

All terms and abbreviations used herein shall have the same meanings as those defined in the “Definitions” section of this AP, unless stated otherwise.

No securities will be allotted or issued based on this AP after 6 months from the date of this AP.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS AP. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT A PROFESSIONAL ADVISER IMMEDIATELY. If you have sold or transferred all your shares in our Company, you should immediately hand this AP together with the NPA and RSF (collectively referred to as “Documents”) to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue to our Share Registrar, Aldpro Corporate Services Sdn. Bhd., at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur (Tel. No.: +603-9770 2200).

This AP has been registered by the SC. The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this AP. The SC has not, in any way, considered the merits of the Rights Issue. A copy this AP, together with the NPA and RSF, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval from our shareholders for the Rights Issue was obtained at our EGM held on 29 December 2022. Bursa Securities had, vide its letter dated 30 November 2022, approved the admission of the Warrants to the Official List of the Main Market of Bursa Securities and the listing and quotation for the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of Warrants on the Main Market of Bursa Securities. However, this shall not be taken as an indication of the merits of the Rights Issue. The admission of the Warrants to the Official List and the listing and quotation for the Rights Shares and Warrants will commence after, amongst others, the receipt of confirmation from Bursa Depository that all the CDS Accounts of the successful Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) have been duly credited with the relevant Rights Shares with Warrants allotted to them and notices of allotment have been despatched or sent to them.

The Documents are only despatched to our Entitled Shareholders whose names appear on our Record of Depositors as at 5.00 p.m. on 17 January 2023 at their registered addresses in Malaysia or who have provided our Share Registrar with their Malaysian address in writing by 5.00 p.m. on 17 January 2023. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue or the Documents complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether the acceptance and/or sale/renunciation (as the case may be) of their entitlements to the Rights Issue or application for excess Rights Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) should note the additional terms and restrictions as set out in Section 9 of this AP. Neither our Company, TA Securities nor any other professional adviser in relation to the Rights Issue shall accept any responsibility or liability whatsoever to any party in the event that any acceptance and/or sale/renunciation (as the case may be) made by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are residents.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this AP, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this AP.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 5 OF THIS AP.



ANNUM BERHAD
SINCE 1997

ANNUM BERHAD
(Registration No.: 199701030432 (445931-U))
(Incorporated in Malaysia)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 130,000,000 NEW ORDINARY SHARES IN ANNUM BERHAD (“ANNUM SHARES”) (“RIGHTS SHARES”) ON THE BASIS OF 4 RIGHTS SHARES FOR EVERY 3 ANNUM SHARES HELD AS AT 5.00 P.M. ON 17 JANUARY 2023 AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE, TOGETHER WITH UP TO 97,500,000 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 3 WARRANTS FOR EVERY 4 RIGHTS SHARES SUBSCRIBED FOR (“RIGHTS ISSUE”)

Principal Adviser and Sole Underwriter

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIME

Entitlement Date	:	Tuesday, 17 January 2023 at 5.00 p.m.
Last day, date and time for:		
Sale of provisional allotment of rights	:	Thursday, 26 January 2023 at 5.00 p.m.
Transfer of provisional allotment of rights	:	Monday, 30 January 2023 at 4.30 p.m.
Acceptance and payment	:	Tuesday, 7 February 2023 at 5.00 p.m.
Excess application and payment	:	Tuesday, 7 February 2023 at 5.00 p.m.

This AP is dated 17 January 2023

All terms and abbreviations used herein shall have the same meanings as those defined in the “Definitions” section of this AP, unless stated otherwise.

OUR DIRECTORS HAVE SEEN AND APPROVED ALL THE DOCUMENTATION RELATING TO THE RIGHTS ISSUE. 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 STATEMENTS OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS AP FALSE OR MISLEADING.

TA SECURITIES, BEING THE PRINCIPAL ADVISER AND SOLE UNDERWRITER FOR THE RIGHTS ISSUE, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS AP CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE AND YOUR INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THIS AP THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS AP OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO OUR COMPANY.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO THE LAWS OF MALAYSIA. WE AND OUR ADVISERS IN RELATION TO THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS IN RELATION TO THE RIGHTS ISSUE HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS IN RELATION TO THE RIGHTS ISSUE REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS IN RELATION TO THE RIGHTS ISSUE HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

“5D-VWAP”	:	5-day VWAP
“9M FPE”	:	9-month period ended 30 September
“Act”	:	Companies Act, 2016
“Additional Lands”	:	Other land(s) located in TKPM and/or farming lands located elsewhere (if any) to be identified by our Company for the Smart Farming Business
“Announcements”	:	The announcements of the Corporate Exercises dated 3 October 2022 and 6 October 2022
“Annum” or “Company”	:	Annum Berhad
“Annum EPCC”	:	Annum EPCC Sdn. Bhd. (an indirect wholly-owned subsidiary of our Company)
“Annum Group” or “Group”	:	Our Company and our subsidiaries, collectively
“Annum Industries”	:	Annum Industries Sdn. Bhd. (an indirect wholly-owned subsidiary of our Company)
“Annum Sahabatko”	:	Annum Sahabatko Sdn. Bhd. (an indirect 75%-owned subsidiary of our Company)
“Annum Share” or “Share”	:	Ordinary share in our Company
“AP”	:	This Abridged Prospectus issued by our Company dated 17 January 2023
“Board”	:	Board of Directors of our Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn. Bhd.
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CCM”	:	Companies Commission of Malaysia
“CDS”	:	Central Depository System
“CDS Account”	:	The securities account established by Bursa Depository for a depositor pursuant to SICDA and the Rules of Bursa Depository for the recording of deposits and dealing in securities by the depositor
“Circular”	:	The circular to our shareholders dated 14 December 2022 in relation to the Corporate Exercises
“Closing Date”	:	7 February 2023 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Provisional Allotments as well as application and payment for the excess Rights Shares with Warrants
“CMSA”	:	Capital Markets and Services Act, 2007
“Code”	:	Malaysian Code on Take-overs and Mergers 2016 issued by the SC

