinary shares with no par value '000	RM'000
<b>Issued and fully paid</b>		
Balance at 1 January 2020 - Ordinary shares	2,400	2,400
Issue of ordinary shares Class A (1 vote per share)	30	30
Issue of ordinary shares Class B (58 votes per share)	20	20
Balance at 31 December 2020		
- Ordinary shares (1 vote per share)	2,400	2,400
- Ordinary shares Class A (1 vote per share)	30	30
- Ordinary shares Class B (58 votes per share)	20	20
	2,450	2,450
Issue of ordinary shares*	3,250	3,250
Balance at 31 December 2021		
- Ordinary shares (1 vote per share)	5,650	5,650
- Ordinary shares Class A (1 vote per share)	30	30
- Ordinary shares Class B (58 votes per share)	20	20
	5,700	5,700
Issue of ordinary shares	4,300	4,300
Balance at 31 December 2022 / 31 December 2023		
- Ordinary shares (1 vote per share)	<u>10,000,000</u>	<u>10,000,000</u>

Pursuant to a special resolution of the members during the financial year 2022, ordinary shares Class A and ordinary shares Class B had been altered to ordinary with one vote per share. Consequently, the Company only has one class of ordinary shares with one vote per share thereafter.

\* The shares were issued through conversion of amount owing to the shareholders of ACS

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****17. Revenue**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Revenue from sale of goods	<u>88,995</u>	<u>100,832</u>	<u>122,685</u>	<u>134,992</u>
Major products:				
- Sourcing and distribution of plant based agricultural products	86,607	97,107	111,503	119,808
- Production and sale of food additives and fried shallots	<u>2,388</u>	<u>3,725</u>	<u>11,182</u>	<u>15,184</u>
	<u>88,995</u>	<u>100,832</u>	<u>122,685</u>	<u>134,992</u>
Disaggregated by geographical areas:				
- Malaysia	86,688	99,367	120,838	132,864
- Overseas	<u>2,307</u>	<u>1,465</u>	<u>1,847</u>	<u>2,128</u>
	<u>88,995</u>	<u>100,832</u>	<u>122,685</u>	<u>134,992</u>

**18. Impairment losses/(gains) on financial assets**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Trade receivables from contracts with customers	<u>-</u>	<u>67</u>	<u>10</u>	<u>(2)</u>

**19. Profit before tax**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Statutory	18	37	32	35
- Non-statutory	-	-	25	-
Depreciation of property, plant and equipment	619	676	857	1,107
Depreciation of right-of-use assets	.149	183	225	249
Employee benefits expense (Note 20)	3,285	4,736	5,415	5,759
Fee expense for financial instruments not measured at fair value through profit or loss	58	71	83	90

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****19. Profit before tax (cont'd)**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest expense for financial liabilities not measured at fair value through profit or loss	821	891	1,140	1,399
Interest expense for lease liabilities	20	32	39	44
Inventories written off	-	-	-	40
Lease expense relating to:				
- Short-term leases	71	89	191	433
- Leases of low-value assets (other than short- term leases)	2	2	3	6
Realised loss on foreign exchange	-	1	-	73
and crediting:				
Amortisation of deferred income	-	-	-	17
Gain on derecognition of right-of-use assets	-	-	-	2
Gain on disposal of property, plant and equipment	-	29	81	2
Government grants under Wage Subsidy Programme	235	11	-	-
Interest income for financial assets measured at amortised cost	85	35	76	98
Operating lease income	10	8	5	4
Realised gain on foreign exchange	7	-	24	-

**13. ACCOUNTANTS' REPORT (Cont'd)**
**AGRICORE CS HOLDINGS BERHAD**
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**
**20. Employee benefits expense (including directors' remuneration)**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Directors of the Company:				
- Short-term employee benefits	224	389	410	547
- Defined contribution plans	27	46	49	53
	251	435	459	600
Director of subsidiary:				
- Short-term employee benefits	68	157	143	-
- Defined contribution plans	8	19	13	-
	76	176	156	-
Other employees:				
- Short-term employee benefits	2,731	3,758	4,394	4,748
- Defined contribution plans	227	367	406	411
	2,958	4,125	4,800	5,159
	<u>3,285</u>	<u>4,736</u>	<u>5,415</u>	<u>5,759</u>

**21. Tax expense**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Tax based on results for the year:				
- Current tax	1,082	1,479	2,395	2,233
- Deferred tax	87	43	155	40
	<u>1,169</u>	<u>1,522</u>	<u>2,550</u>	<u>2,273</u>
Tax (over)/ under provided in prior year:				
- Current tax	(2)	(3)	54	(33)
- Deferred tax	33	6	14	32
	<u>1,200</u>	<u>1,525</u>	<u>2,618</u>	<u>2,272</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:

	2020 %	2021 %	2022 %	2023 %
Applicable tax rate	24.00	24.00	24.00	24.00
Non-deductible expenses	4.03	2.57	2.31	1.06
Non-taxable income	-	(0.36)	(0.12)	-
Effect of differential tax rates	(0.14)	-	-	-
Average effective tax rate	<u>27.89</u>	<u>26.21</u>	<u>26.19</u>	<u>25.06</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****22. Earnings per share****Basic**

Basic earnings per share is calculated by dividing the Group's profit for the financial years by the weighted average number of ordinary shares in issue during the financial years as follows:

	2020	2021	2022	2023
Profit attributable to owner (RM'000)	<u>2,980</u>	<u>4,282</u>	<u>7,117</u>	<u>6,782</u>
Weighted average number of share in issue ('000)	<u>2,425</u>	<u>2,993</u>	<u>6,065</u>	<u>10,000</u>
Basic earnings per share (sen)	<u>123</u>	<u>143</u>	<u>117</u>	<u>68</u>

The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the financial years.

**23. Dividends**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Based on 2,400,000 shares of ACS :				
- First interim single tier dividend of 11.00 sen per share in respect of the financial year ended 31 December 2020	264	-	-	-
Based on 2,450,000 shares in ACS :				
- Second interim single tier dividend of 30.00 sen per share in respect of the financial year ended 31 December 2020	735	-	-	-
- First interim single tier dividend of 15 sen per share in respect of the financial year ended 31 December 2021	-	367	-	-
- Second interim single tier dividend of 9.00 sen per share in respect of the financial year ended 31 December 2021	-	513	-	-
Based on 10,000,000 shares of ACS :				
- Final single tier dividend of 14.23 sen per share in respect of the financial year ended 31 December 2022	-	-	-	1,423
	<u>999</u>	<u>880</u>	<u>-</u>	<u>1,423</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****24. Notes to cash flows****Acquisition of right-of-use assets**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Cost of right-of-use assets acquired	242	219	1,176	-
Acquisition by means of leases	<u>(242)</u>	<u>(158)</u>	<u>(980)</u>	<u>-</u>
Net cash disbursed	<u>-</u>	<u>61</u>	<u>196</u>	<u>-</u>

**Term loans**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Balance at 1 January	4,644	5,539	6,135	6,823
Drawdowns	1,000	1,000	2,271	1,769
Repayments	<u>(105)</u>	<u>(404)</u>	<u>(1,583)</u>	<u>(705)</u>
Balance at 31 December (Note 11)	<u>5,539</u>	<u>6,135</u>	<u>6,823</u>	<u>7,887</u>

**Short-term loans and borrowings**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Balance at 1 January	13,593	13,221	18,712	17,345
Net cash flow changes	<u>(372)</u>	<u>5,491</u>	<u>(1,367)</u>	<u>692</u>
Balance at 31 December	<u>13,221</u>	<u>18,712</u>	<u>17,345</u>	<u>18,037</u>

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**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****24. Notes to cash flows (cont'd)****Lease liabilities**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Balance at 1 January	450	293	547	1,108
Acquisition of right-of-use assets	-	400	980	-
Derecognition	-	-	-	(35)
Remeasurement from reassessment	-	96	-	-
Payments	(157)	(242)	(419)	(418)
Balance at 31 December (Note 12)	<u>293</u>	<u>547</u>	<u>1,108</u>	<u>655</u>
<b>Operating activities</b>				
Lease expense recognised in profit or loss (Note 19)	73	91	194	439
<b>Investing activities</b>				
Acquisition of right-of-use assets	-	61	196	-
<b>Financing activities</b>				
Interest portion of lease liabilities (Note 19)	20	32	39	44
Principal portion of lease liabilities	157	242	419	418
	<u>250</u>	<u>426</u>	<u>848</u>	<u>901</u>

**25. Related party disclosures**

Transactions with related parties during the relevant period are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Key management personnel compensation:				
- Short-term employee benefits	438	964	1,015	1,237
- Defined contribution plans	74	115	118	126
	512	1,079	1,133	1,363

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

#### AGRICORE CS HOLDINGS BERHAD

#### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 25. Related party disclosures (cont'd)

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Acquisition of property, plant and equipment from other related party*	-	-	49	-
Interest charged by director	-	11	-	-
Interest charged by subsidiary of shareholder	23	28	19	-
Receiving of services from other related parties*	902	1,013	1,146	267
Receiving of services from shareholder	184	-	-	-
Rental charged by other related party**	9	28	28	5
Rental charged to other related party*	7	6	3	1

\* Being companies in which a director's close family members have substantial financial interests

\*\* Being a director's close family member

#### 26. Contractual commitments

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Acquisition of property, plant and equipment	2,238	1,955	460	6

#### 27. Segment reporting

##### Operating Segment

Information about operating segment has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the sourcing, distribution and production of food ingredient.

##### Geographical Information

The Group operates principally in Malaysia throughout the financial years and generates revenue from the following geographical locations of customers:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Malaysia	86,688	99,367	120,838	132,864
Overseas	2,307	1,465	1,847	2,128
	88,995	100,832	122,685	134,992

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. Segment reporting (cont'd)****Major customers**

There was 1 major customer that contributed 10% or more of the Group's total revenue during the reporting period and the total revenue generated from this major customer is as follows:

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>	<b>2023</b> <b>RM'000</b>
Customer A	<u>12,880</u>	<u>10,950</u>	<u>5,868</u>	<u>925</u>

**28. Financial risk management**

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

**Credit risk**

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 8. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

**Liquidity risk**

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****28. Financial risk management (cont'd)****Currency risk**

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD") and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:

	<b>2020</b>	<b>Denominated in USD</b>		<b>2023</b>
	<b>RM'000</b>	<b>2021</b>	<b>2022</b>	<b>RM'000</b>
		<b>RM'000</b>	<b>RM'000</b>	
Cash and cash equivalents	67	61	447	308
Payables	(1,449)	(2,417)	(13,899)	(9,601)
	<u>(1,382)</u>	<u>(2,356)</u>	<u>(13,452)</u>	<u>(9,293)</u>

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. The Group also maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss and equity to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	<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>
<b>Profit/(Loss) and equity</b>				
Appreciation of USD against RM by (2020 : 3% ; 2021 : 1% ; 2022 : 4% ; 2023: 3%)	(32)	(18)	(409)	(212)
Depreciation of USD against RM by (2020 : 3% ; 2021 : 1% ; 2022 : 4% ; 2023: 3%)	32	18	409	212
	<u>32</u>	<u>18</u>	<u>409</u>	<u>212</u>