DEFINITIONS (*CONT'D*)

“Collaboration Agreements”	: Collectively referred to the following:
	(i) the collaboration agreement dated 23 September 2022 entered into between Annum Industries and Shahrudin for the Smart Farming Business on Setiu Land I; and
	(ii) the collaboration agreement dated 23 September 2022 entered into between Annum Industries and PWTSB for the Smart Farming Business on Setiu Land II
“Corporate Exercises”	: The Diversification and the Rights Issue, collectively
“COVID-19”	: Novel coronavirus 2019
“Deed Poll”	: Deed poll dated 3 January 2023 constituting the Warrants
“Director”	: A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in section 2(1) of the Act and section 2(1) of the CMSA
“Diversification”	: Diversification of the existing businesses of our Group to include Smart Farming Business
“e-RSF”	: Electronic RSF
“e-Subscription”	: Electronic subscription
“EGM”	: Extraordinary general meeting of our Company held on 29 December 2022 in relation to the Corporate Exercises
“Entitled Shareholders”	: Our shareholders whose names appear on the Record of Depositors of our Company on the Entitlement Date
“Entitlement Date”	: 17 January 2023 at 5.00 p.m., being the date and time on which our shareholders must be registered on the Record of Depositors of our Company in order to be entitled for the Rights Issue
“EPS”	: Earnings per Share
“Foreign Entitled Shareholder”	: Entitled Shareholder who has not provided an address in Malaysia for the service of documents to be issued for the purposes of the Rights Issue
“FYE”	: Financial year ended/ending 31 December, as the case may be
“GL”	: Gross loss
“GP”	: Gross profit
“IMR Report”	: Independent Market Research Report on Fruits and Vegetables Farming Industry in Malaysia dated 29 December 2022 prepared by Providence Strategic Partners Sdn. Bhd.
“IoT”	: Internet of things
“IT”	: Information technology
“JPNT”	: Department of Agriculture of the State of Terengganu (<i>Jabatan Pertanian Negeri Terengganu</i>)
“KOSAHABAT”	: Koperasi Permodalan Sahabat Terengganu Berhad, a shareholder of Annum Sahabatko

DEFINITIONS (*CONT'D*)

“LAT”	:	Loss after tax attributable to owners of our Company
“Lease Agreements”	:	Collectively referred to the following: <ul style="list-style-type: none"> (i) the lease agreement dated 3 April 2022 entered into by Shahrudin and the Terengganu State Government (<i>Kerajaan Negeri Terengganu</i>), as represented by JPNT for the lease of Setiu Land I, as supplemented by the supplemental letter dated 8 September 2022; and (ii) the lease agreement dated 7 August 2022 entered into by PWTSB and the Terengganu State Government (<i>Kerajaan Negeri Terengganu</i>), as represented by JPNT for the lease of Setiu Land II, as supplemented by the supplemental letter dated 8 September 2022
“Lessees”	:	Shahrudin and PWTSB, collectively
“LPD”	:	29 December 2022, being the latest practicable date prior to the date of this AP
“LPS”	:	Loss per Share
“LTD”	:	30 December 2022, being the last trading day prior to the date of fixing the issue price of Rights Share and the exercise price of Warrant
“Main LR”	:	Main Market Listing Requirements of Bursa Securities
“Market Day”	:	A day on which Bursa Securities is open for the trading of securities
“Maximum Scenario”	:	Up to 130,000,000 Rights Shares with up to 97,500,000 Warrants to be issued under the Rights Issue (refer to Section 2.1 of this AP for further details)
“Minimum Scenario” or “Minimum Subscription Level”	:	26,666,667 Rights Shares with 20,000,000 Warrants to be issued under the Rights Issue (refer to Section 2.1 of this AP for further details)
“NA”	:	Net assets
“NPA”	:	Notice of Provisional Allotments in relation to the Rights Issue
“Official List”	:	A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities
“PAT”	:	Profit after tax attributable to owners of our Company
“Placement”	:	A private placement of 22,500,000 new Shares, representing 30% of our then issued share capital, at an issue price of RM0.5500 each, which was completed on 18 March 2022
“Provisional Allotments”	:	Rights Shares with Warrants provisionally allotted to our Entitled Shareholders pursuant to the Rights Issue
“PWTSB”	:	Perladangan Warisan Timur Sdn. Bhd.
“Record of Depositors”	:	A record of depositors maintained by Bursa Depository under the Rules of Bursa Depository

DEFINITIONS (CONT'D)

“Rights Issue”	:	Renounceable rights issue of up to 130,000,000 Rights Shares on the basis of 4 Rights Shares for every 3 Shares held on the Entitlement Date at an issue price of RM0.30 per Rights Share, together with up to 97,500,000 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed for
“Rights Shares”	:	Up to 130,000,000 new Shares to be issued pursuant to the Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights Subscription Form in relation to the Rights Issue
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
“Rules of Bursa Depository”	:	Rules of Bursa Depository including the rules in relation to a central depository as described in section 2 of the SICDA
“SC”	:	Securities Commission Malaysia
“Setiu Land I”	:	A parcel of land located in TPKM measuring approximately 9.39 hectares (or approximately 23.20 acres) in area and delineated upon Plan No. Lot 43A, leased by Shahrudin from the Terengganu State Government (<i>Kerajaan Negeri Terengganu</i>), as represented by JPNT
“Setiu Land II”	:	A parcel of land located in TPKM measuring approximately 4.90 hectares (or approximately 12.11 acres) in area and delineated upon Plan No. Lot 51A, leased by PWTSB from the Terengganu State Government (<i>Kerajaan Negeri Terengganu</i>), as represented by JPNT
“Setiu Lands”	:	Setiu Land I and Setiu Land II, collectively
“Shahrudin”	:	Shahrudin Bin Tan Sri Dato’ Haji Abdullah
“Share Registrar” or “Aldpro”	:	Aldpro Corporate Services Sdn. Bhd.
“SICDA”	:	Securities Industry (Central Depositories) Act, 1991
“Smart Farming Business”	:	Business of adoption of smart farming methods for various types of fruits and vegetables and be involved in the full spectrum of agribusiness supply chain for fruits and vegetables which entails, amongst others, planting, harvesting, packaging, marketing, sales and distribution of fruits and vegetables (refer to Appendix IV of this AP for an overview of the Smart Farming Business of our Group)
“TA Securities” or “Principal Adviser” or “Sole Underwriter”	:	TA Securities Holdings Berhad
“TEAP”	:	Theoretical ex-all price
“TKPM”	:	Food Production Permanent Park (<i>Taman Kekal Pengeluaran Makanan</i>) located in Rhu Tapai, Setiu, Terengganu
“Underwriting Agreement”	:	Underwriting agreement dated 3 January 2023 entered into between our Company and TA Securities for the underwriting of 26,666,667 Rights Shares together with 20,000,000 Warrants
“VWAP”	:	Volume weighted average price