**Interest rate risk**

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:

	<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>
<b>Fixed rate instruments</b>				
Financial assets	3,656	3,838	3,960	4,448
Financial liabilities	15,070	21,663	19,549	20,493
<b>Floating rate instruments</b>				
Financial liabilities	5,388	3,752	5,727	6,086
	<u>5,388</u>	<u>3,752</u>	<u>5,727</u>	<u>6,086</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****28. Financial risk management (cont'd)****Interest rate risk (cont'd)**

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss and equity. For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss and equity to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:

	<b>2020</b> RM'000	<b>2021</b> RM'000	<b>2022</b> RM'000	<b>2023</b> RM'000
<b>Profit/(Loss) and equity</b>				
Increase in interest rates by (basis points) (2020 : 40 ; 2021 : 0 ; 2022 ; 40 ; 2023 : 10)	(16)	-	(17)	(5)
Decrease in interest rates by (basis points) (2020 : 40 ; 2021 : 0 ; 2022 ; 40 ; 2023 : 10)	16	-	17	5

**29. Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:

	<b>2020</b> RM'000	<b>2021</b> RM'000	<b>2022</b> RM'000	<b>2023</b> RM'000
Loans and borrowings	20,165	24,868	24,168	25,924
Lease liabilities	293	547	1,108	655
Total interest-bearing debts	20,458	25,415	25,276	26,579
Total equity	6,707	13,359	24,776	30,135
Total capital	27,165	38,774	50,052	56,714
Debt-to-equity ratio	3.05	1.90	1.02	0.88

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. Significant event during and after the reporting period**

On 8 August 2023, the Company entered into a conditional share sale agreement with the shareholders of ACS to acquire the entire issued share capital of ACS comprising 10,000,000 ordinary shares for a total purchase consideration of RM23,357,895. The purchase consideration for the said acquisition was satisfied via the issuance of 151,085,998 new shares in Agricore CS Holdings to the shareholders of ACS at an issue price of RM0.1546 per share and the said acquisition was completed on 7 March 2024.

Upon completion of the acquisition, ACS became a wholly-owned subsidiary of the Company. The said acquisition by Agricore CS Holdings is to facilitate the initial public offering exercise of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

Subsequent to reporting period, the Company obtained approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

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

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**AGRICORE CS HOLDINGS BERHAD**

**STATEMENT BY DIRECTORS**

We, Datuk Keh Chuan Seng and Oon Boon Khong, being the two directors of Agricore CS Holdings Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 40 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and of their financial performance and cash flows for the financial years then ended.



**Datuk Keh Chuan Seng**



**Oon Boon Khong**

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION



02 MAY 2024

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
Level 6, Wisma Penang Garden  
42 Jalan Sultan Ahmad Shah  
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Main +6 04 2277 061  
Fax +6 04 2278 011  
Email [info.pg@crowe.my](mailto:info.pg@crowe.my)  
[www.crowe.my](http://www.crowe.my)

The Board of Directors  
**Agricore CS Holdings Berhad**  
57-G, Persiaran Bayan Indah,  
Bayan Bay, Sungai Nibong  
11900, Bayan Lepas  
Penang, Malaysia

Dear Sirs,

### **AGRICORE CS HOLDINGS BERHAD ("AGRICORE CS HOLDINGS" or the "COMPANY") REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statement of Financial Position of Agricore CS Holdings and its subsidiaries (collectively known as the "Group") prepared by the Board of Directors of the Company. The Pro Forma Combined Statements of Financial Position consists of the Combined Statements of Financial Position as at 31 December 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification.

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The application criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position is prepared in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note").

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the transactions as set out in notes of the Pro Forma Combined Statements of Financial Position as at 31 December 2023 as if the events have been effected on 31 December 2023. As part of this process, information about the Group's financial position as at 31 December 2023 has been extracted by the Board of Directors of the Company from the Group's audited financial statements for the financial year ended 31 December 2023.



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## **14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

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### **THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

### **REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We are independent of the Company 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.

Our firm applies International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

### **REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma 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 Pro Forma Combined Statements of Financial Position.

The purpose of Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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



**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of 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.

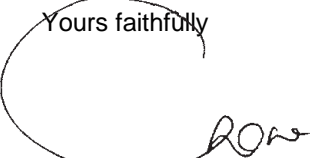
**OPINION**

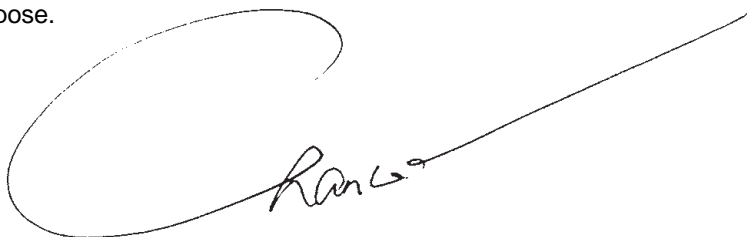
In our opinion, the Pro Forma Combined Statements of Financial Position of the Group has been compiled, in all material respects, on the basis as described in notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

**OTHER MATTER**

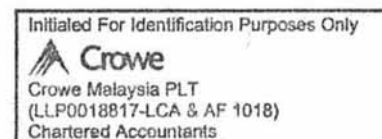
This letter has been prepared solely for the purpose stated above, in connection with listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

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

  
**Eddy Chan Wai Hun**  
02182/10/2025 J  
Chartered Accountant

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



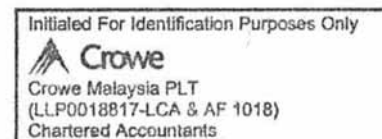
APPENDIX A

**AGRICORE CS HOLDINGS BERHAD**

**1. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2023**

	Note	As at 31 December 2023* RM'000	Acquisition of ACS RM'000	Pro Forma I After Acquisition of ACS RM'000	Public Issue RM'000	Pro forma II After Pro Forma I and Utilisation of Proceeds RM'000	Pro forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>Non-current assets</b>							
Property, plant and equipment		12,844	-	12,844	-	12,844	12,844
Right-of-use assets		2,616	-	2,616	-	2,616	2,616
		15,460	-	15,460	-	15,460	15,460
<b>Current assets</b>							
Inventories		22,701	-	22,701	-	22,701	22,701
Receivables		18,221	-	18,221	-	18,221	18,221
Prepayments	8.1	2,028	-	2,028	-	2,028	783
Cash and cash equivalents	8.2	11,510	-	11,510	25,857	37,367	34,912
		54,460	-	54,460	25,857	80,317	76,617
<b>Current liabilities</b>							
Payables		12,081	-	12,081	-	12,081	12,081
Loans and borrowings		18,869	-	18,869	-	18,869	18,869
Lease liabilities		235	-	235	-	235	235
Current tax liabilities		409	-	409	-	409	409
		31,594	-	31,594	-	31,594	31,594
<b>Net current assets</b>		22,866	-	22,866	25,857	48,723	45,023
<b>Non-current liabilities</b>							
Loans and borrowings		7,055	-	7,055	-	7,055	7,055
Lease liabilities		420	-	420	-	420	420
Deferred tax liabilities		510	-	510	-	510	510
Deferred income on government grants		206	-	206	-	206	206
		8,191	-	8,191	-	8,191	8,191
<b>Net assets</b>		30,135	-	30,135	25,857	55,992	52,292

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



APPENDIX A

**AGRICORE CS HOLDINGS BERHAD**

**1. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2023 (cont'd)**

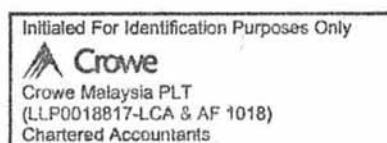
			Pro Forma I		Pro forma II		Pro forma III	
	As at	Acquisition	After	Public	After Pro	Utilisation of	Utilisation of	
	31 December	of ACS	Acquisition	Issue	Forma I and	Proceeds	Proceeds	
	2023*	of ACS	of ACS	RM'000	Public Issue	RM'000	RM'000	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Equity</b>								
Share capital	8.3	#	23,358	23,358	25,857	49,215	(748)	48,467
Invested capital	8.4	10,000	(10,000)	-	-	-	-	-
Reorganisation reserve	8.5	-	(13,358)	(13,358)	-	(13,358)	-	(13,358)
Retained profits	8.6	20,135	-	20,135	-	20,135	(2,952)	17,183
<b>Total equity</b>		<b>30,135</b>	<b>-</b>	<b>30,135</b>	<b>25,857</b>	<b>55,992</b>	<b>(3,700)</b>	<b>52,292</b>
Number of ordinary shares ('000)		#		151,086		202,800		202,800
NA (RM'000)		30,135		30,135		55,992		52,292
NA (sen)		1,506,750,000		20		28		26
Gearing ratio (times)		0.9		0.9		0.5		0.5

**Notes:**

\* Extracted from the Group's audited combined financial statements for the financial year ended 31 December 2023.

# Represent 2 ordinary shares

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



**AGRICORE CS HOLDINGS BERHAD**

**APPENDIX A**

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

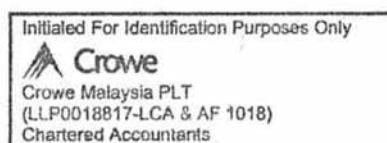
**2. Abbreviation**

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

Acquisition of ACS	: Acquisition by Agricore CS Holdings of the entire issued share capital of ACS comprising 10,000,000 ACS Shares from the Vendors for a total consideration of RM23,357,895 which was fully satisfied by the issuance of 151,085,998 new Agricore CS Holdings Shares at an issue price of RM0.1546 per share
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Agricore CS Holdings or Company	: Agricore CS Holdings Berhad (202301018008 (1511930-P))
ACS	Agricore CS Sdn Bhd (200901002764 (845691-H))
Bapas	Bapas Food Products Sdn Bhd (201401048709 (1124898-K))
Agricore CS Group or Group	: Collectively, Agricore CS Holdings and its subsidiaries
Agricore CS Holdings Share(s)	: Ordinary share(s) in Agricore CS Holdings
ACS Share(s)	: Ordinary share(s) in ACS
IPO	: Initial public offering comprising the Public Issue
IPO Price	: The issue price of RM0.50 per share pursuant to the IPO
Issue Shares	: 51,714,000 new Agricore CS Holdings Shares to be issued at the IPO price pursuant to the Public Issue
Listing	: Admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of 202,800,000 Agricore CS Holdings Shares on the ACE Market of Bursa Securities
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities, as amended or expanded from time to time
Listing Scheme	: Comprising the Acquisition of ACS, IPO and Listing, collectively
NA	: Net assets

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

**AGRICORE CS HOLDINGS BERHAD**



**APPENDIX A**

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

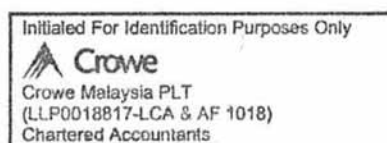
**2. Abbreviation (cont'd)**

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

Prospectus	:	This Prospectus in relation to the IPO
Public Issue	:	Public issue of 51,714,000 Agricore CS Holdings Shares, representing 25.50% of the Company's enlarged share capital, at the IPO Price
Purchase Consideration	:	Purchase consideration of RM23,357,895 for the Acquisition of ACS
SSA	:	Conditional share sale agreement dated 8 August 2023 entered into between Agricore CS Holdings and the Vendors for the Acquisition of ACS
Vendors	:	Collectively, Frazel Group Sdn Bhd, Datuk Keh Chuan Seng, Datin Cheong Kai Meng, Oon Boon Khong, Lim Swee Chuan and Aromi Sdn Bhd pursuant to the Acquisition of ACS
RM and sen	:	Ringgit Malaysia and sen, respectively