DEFINITIONS (*CONT'D*)

“Warrant” : Up to 97,500,000 free detachable warrants to be issued pursuant to the Rights Issue

“Warrant Holder” : The holder of the Warrants

All references to “we”, “us” “our” and “ourselves” are to our Company, or where the context requires, our Group.

All references to “you” or “your” in this AP are to our Entitled Shareholders and/or, where the context requires otherwise, their renounee(s) and/or transferee(s) (if applicable).

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of a day in this AP shall be reference to Malaysian time, unless otherwise specified.

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ADVISERS' DIRECTORY

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- Person in charge: Melissa Lim Li Hua
Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia
- STOCK EXCHANGE LISTING** : Main Market of Bursa Securities

SUMMARY OF THE RIGHTS ISSUE

THIS SUMMARY OF THE RIGHTS ISSUE ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS AP. IT DOES NOT CONTAIN ALL INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE AP.

Key information	Description	Reference in AP																				
Issue size and basis of allotment	A renounceable rights issue of up to 130,000,000 Rights Shares on the basis of 4 Rights Shares for every 3 Shares held on the Entitlement Date, together with up to 97,500,000 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed for.	Section 2																				
Issue price of Rights Share	RM0.30 per Rights Share, payable in full upon acceptance and/or application. It represents a discount of approximately 2.53% to the TEAP of our Share of RM0.3078 each (computed based on the 5D-VWAP of our Share up to and including the LTD of RM0.3260 each).	Section 2.2(i)																				
Exercise price of Warrant	<p>RM0.30 per Warrant. It represents a discount of approximately 2.53% to the TEAP of our Share of RM0.3078 each (computed based on the 5D-VWAP of our Share up to and including the LTD of RM0.3260 each).</p> <p>Each Warrant entitles the registered holder to subscribe for 1 new Share at any time during the exercise period and at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).</p> <p>The Warrants will be issued at no cost to our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who successfully subscribed for the Rights Shares.</p>	Sections 2.2(ii) and 2.6 (Salient terms of the Warrants)																				
Minimum Subscription Level and Underwriting Agreement	<p>The Rights Issue will be implemented on the Minimum Subscription Level, i.e., to raise minimum gross proceeds of RM8.00 million.</p> <p>To meet the Minimum Subscription Level, our Company has entered into the Underwriting Agreement with the Sole Underwriter to underwrite 26,666,667 Rights Shares together with 20,000,000 Warrants (representing the entire issue size of the Rights Issue under the Minimum Subscription Level).</p>	Section 2.4																				
Utilisation of proceeds	<p>The total gross proceeds to be raised from the Rights Issue will be utilised in the following manners:</p> <table border="1"> <thead> <tr> <th></th> <th>Minimum Scenario (RM'000)</th> <th>Maximum Scenario (RM'000)</th> <th>Expected timeframe for utilisation of proceeds[^]</th> </tr> </thead> <tbody> <tr> <td>Set-up of greenhouses and purchase and installation of its related facilities for the Smart Farming Business</td> <td>7,200</td> <td>35,000</td> <td>Within 36 months</td> </tr> <tr> <td>Working capital for the Smart Farming Business</td> <td>-</td> <td>3,200</td> <td>Within 12 months</td> </tr> <tr> <td>Estimated expenses for the Corporate Exercises</td> <td>800</td> <td>800</td> <td>Within 1 month</td> </tr> <tr> <td>TOTAL</td> <td>8,000</td> <td>39,000</td> <td></td> </tr> </tbody> </table> <p><i>Note:</i> [^] From the date of completion of the Rights Issue.</p>		Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected timeframe for utilisation of proceeds[^]	Set-up of greenhouses and purchase and installation of its related facilities for the Smart Farming Business	7,200	35,000	Within 36 months	Working capital for the Smart Farming Business	-	3,200	Within 12 months	Estimated expenses for the Corporate Exercises	800	800	Within 1 month	TOTAL	8,000	39,000		Section 4
	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Expected timeframe for utilisation of proceeds[^]																			
Set-up of greenhouses and purchase and installation of its related facilities for the Smart Farming Business	7,200	35,000	Within 36 months																			
Working capital for the Smart Farming Business	-	3,200	Within 12 months																			
Estimated expenses for the Corporate Exercises	800	800	Within 1 month																			
TOTAL	8,000	39,000																				

SUMMARY OF THE RIGHTS ISSUE (CONT'D)

Key information	Description	Reference in AP
Rationale	<ul style="list-style-type: none"> • Raises up to RM38.20 million under the Maximum Scenario for the Smart Farming Business without incurring debt obligations and interest costs as compared to bank borrowings; • Strengthens our capital base and improves our Group's financial position and future earnings when the economic and financial benefits from the use of proceeds for the Smart Farming Business are realised as well as increases the NA and improves gearing level of our Group, thereby providing us with additional debt headroom to procure debts funding in the future (if required); • Involves issuance of new Shares without diluting our existing shareholders' shareholding, assuming that all Entitled Shareholders fully subscribe for their respective entitlements; • Provides an opportunity for our existing shareholders to increase equity participation in our Company by subscribing to the Rights Shares and exercising the Warrants into new Shares; and • Allows us to raise additional funds for, amongst others, our Group's working capital requirements as and when the Warrants are exercised. 	Section 3
Risk factors	<p>You should consider the following material risk factors before investing in the Rights Issue:</p> <ul style="list-style-type: none"> (i) our Group is subject to risk on loss of key personnel without suitable and timely replacement, which may adversely affect our Group's revenue and profitability; (ii) our Group's plywood segment is subject to fluctuations in selling prices of plywood products; and risk of shortage of supply of and lower demand for plywood, which will affect our Group's financial condition; (iii) our Group's construction segment is subject to risk of shortage of skilled labour in the construction sector and availability of construction materials which may affect work progress; and fluctuation in prices of construction materials which may affect our Group's profitability; (iv) our Group's wholesale segment faces competitive pricing from competitors, which may adversely affect the revenue and profit of our Group; (v) our Group's Smart Farming Business is subject to risk of termination and/or non-renewal of collaboration agreements and/or lease or tenancy agreements over the Setiu Lands and/or the Additional Lands, which could disrupt farming activities and operations of Smart Farming Business; and (vi) the Rights Issue is subject to investment risk (fluctuations in market prices of our Shares and Warrants) and exposed to risk that it may be delayed or aborted. 	Section 5
Procedures for applications	<p>Acceptance of and payment for the Provisional Allotments and application and payment for the excess Rights Shares with Warrants must be made by way of the RSF enclosed with this AP or by way of electronic submission of e-RSF at our Share Registrar's Investor Portal at https://www.aldpro.com.my and must be completed in accordance with the terms and conditions contained therein.</p> <p>The last day, date and time for acceptance of and payment for the Provisional Allotments and the application and payment for the excess Rights Shares with Warrants is on Tuesday, 7 February 2023 at 5.00 p.m.</p>	Section 9



ANNUM BERHAD
SINCE 1997

ANNUM BERHAD
(Registration No.: 199701030432 (445931-U))
(Incorporated in Malaysia)

Registered Office:

B-21-1, Level 21, Tower B
Northpoint Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur

17 January 2023

Board of Directors

Kenneth Chai Chuan Teong (*Independent Non-Executive Chairman*)
David Wong You King (*Executive Director*)
Lim Yun Nyen (*Executive Director*)
Khor Chin Meng (*Independent Non-Executive Director*)
Yan Ying Chieh (*Independent Non-Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE

1. INTRODUCTION

On 3 October 2022, TA Securities had announced on behalf of our Board that our Company proposed to undertake the Corporate Exercises.

On 6 October 2022, TA Securities had announced on behalf of our Board that our Board had resolved to revise the basis of determining the issue price of Rights Share and the exercise price of Warrant (refer to Section 2.2 of this AP for further details).

Bursa Securities had, vide its letter dated 30 November 2022, approved the following:

- (i) admission of Warrants to the Official List; and
- (ii) listing and quotation of the following on the Main Market of Bursa Securities:
 - (a) up to 130,000,000 Rights Shares and up to 97,500,000 Warrants to be issued pursuant to the Rights Issue; and
 - (b) up to 97,500,000 new Shares to be issued pursuant to the exercise of Warrants.

The approval of Bursa Securities for the above is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(i)	Our Company and TA Securities must fully comply with the relevant provisions under the Main LR at all times pertaining to the implementation of the Rights Issue;	To be complied with.
(ii)	TA Securities to inform Bursa Securities upon the completion of the Rights Issue;	To be complied with.
(iii)	TA Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed;	To be complied with.
(iv)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of new Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable; and	To be complied with.
(v)	<p>Our Company to make quarterly updates via Bursa LINK (simultaneous with the submission of Quarterly Report) on the following:</p> <p>(a) the status on each of the event, project or purpose for which the total proceeds raised from the Rights Issue are utilised for, including but not limited to, the percentages of completion of projects / initiatives; and</p> <p>(b) where relevant, details on where the balance of proceeds raised is being placed (pending utilisation). If it is parked with asset management company / fund manager, to disclose the name of the asset management company / fund manager.</p>	To be complied with.

On 29 December 2022, our shareholders had approved the Corporate Exercises at our EGM.

On 3 January 2023, TA Securities had announced on behalf of our Board that:

- (i) the Entitlement Date has been fixed on 17 January 2023 at 5.00 p.m. together with the other relevant dates pertaining to the Rights Issue;
- (ii) our Board resolved to fix the issue price of Rights Share at RM0.30 each and the exercise price of Warrant at RM0.30 each;
- (iii) our Company had executed the Deed Poll; and
- (iv) our Company had executed the Underwriting Agreement.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by us or TA Securities in connection with the Rights Issue.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

Our Company proposes to issue up to 130,000,000 Rights Shares on the basis of 4 Rights Shares for every 3 Shares held on the Entitlement Date, together with up to 97,500,000 Warrants on the basis of 3 Warrants for every 4 Rights Shares subscribed by our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable).

2.1 Basis and number of Rights Shares with Warrants to be issued

The basis of 4 Rights Shares for every 3 Shares held on the Entitlement Date was arrived at after taking into consideration, amongst others, the following:

- (i) amount of proceeds to be raised as detailed in Section 4 of this AP; and
- (ii) rationale for the Rights Issue as set out in Section 3 of this AP.