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

**AGRICORE CS HOLDINGS BERHAD**



**APPENDIX A**

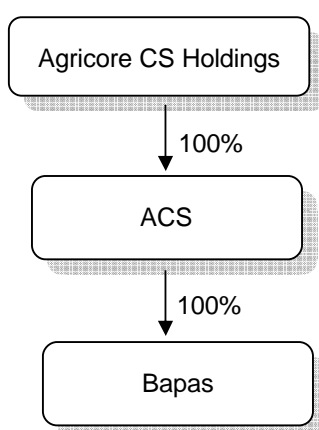
**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

**3. Introduction**

The Pro Forma Financial Position of the Group as at 31 December 2023 (“the Pro Forma Statements of Financial Position”) together with the notes thereon, for which the Board of Directors of the Company (“the Directors”) are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus of the Company to be issued in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

**4. Group structure**

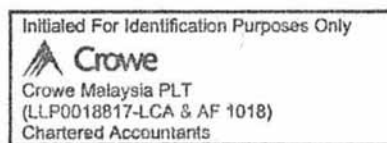
The group structure of Agricore CS Holdings after the Acquisition of ACS is as follows:



The financial positions of Agricore CS Holdings and its subsidiaries are combined using the merger method as the companies are under common control by same parties, both before and after the Acquisition of ACS, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by Agricore CS Holdings (i.e. the consideration for the Acquisition of ACS) and the share capital of ACS is accounted for as re-organisation reserve in the Pro Forma Combined Statements of Financial Position, as follow:

	<b>RM'000</b>
New share issued by the Company as consideration for the Acquisition of ACS	23,358
Less: Reversal of issued share capital of ACS as at 31 December 2023	<u>(10,000)</u>
Re-organisation reserve	<u>13,358</u>

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



**APPENDIX A**

**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

**5. Basis of Preparation**

The Pro Forma Combined Statements of Financial Position have been prepared based on the audited combined statements of financial position of the Group as at 31 December 2023, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the financial statements and the accounting policies of the Group.

The Pro Forma Combined Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Notes 6 to the Pro Forma Statements of Financial Position on the audited financial statements of the Group as at 31 December 2023 had the events occurred or transactions been undertaken on 31 December 2023.

The financial statement used in preparation of this Pro Forma Statements of Financial Position as at 31 December 2023 were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Statements of Financial Positions are not necessary indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. The Pro Forma Statements of Financial Position have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual financial position of the Group.

**6. Listing Scheme**

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:

**6.1 Acquisition of ACS**

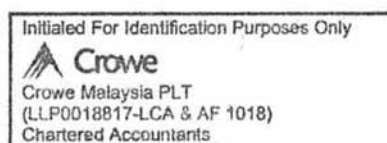
On 8 August 2023, Agricore CS Holdings entered into a conditional share sale agreement to acquire the entire issued share capital of ACS comprising 10,000,000 ACS Shares from the Vendors for a purchase consideration of RM23,357,895 via the issuance of 151,085,998 Agricore CS Holdings Shares.

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA position of ACS as at 31 December 2022 and the declaration of a single tier interim dividend of RM1,423,000 in respect of financial year ended 31 December 2022. The Acquisition of ACS was completed on 7 March 2024 and ACS became a wholly-owned subsidiary of the Company.



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

**AGRICORE CS HOLDINGS BERHAD**



**APPENDIX A**

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

**6. Listing Scheme (Cont'd)**

**6.2 IPO**

Public issue of 51,714,000 Issue Shares, representing 25.50% of the enlarged share capital of Agricore CS Holdings, at the IPO Price, to be allocated in the following manner:

- (a) 10,140,000 Issue Shares, representing 5.00% of the enlarged share capital, are made available for application by the Malaysian Public;
- (b) 10,140,000 Issue Shares, representing 5.00% of the enlarged share capital, are made available for application by the eligible Directors, employees and persons who have contributed to the success of Agricore CS Holdings Group;
- (c) 25,350,000 Issue Shares, representing 12.50% of the enlarged share capital, are made available for application by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry; and
- (d) 6,084,000 Issue Shares, representing 3.00% of the enlarged share capital, are made available for application by way of private placement to selected investors.

Upon completion of the Public Issue, the share capital of Agricore CS Holdings shall increase from RM23,357,897 comprising 151,086,000 Agricore CS Holdings Shares to approximately RM49,214,897 comprising 202,800,000 shares in Agricore CS Holdings.

**6.3 Listing on Bursa Securities**

The admission of Agricore CS Holdings to the Official List of Bursa Securities, and the entire enlarged issued share capital of RM49,214,897 comprising 202,800,000 Agricore CS Holdings Shares shall be listed on the ACE Market of Bursa Securities upon completion of the IPO.

**7. Pro Forma Adjustments to the Pro Forma Statements of Financial Position**

The Pro Forma Combined Statements of Financial Position as at 31 December 2023 have been prepared solely for illustration purposes only to show the effects of the following transactions based on the assumptions that they had been undertaken on 31 December 2023:

**7.1 Pro Forma I**

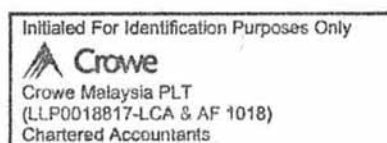
Pro Forma I incorporates the effects after the Acquisition of ACS as set out in Section 6.1.