The basis of 3 Warrants for every 4 Rights Shares subscribed for was arrived at after taking into consideration, amongst others, the following:

- (i) rationale for the Rights Issue as set out in Section 3 of this AP; and
- (ii) paragraph 6.50 of the Main LR which states that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities shall not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The Minimum Scenario and Maximum Scenario under the Rights Issue are as follows:

Minimum Scenario or Minimum Subscription Level	: 26,666,667 Rights Shares with 20,000,000 Warrants, after taking into consideration: (i) 97,500,000 Shares in issue (no treasury shares and convertible securities) as at the LPD; and (ii) our intent to raise minimum gross proceeds of RM8.00 million under the Rights Issue via the Underwriting Agreement (please refer to Section 2.4 of this AP for further details) and assuming that no Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) subscribe for their entitlements under the Rights Issue.
Maximum Scenario	: Up to 130,000,000 Rights Shares with up to 97,500,000 Warrants, after taking into consideration: (i) 97,500,000 Shares in issue (no treasury shares or convertible securities) as at the LPD; and (ii) all of our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) subscribe in full for their respective entitlements pursuant to the Rights Issue.

The actual number of Rights Shares with Warrants to be issued would depend on the number of Shares in issue on the Entitlement Date and the eventual subscription level of the Rights Issue.

The Warrants will be immediately detached from the Rights Shares upon issuance and will be separately traded from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and be constituted by the Deed Poll.

The entitlements for the Rights Shares with Warrants are renounceable in full or in part. However, the Rights Shares and the Warrants cannot be renounced separately. If our Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants. If our Entitled Shareholders accept only part of their Rights Shares entitlements, they will be entitled to the Warrants in proportion to their acceptances of their Rights Shares entitlements.

In determining our Entitled Shareholders' entitlements to the Rights Shares with Warrants, fractional entitlements (if any) will be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company. Any Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable). Our Board intends to reduce the incidence of odd lots and to allocate the excess Rights Shares with Warrants in a fair and equitable basis as specified under Section 9.8 of this AP.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for the Provisional Allotments as well as to apply for excess Rights Shares with Warrants if you choose to do so. However, only Entitled Shareholder who has an address in Malaysia as stated in our Record of Depositors will receive this AP, together with the NPA and RSF.

Any dealing in our securities will be subject to, amongst others, the provisions of the SICDA, Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of Warrants will be credited directly into the respective CDS Accounts of the successful applicants and exercising Warrant Holders (as the case may be). No physical share certificate and warrant certificate will be issued to the successful applicants. A notice of allotment will be issued and despatched to the successful applicants within 8 Market Days from the Closing Date or such period as may be prescribed by Bursa Securities. The Rights Shares and Warrants will then be quoted on the Main Market of Bursa Securities within 2 Market Days after the application for quotation is made to Bursa Securities as specified in the Main LR.

Pursuant to paragraph 6.51 of the Main LR, the listing of and quotation for Warrants on the Main Market of Bursa Securities is subject to a minimum of 100 Warrant Holders holding not less than 1 board lot of Warrants.

2.2 Basis of determining and justification for the issue price of Rights Share and the exercise price of Warrant

(i) Issue price of Rights Share

Our Board has fixed the issue price of Rights Share at RM0.30 each after taking into consideration, amongst others, the following:

- (a) historical share price movement of our Share, whereby the monthly highest and lowest transacted market prices of our Share for the past 12 months are tabulated in Section 6 of Appendix I of this AP;
- (b) TEAP of our Share of RM0.3078 each (computed based on the 5D-VWAP of our Share up to and including the LTD of RM0.3260 each), with the issue price of Rights Share at a discount of RM0.0078 or approximately 2.53% to the TEAP of our Share.

As set out in Section 2.2.2(i) of the Circular, the issue price of Rights Share shall be at a discount range of 0% to 20% to the TEAP of our Share, and in any event the issue price of Rights Share shall not be lower than RM0.30 each. Hence, our Board has fixed the issue price of RM0.30 per Rights Share with a discount quantum of approximately 2.53%, which is consistent with the basis as set out in the Circular;

- (c) the funding requirements of our Group under the Minimum Subscription Level for the purposes as set out in Section 4 of this AP; and
- (d) the rationale for the Rights Issue as set out in Section 3 of this AP.

The issue price of Rights Share is not conditional upon the exercise price of Warrant and any other corporate proposals undertaken or to be undertaken by our Company.

(ii) Exercise price of Warrant

The Warrants will be issued at no cost to our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who successfully subscribed for the Rights Shares.

Our Board has fixed the exercise price of Warrant at RM0.30 each after taking into consideration the TEAP of our Share of RM0.3078 each (computed based on the 5D-VWAP of our Share up to and including the LTD of RM0.3260 each), with the exercise price of Warrant at a discount of RM0.0078 or approximately 2.53% to the TEAP of our Share.

As set out in Section 2.2.2(ii) of the Circular, the exercise price of Warrant shall be at a discount range of 0% to 20% to the TEAP of our Share, and in any event the exercise price of Warrant shall not be lower than RM0.30 each. Hence, our Board has fixed the exercise price of RM0.30 per Warrant with a discount quantum of approximately 2.53%, which is consistent with the basis as set out in the Circular.

The exercise price of Warrant is not conditional upon the issue price of Rights Share and any other corporate proposals undertaken or to be undertaken by our Company.

2.3 Ranking of the Rights Shares and new Shares to be issued arising from the exercise of Warrants

The Rights Shares and new Shares to be issued arising from the exercise of Warrants shall, upon allotment and issuance, rank equally in all respects with our then existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, the entitlement date of which is prior to the relevant dates of allotment and issuance of the Rights Shares and the new Shares to be issued arising from the exercise of Warrants.

The Warrant Holders will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless they exercise their Warrants into new Shares and the new Shares have been issued and allotted to such Warrant Holders.

2.4 Minimum Subscription Level and Underwriting Agreement

Our Company intends to raise minimum gross proceeds of RM8.00 million from the Rights Issue under the Minimum Subscription Level after taking into consideration, amongst others, the funding requirements of our Group as set out in Section 4 of this AP.