**7.2 Pro Forma II**

Pro Forma II incorporates the effects of Pro Forma I and effect of the Public Issue as set out in Section 6.2 above.

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

AGRICORE CS HOLDINGS BERHAD



APPENDIX A

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)****7. Pro Forma Adjustments to the Pro Forma Statements of Financial Position (Cont'd)****7.3 Pro Forma III**

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and effect of the utilisation of the proceeds from the Public Issue. The proceeds from Public Issue are intended to be used as follows:

<b>Utilisation of proceeds</b>	<b>RM'000</b>	<b>%</b>	<b>Estimated timeframe for utilisation</b>
Setup of a regional storage facility <sup>(1)</sup>	2,650	10.3	Within 12 months
Purchase of inventories <sup>(1)</sup>	18,929	73.2	Within 12 months
Recruitment of staff <sup>(1)</sup>	578	2.2	Within 12 months
Estimated listing expenses <sup>(2)</sup>	3,700	14.3	Within 1 month
<b>Total</b>	<b>25,857</b>	<b>100.0</b>	

**Notes:**

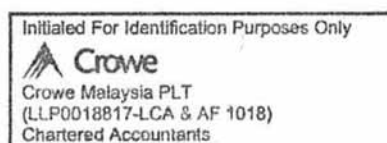
- (1) These utilisation of proceeds are not adjusted in the Pro Forma III as they are not supported by any purchase order, sale and purchase agreement or any other contractual binding agreement, and hence, they remained in the prepayment and cash and bank balances.
- (2) The estimated listing expenses to be borne by the Company is estimated to be RM3.70 million comprising professional advisory fees, underwriting commission, brokerage fees and placement fees and miscellaneous expenses. A total of RM0.75 million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against share capital. The remaining expenses of RM2.95 million are assumed to be attributable to the listing and therefore charged to the statements of profit or loss and other comprehensive income. As at 31 December 2023, RM1.25 million has been paid and debited into prepayments.

**8. Effects on the Pro Forma Statements of Financial Position****8.1 Prepayments**

	<b>RM'000</b>
As at 31 December 2023 / As per Pro Forma I and II	2,028
Pursuant to prepaid listing expenses <sup>^</sup>	(1,245)
As per Pro Forma III	<u>783</u>

<sup>^</sup> As at 31 December 2023, RM1.25 million of listing expenses have been recognised as prepayment which will be offset against share capital and expensed off to profit or loss upon Listing.

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



APPENDIX A

AGRICORE CS HOLDINGS BERHAD

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

**8. Effects on the Pro Forma Statements of Financial Position (Cont'd)**

**8.2 Cash and cash equivalents**

	<b>RM'000</b>
As at 31 December 2023 / As per Pro Forma I	11,510
Pursuant to Public Issue	<u>25,857</u>
As per Pro Forma II	37,367
Pursuant to estimated listing expenses <sup>^</sup>	<u>(2,455)</u>
As per Pro Forma III	<u>34,912</u>

<sup>^</sup> As at 31 December 2023, RM1.25 million of listing expenses have been recognised as prepayment which will be offset against share capital and expensed off to profit or loss upon Listing.

**8.3 Share capital**

	<b>Number of Ordinary Shares ( '000)</b>	<b>Amount of share capital RM'000</b>
As at 31 December 2023	#	^
Pursuant to Acquisition of ACS	<u>151,086</u>	<u>23,358</u>
As per Pro Forma I	151,086	23,358
Pursuant to Public Issue	<u>51,714</u>	<u>25,857</u>
As per Pro Forma II	202,800	49,215
Estimated listing expenses (Section 7.3)	-	(748)
As per Pro Forma III	<u>202,800</u>	<u>48,467</u>

# Represent 2 ordinary shares

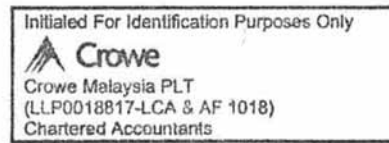
<sup>^</sup> Represent RM2

**8.4 Invested capital**

	<b>Amount of share capital RM'000</b>
As at 31 December 2023	10,000
Pursuant to Acquisition of ACS	<u>(10,000)</u>
As per Pro Forma I, II and III	<u>-</u>

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

**AGRICORE CS HOLDINGS BERHAD**



**APPENDIX A**

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

**8. Effects on the Pro Forma Statements of Financial Position (Cont'd)**

**8.5 Re-organisation reserve**

**RM'000**

As at 31 December 2023	-
Pursuant to Acquisition of ACS	(13,358)
As per Pro Forma I, II and III	<u>(13,358)</u>

**8.6 Retained profits**

**RM'000**

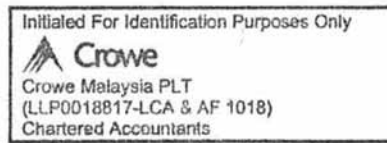
As at 31 December 2023 / As per Pro Forma I and II	20,135
Estimated listing expenses (Section 7.3)	(2,952)
As per Pro Forma III	<u>17,183</u>

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

**AGRICORE CS HOLDINGS BERHAD**

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors in accordance with a resolution dated 02 MAY 2024



**APPENDIX A**

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to be "Datuk Keh Chuan Seng".

**Datuk Keh Chuan Seng**

A handwritten signature in black ink, appearing to be "Oon Boon Khong".

**Oon Boon Khong**

## 15. STATUTORY AND OTHER INFORMATION

### 15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.2:
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the subscriber Shares, new Shares issued for the Acquisition and to be issued for the Public Issue as disclosed in Sections 6.2 and 4.3.1 respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, our Company does not have any outstanding convertible debt securities.

### 15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our Company's share capital are as set out in Section 6.1. Details of the share capital of our subsidiaries are as set out below.

#### 15.2.1 ACS

ACS's issued share capital as at LPD is RM10,000,000 comprising 10,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
3 February 2009	3 Ordinary	RM3 / Cash	3
24 April 2009	97 Ordinary	RM97 / Cash	100
25 May 2009	99,900 Ordinary	RM99,900 / Cash	100,000
26 May 2010	150,000 Ordinary	RM150,000 / Cash	250,000
29 December 2012	2,150,000 Ordinary	RM2,150,000 / Cash	2,400,000
9 July 2020	<sup>(1)(3)</sup> 30,000 Ordinary A	RM30,000 / Cash	2,430,000
9 July 2020	<sup>(2)(3)</sup> 20,000 Ordinary B	RM20,000 / Cash	2,450,000
30 November 2021	3,250,000 Ordinary	RM3,250,000 / Cash	5,700,000
30 December 2022	4,300,000 Ordinary	RM4,300,000 / Cash	10,000,000

#### Notes:

- <sup>(1)</sup> The voting rights for Ordinary A shares of ACS is similar to the voting rights attached to a share, being 1 vote per share.

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

- (2) The voting rights for Ordinary B shares of ACS was 25.5 votes per share. Thereafter, effective from 29 November 2021, the voting rights of Ordinary B shares of ACS were varied to 58 votes per share.
- (3) On 20 December 2022, the voting rights of Ordinary A shares and Ordinary B shares of ACS were varied to 1 vote per share whereupon the shares became a single class of ordinary shares.

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

**15.2.2 Bapas**

Bapas' issued share capital as at LPD is RM3,000,000 comprising 3,000,000 ordinary shares. The movements in its issued share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
30 December 2014	3	RM3 / Cash	3
2 January 2015	97	RM97 / Cash	100
22 June 2015	199,900	RM199,900 / Cash	200,000
24 December 2020	300,000	RM300,000 / Cash	500,000
30 November 2021	1,900,000	RM1,900,000 / Cash	2,400,000
8 December 2022	600,000	RM600,000 / Otherwise than Cash	3,000,000

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

**15.3 CONSTITUTION**

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

**15.3.1 Changes in share capital and variation of class rights**

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

**Paragraph 9 to 11 – Alteration of Share Capital****Paragraph 9**

Subject always to Paragraph 4 of the Constitution<sup>^</sup>, the Company shall have the power to increase or reduce the capital, to consolidate or subdivide the shares into shares of larger or smaller amounts and to issue all or any part of the original or any additional capital as fully paid or partly paid shares, and with any special or preferential rights or privileges, or subject to any special terms or conditions and either with or without any special designation, and also from time to time to alter, modify, commute, abrogate or deal with any such privileges, terms, conditions or designations in accordance with this Constitution and the Act.

<sup>^</sup> Paragraph 4 of the Constitution states that the liability of the Members is limited.

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

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Paragraph 10

The Company may from time to time by special resolution alter its share capital in any one or more of the following ways:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) 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 dividend, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of shares into any other class of shares.

Paragraph 11

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

**Paragraph 12 to 13 – Allotment of Shares**

Paragraph 12

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the Act, the Central Depositories Act and to the conditions, restrictions and limitations expressed in this Constitution and to the provisions of any resolution of the Company, the Directors may allot, grant options over or otherwise dispose of the unissued share capital of the Company to such persons, at such time and on such terms and conditions, with such preferred or deferred or other special rights as they think proper, PROVIDED ALWAYS THAT:

- (a) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
- (b) in the case of shares other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution; and
- (c) every issue of shares or options to employees and/or Directors of the Company or its subsidiaries pursuant to a share issuance scheme shall be approved by the Members in general meeting; No director shall participate in a share issuance scheme unless the Members in general meeting have approved the specific allotment to be made to such Director.



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

## Paragraph 13

Subject to the approval of the shareholders of the Company, this Constitution, the provisions of the Act, the Listing Requirements, the Central Depositories Act and or any other relevant authority, the Company may upon the recommendation of the Directors remunerate any employees and/or Directors of the Company or its subsidiaries by establishing an employee share scheme. The terms and conditions of the employee share scheme shall be determined by the Board.

**Paragraph 14 – Rights of preference shareholders**

Subject to the Applicable Laws and any other requirements of the Securities Commission, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and if the Company at any time issues preference capital, it shall indicate at the same time whether it reserves the right to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and audited financial statements and attending general meetings of the Company. PROVIDED always that preference shareholders shall not have the right to vote at any general meeting of the Company except on each of the following circumstances:

- (a) when the dividend or part of the dividend on the preference share is in arrears for more than six (6) months;
- (b) on a proposal to reduce the company's share capital;
- (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- (d) on a proposal that affects rights attached to the preference shares;
- (e) on a proposal to wind up the Company; and
- (f) during the winding up of the Company.

**Paragraph 16 – Share buy-back**

Subject to and in accordance with the Act and the Rules and requirements of the Bursa Securities, the Bursa Depository, the Securities Commission and any other relevant authorities, the Company shall have the power to purchase its own shares. Any ordinary shares in the Company so purchased by the Company shall be dealt with as provided by the Act and the Listing Requirements and or requirements of any other relevant authority.

**Paragraph 18 – Shares issued for the purpose of raising money for the construction of works or building**

Where any shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

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

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**Paragraph 19 to 21 – Variation of rights on shares**

## Paragraph 19

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 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 meetings of Members shall mutatis mutandis apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy at least one-tenth (1/10) 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.