To meet the Minimum Subscription Level, our Company has entered into the Underwriting Agreement with the Sole Underwriter to underwrite 26,666,667 Rights Shares together with 20,000,000 Warrants (representing the entire issue size of the Rights Issue under the Minimum Subscription Level) at the following agreed underwriting commission:

Name of Sole Underwriter	No. of Rights Shares underwritten	%⁽¹⁾	Underwriting commission (RM)
TA Securities	26,666,667	100.00	160,000 ⁽²⁾

Notes:

- (1) Computed based on the issue size of the Rights Issue under the Minimum Subscription Level.
- (2) Computed based on the underwriting commission rate of 2.00% of the value of Rights Shares underwritten by TA Securities.

The underwriting commission and all relevant costs in relation to the underwriting arrangement will be fully borne by our Company. For the avoidance of doubt, if the Minimum Subscription Level is achieved via subscriptions by our Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) (excluding the Sole Underwriter), the Sole Underwriter is not obliged to apply for any Rights Shares with Warrants. Despite this, the underwriting commission remains payable to the Sole Underwriter by our Company regardless of subscription of any Rights Shares with Warrants by the Sole Underwriter.

Notwithstanding anything contained in the Underwriting Agreement, the Sole Underwriter may in its absolute discretion, and without liability on its part, by written notice to our Company setting out the grounds for termination, terminate the Underwriting Agreement with immediate effect, at any time prior to the date of listing of and quotation for the Rights Shares and Warrants on the Main Market of Bursa Securities (“**Trading Date**”) on any of the following grounds:

- (a) if there shall have occurred any breach of, or event rendering untrue, misleading or incorrect in any respect any of the representations, warrants and/or undertakings of our Company under the Underwriting Agreement or any failure of our Company to perform in any material respect any of our undertakings or agreements and which is not remedied within 3 Market Days from our receipt of a written notice of such breach (or such further period as may be agreed by the Sole Underwriter), which shall in any event not be later than 3 Market Days after receipt of the underwriting notice from our Company by the Sole Underwriter (“**Payment Date**”);
- (b) if there shall have occurred or come into effect, any one or more of the following circumstances at any time from the date of the Underwriting Agreement up until and including the Trading Date:
 - (i) there shall have occurred a suspension, establishment of minimum prices, moratorium or restriction of trading in our Shares or other securities of our Company generally on Bursa Securities or any moratorium on banking activities or foreign exchange control or foreign exchange rating or securities settlement or clearing services in or affecting Malaysia, directly or indirectly (*for information purpose, save for our Shares, our Company does not have other securities traded on Bursa Securities currently*); or
 - (ii) there shall have been, in the opinion of the Sole Underwriter, since the date of the Underwriting Agreement, any change, or any development involving a prospective change in:
 - (A) the national or international monetary policy, financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market or commodities market), political, legal, regulatory, industrial or economic conditions or currency exchange rates or foreign exchange controls: or
 - (B) such other event or series of force majeure events occasioned by any act of God, health/virus pandemic, outbreaks of infectious disease or any other public health crisis (including quarantine or other restrictions), natural disaster, fire, flood, earthquake, storm, tempest, exceptional inclement weather, act of government or state, change in applicable laws, rules and/or directives of any governmental or regulatory body or agency, war (whether declared or otherwise), national or regional emergency, hostilities, terrorism, civil commotion or disorder, strike, lockout, riot, enemy action, insurrection, embargo, revolution, prevention from or hindrance in obtaining any raw materials, energy or other causes beyond the control of our Company or the Sole Underwriter;
- (c) if in the opinion of the Sole Underwriter, there shall have been since the date of the Underwriting Agreement:
 - (i) any change or development involving in the reasonable opinion of the Sole Underwriter, a material adverse effect, change or development, whether individually or in aggregate and whether or not arising in the ordinary course of business, on any of the following (“**Material Adverse Effect**”):
 - (aa) the condition (financial, operational or otherwise), results of operations, earnings, directors, management, business, liquidity, default in debt servicing, failure to pay other liabilities when due, undertakings, properties, assets or prospects of our Company or of our Group taken as a whole;
 - (bb) the ability of our Company to perform in any respect our obligation under or with respect to, or consummate the transactions contemplated by the Rights Issue and/or pursuant to the terms of this AP;
 - (cc) the success of the Rights Issue;
 - (dd) our Company triggers the criteria to be classified as an affected listed issuer pursuant to Practice Note 17 of the Main LR;
 - (ee) the ability of our Company or any member of our Group to conduct our business and to own or lease our assets and properties;

- (ii) any introduction of (as announced by a competent authority) or any change in (as announced by a competent authority) any legislation, regulation, order, policy, rule, guideline or directive in Malaysia, (whether or not having the force of law and including, without limitation, any directive or request issued by Bursa Securities, the SC or CCM) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Malaysia; or
- (iii) any formal investigation, proceeding or inquiry by or before any court or governmental or regulatory authority against our Company, any subsidiaries within our Group and/or their respective Directors, which has been disclosed to the public, announced in the media or otherwise appears in the media, for which our Company has not been able to provide an explanation to the satisfaction of the Sole Underwriter,

which event or events shall in the opinion of the Sole Underwriter:

- (A) be likely to prejudice materially the ability of the Sole Underwriter to market the Rights Issue, to enforce contracts for the subscription and distribution of the Rights Shares, Warrants and/or Provisional Allotments, the success of the Rights Issue or dealing in the Rights Shares, Warrants and/or Provisional Allotments in the secondary market after the listing of and quotation for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of Warrants on the Main Market of Bursa Securities (“**Listing**”);
- (B) be likely to have a Material Adverse Effect; or
- (C) be likely to result in the revocation and/or withdrawal of any of the approvals, sanctions, consents, authorisations, filings, registrations and permissions required to be obtained in respect of the Rights Issue (“**Approvals**”);
- (d) if Bursa Securities, the SC, CCM or any other regulatory or governmental body in Malaysia, shall make any stop order, injunction, direction, investigation, action having similar effect or ruling (or revoke any ruling previously made), the effect of which is to prevent the Listing and/or issuance or allotment of the Rights Shares, Warrants and new Shares arising from the exercise of the Warrants;
- (e) if the registration of this AP with the SC, the Approvals from the SC and/or Bursa Securities required for the Rights Issue are revoked, suspended, withdrawn or lapses or if any of the conditions for such registrations, consents or Approvals have not been fulfilled to the satisfaction of the SC and/or Bursa Securities, save and except such conditions that may only be fulfilled after issuance, allotment and Listing of the Rights Shares and Warrants;
- (f) if the subscription for the Rights Shares and Warrants in accordance with the provisions of the Underwriting Agreement or the terms of this AP shall be prohibited by any statute, order, rule, regulation or directive issued by, or objected to by any applicable laws, rules and/or directives of any governmental or regulatory body or agency (including without limitation, Bursa Securities, the SC or CCM);
- (g) if Bursa Securities suspends the trading of our Shares or removes our Company from the Official List, for any reason whatsoever;
- (h) if the date on which the Rights Shares and Warrants are credited to the CDS Accounts of our Entitled Shareholders and/or their renounees and/or transferees does not occur within 8 Market Days after the Payment Date;
- (i) if the Trading Date has not occurred within 10 Market Days after the Closing Date or the Rights Shares with Warrants not being listed and quoted on the Main Market of Bursa Securities on such other date as may be mutually agreed in writing by our Company and the Sole Underwriter;
- (j) the FTSE Bursa Malaysia Kuala Lumpur Composite Index declines by more than 5% from the index price on the date of execution of the Underwriting Agreement for any 3 consecutive Market Days at any time between the date of the Underwriting Agreement and up to and including the Closing Date and Payment Date;

- (k) any matter which arose immediately before the date of this AP, which would have constituted a material and adverse omission in the context of the Rights Issue;
- (l) any event, act or omission which in the reasonable opinion of the Sole Underwriter gives or is likely to give rise to any liability which will have a material and adverse effect on our Company and our Group pursuant to the indemnities contained under the Underwriting Agreement; or
- (m) occurrence of any specified event, as defined in the Underwriting Agreement.

In the event our Company is unable to achieve the Minimum Subscription Level due to occurrence of abovementioned termination events, the Rights Issue shall be aborted and all application monies received by our Company pursuant to the Rights Issue will be refunded to our Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who has/have subscribed for the Rights Shares with Warrants. Pursuant thereto, our Company will explore other fund-raising avenues to fund the Smart Farming Business.

2.5 Take-over implications and public shareholding spread

As set out in Section 7.4 of this AP, pursuant to the Underwriting Agreement, the subscription of Rights Shares with Warrants by the Sole Underwriter will not give rise to any consequences of mandatory general offer obligations on the remaining Shares not held by the Sole Underwriter pursuant to the Code and the Rules.

Further, the Underwriting Agreement is not expected to result in non-compliance of the public shareholding spread requirement by our Company pursuant to paragraph 8.02(1) of Main LR, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. As at the LPD, our Company does not have any treasury shares. The pro forma public shareholding spread of our Company before and after the implementation of Rights Issue (under the Minimum Scenario) are illustrated as below:

Particulars	As at the LPD		After the Rights Issue	
	No. of Shares	%	No. of Shares	%
Share capital	97,500,000	100.00	124,166,667	100.00
Less: Shareholdings of Directors, substantial shareholders of our Group and their associates	-	-	26,666,667	(21.48)
Public shareholding spread	97,500,000	100.00	97,500,000	78.52

2.6 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

Terms	Details
Issue size	: Up to 97,500,000 Warrants.
Form and denomination	: The Warrants will be issued in registered form and will be constituted by the Deed Poll.
Tenure	: 2 years commencing from and inclusive of the date of allotment and issuance of the Warrants.
Exercise period	: The Warrants may be exercised at any time during tenure of the Warrants of 2 years commencing from and inclusive of the date of allotment and issuance of the Warrants until 5:00 p.m. on its expiry date. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
Exercise price	: The exercise price of each Warrant is RM0.30 (subject to adjustments in accordance with the provisions of the Deed Poll).

Terms	Details
Expiry date	: The day being 2 years commencing from and inclusive of the date of allotment and issuance of the Warrants and if such day is not a Market Day, on the Market Day immediately preceding such day.
Exercise rights	: Each Warrant entitles the registered holder to subscribe for 1 new Share at any time during the exercise period and at the exercise price (subject to adjustments in accordance with the provisions of the Deed Poll).
Mode of exercise	: The registered holder of Warrants is required to lodge an exercise form, as sets out in the Deed Poll, with our Company's Share Registrar, duly completed and signed together with payment of the exercise price for the new Shares subscribed for by banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order issued by a post office in Malaysia in RM or via internet bank transfer into the bank account of our Company maintained with a bank in Malaysia and lodge by electronic submission the exercise form together with the proof of payment via email to admin@aldpro.com.my or fax to +603-9770 2239 in accordance with the provisions of the Deed Poll.
Board lot	: For the purpose of trading on Bursa Securities, 1 board lot of Warrant shall comprise of 100 Warrants carrying the right to subscribe for 100 new Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities from time to time. The Warrants would be immediately detached from the Rights Shares upon issuance and shall be listed and traded on the Main Market of Bursa Securities when the Warrants meet the conditions of the Main LR of at least 100 Warrant Holders holding not less than 1 board lot each and submitting relevant application for the Warrants to be listed on the Main Market of Bursa Securities. The Warrants will not be listed in the event this condition is not met.
Adjustments to the exercise price and/or number of unexercised Warrants	: Subject to the provisions in the Deed Poll, the exercise price or the number of unexercised Warrants held by each Warrant Holder or both may from time to time be adjusted, calculated or determined by our Board in consultation with an approved adviser and certified by the auditors of our Company under certain circumstances in accordance with the provisions of the Deed Poll.
Transferability	: The Warrants are transferable in the manner and in accordance with the provisions of the Deed Poll subject always to the provisions of the SICDA (as amended and revised from time to time) and the Rules of Bursa Depository. Subject to the provisions of the SICDA and the Rules of Bursa Depository, the Warrants shall be transferable in a board lot of 100 Warrants carrying the exercise rights to subscribe for 100 new Shares, or in multiples thereof or in such other denomination as may be determined by Bursa Securities at any time during the exercise period. No person shall be recognised by our Company as having title to Warrants entitling the Warrant Holder thereof to subscribe for a fractional part of a new Share or otherwise than as the sole holder of the entirety of such new Share. For the avoidance of doubt, save as provided under the Deed Poll, the Warrants shall not be transferred prior to the listing of and quotation for the Warrants on the Main Market of Bursa Securities.
Rights of the Warrant Holders	: The Warrants shall, amongst the Warrant Holders, rank equally without discrimination or preference. The Warrant Holders will not be entitled to any voting rights or participation in any forms of distribution and/or offer of further securities in our Company until and unless they exercise their Warrants into new Shares and the new Shares have been allotted and issued to such Warrant Holders.