## Paragraph 20

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

## Paragraph 21

The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of 10% of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. Such commission may be satisfied by the payment of cash or the allotment of fully paid up shares or partly paid up shares or by a combination of any of the aforesaid methods of payment. The Company may, on any issue of shares, also pay such brokerage as may be lawful.

**15.3.2 Borrowing and voting powers of the directors**

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

## Paragraph 115

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Board to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- (b) 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 in regard to the registration of mortgages and charges therein specified and otherwise.

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

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- (c) 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, 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 persons so becoming liable as aforesaid from any loss in respect of such liability.

Paragraph 130(2)

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. In the case of an equality of votes, the Chairman meeting shall have a second or casting vote except in situation where two (2) Directors form a quorum, the Chairman at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote.

Paragraph 131

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 222 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Paragraph 132

A Director, notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any office or place of profit under the Company or whereat the Board resolves to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement in which he is in any way interested provided always that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

Paragraph 133

A Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) 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 the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

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

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Paragraph 134

A Director may be or become director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise, or any corporation, which is directly or indirectly interested in the Company as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such corporation, unless the Company otherwise directs at the time of his appointment. The Director may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them Directors or other officers of such corporation) and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in manner aforesaid provided always that he has complied with Section 221 and all other relevant provisions of the Act and of this Constitution.

**15.3.3 Remuneration of directors**

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

Paragraph 108

Subject to Sections 230 of the Act, the fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director shall from time to time be determined and approved annually by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover but may include a commission on or percentage of profits;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) 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.

Paragraph 110

- (a) The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

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

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- (b) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Paragraph 141

The remuneration of the Chief Executive / Managing Director and the Deputy Managing Director may subject to the terms of any agreement entered into in any particular case, be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they may receive pension, gratuity or other benefits upon their retirement.

**15.3.4 Transfer of Shares**

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

**Paragraph 47 to 51 – Transfer of shares**

Paragraph 47

The transfer of any listed security or class of any listed security of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

Paragraph 48

- (a) Subject to the Central Depositories Act and the Rules, the Board may in its absolute discretion and without assigning any reason thereof authorise its registrar to cause the Bursa Depository to decline to register any transfer of share upon which the Company has a lien or which are not fully paid-up.
- (b) Subject to the Central Depositories Act and the Rules, the Board may also authorise its registrar to cause the Bursa Depository to decline to register any transfer unless such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer is deposited at such place as the Directors may appoint.

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

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Paragraph 49

The Register may be closed at such time and for such period as the Company may from time to time determine PROVIDED ALWAYS that they shall not be closed for more than thirty (30) days in any calendar year. Any notice of intention to fix a books closing date and the reason therefor shall be given to the Bursa Securities, such notice shall state the books closing date, which shall be at least ten (10) Market Days (or such other period as may be prescribed by the Bursa Securities) after the date of notification to the Bursa Securities, and the address of the share registrar at which documents will be accepted for registration. In relation to such closure, the Company shall give written notice, in accordance with the Rules to issue the appropriate Record of Depositors.

Paragraph 50

- (a) No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
- (b) Nothing in this Constitution shall preclude the Board from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Paragraph 51

- (a) There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title of any shares, such fee as may be permitted by the relevant law and as the Board may from time to time require or prescribe.
- (b) All transfer of securities deposited with a Bursa Depository, including but not limited to the Deposited Security, shall be in compliance with the relevant laws and Rules.

**15.4 GENERAL INFORMATION**

- (a) Save for the dividends paid to our shareholders in FYE 2020, FYE 2021 and FYE 2023, and Directors' remuneration as disclosed in Sections 5.1.5 and 5.2.4 respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.
- (b) None of our Promoters, Directors, substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

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

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**15.5 CONSENTS**

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

**15.6 DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statements of Agricore CS Holdings from the date of incorporation up to 31 December 2023;
- (c) Audited financial statements of ACS and Bapas for FYE 2020 to 2023;
- (d) Accountants' Report as set out in Section 13;
- (e) Reporting Accountants' Report relating to our pro forma combined financial information as set out in Section 14;
- (f) IMR Report as set out in Section 8;
- (g) Material contracts as set out in Section 6.5; and
- (h) Letters of consent as set out in Section 15.5.

**15.7 RESPONSIBILITY STATEMENTS**

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

## 16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.**

**Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### 16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 30 MAY 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 7 JUNE 2024

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

**Late Applications will not be accepted.**

### 16.2 METHODS OF APPLICATIONS

#### 16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<b>Types of Application and category of investors</b>	<b>Application Method</b>
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

#### 16.2.2 Placement

<b>Types of Application</b>	<b>Application Method</b>
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions



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

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

### **16.3 ELIGIBILITY**

#### **16.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. **The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Application.**

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

#### **16.3.2 Application by Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (a) You must be one of the following:
  - (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
  - (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
  - (i) White Application Form; or
  - (ii) Electronic Share Application; or
  - (iii) Internet Share Application.

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

### **16.3.3 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 IPO shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

### **16.4 APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.50 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 766**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

**Tricor Investor & Issuing House Services Sdn Bhd**  
(Registration No. 197101000970 (11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 7 June 2024 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

### **16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

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

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The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

**16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

**16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
  - (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (ii) are illegible, incomplete or inaccurate; or
  - (iii) are accompanied by an improperly drawn up or improper form of remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

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

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**16.8 OVER / UNDER SUBSCRIPTION**

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at <https://tiih.online> within 1 market day after the balloting date.

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

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.3, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

**16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

**16.9.1 For applications by way of Application Forms**

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

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

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- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

**16.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**16.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

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

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**16.11 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. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

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

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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