Terms	Details
Ranking of new Shares arising from the exercise of the Warrants	: The new Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with our then existing Shares in issue, save and except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions, which may be declared, made or paid to our shareholders, the entitlement date of which is prior to the relevant dates of allotment and issuance of the new Shares to be issued arising from the exercise of the Warrants.
Modification of rights of Warrant Holders	: Save as otherwise provided in the Deed Poll, any modification, amendment, deletion or addition to the Deed Poll (including the rights of Warrant Holders, form and content of the warrant certificates to be issued in respect of any Warrants) may be effected only with a sanction of a special resolution, by a deed to be executed by our Company and expressed to be supplemental to the Deed Poll and if the requirements of the Deed Poll have been complied with, unless such modification, amendment, deletion or addition is required to correct any typographical or manifest errors, related to purely administrative matters, is required to comply with prevailing laws or regulations of Malaysia or in the opinion of our Company, will not be materially prejudicial to the interests of Warrant Holders.
Rights in the event of winding-up, liquidation, compromise and/or arrangement	: If a resolution has been passed for a members' voluntary winding-up of our Company or liquidation or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then: <ul style="list-style-type: none"> (i) for the purposes of such winding-up, liquidation, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrant Holders (or some person designated by them for such purposes by a special resolution) shall be a party, the terms of such winding-up, liquidation, compromise or arrangement will be binding on all the Warrant Holders; and (ii) in any other case, every Warrant Holder shall be entitled, upon and subject to the conditions of the Deed Poll, at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the winding-up, liquidation, compromise or arrangement (as the case may be), to exercise his Warrants by submitting the duly completed exercise form(s) authorising the debiting of his Warrants, together with payment of the relevant payments and fees for the exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, liquidation, compromise or arrangement, exercised his Warrants to the extent specified in the exercise form(s) and become entitled to receive out of the assets of our Company which would be available in liquidation as if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.
Listing status	: The Warrants will be listed and traded on the Main Market of Bursa Securities. Approval has been obtained from Bursa Securities for the admission of Warrants to the Official List and the listing of and quotation for the Warrants and the new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
Governing law	: The laws of Malaysia.

2.7 Details of other corporate exercises

As at the date of this AP, our Board confirms that there are no other corporate exercises which have been approved by regulatory authorities but pending completion.

2.8 Details of previous fund-raising exercise

Our Company had undertaken the following fund-raising exercise in the past 5 years prior to the date of the Announcements:

- (i) on 18 March 2022, our Company completed the Placement and raised total gross proceeds of approximately RM12.38 million, with the following status of utilisation as at the LPD:

Utilisation purposes	Proposed utilisation (RM'000) (A)	As at the LPD		Estimated timeframe for utilisation*
		Actual utilisation (RM'000) (B)	Un-utilised balance (RM'000) (A-B)	
Part-financing the funding requirements of our Group for sub-contract works ⁽¹⁾	11,645	-	12,102 ⁽²⁾	Within 24 months
Expenses for the Placement	730	273	- ⁽²⁾	Immediate
TOTAL	12,375	(273)	12,102	

Notes:

* From the date of completion of the Placement.

- (1) The proceeds shall be utilised for payments to a sub-contractor appointed by Annum EPCC to carry out site clearance, temporary hoarding and earthworks (“Works”) on the land earmarked for a proposed mixed development project located in Sungai Kelian, Batang Padang, Perak (“**Batang Padang Project**”). Please refer to our Company’s circular to shareholders dated 16 February 2022 for further details on the Works and Batang Padang Project.

As at the LPD, the Works has yet to commence as the developer of the Batang Padang Project (i.e., Ageson Holdings Sdn. Bhd.) has yet to obtain the requisite approvals from the relevant authorities for the Batang Padang Project. The Works are expected to commence within a month upon receipt of the requisite approvals for the Batang Padang Project, which are expected to be obtained by the 1st half of calendar year 2023. Upon commencement of the Works, it is expected to be completed within 24 months.

- (2) As the actual expenses for the Placement was lower than the estimated expenses, the surplus amount of approximately RM0.46 million had been re-allocated to partially finance the funding requirements of our Group for the Works.

At this juncture, our management has no intention to vary the un-utilised proceeds raised from the Placement.

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3. RATIONALE FOR THE RIGHTS ISSUE

As at 30 September 2022 (being the latest announced financial results of our Group as at the LPD), our Group's cash and bank balances stood at RM13.48 million (inclusive of the remaining un-utilised proceeds from the Placement), of which our management intends to preserve for our Group's working capital requirements (e.g. purchases of plywood for our Group's trading of plywood products business; staff related expenses and administrative expenses) and for purposes earmarked for the utilisation of proceeds from the Placement.

As set out in Section 4 of this AP, our Group expects to incur a total estimated capital expenditure of approximately RM63.34 million to set-up up to 140 units of greenhouses equipped with relevant equipment and systems for the Smart Farming Business. In view of our Group's existing cash and bank balances and after due consideration of various fund-raising options, our Board is of the view that the Rights Issue is an appropriate avenue of fund-raising for the purposes as stated in Section 4 of this AP, based on the following key considerations:

- (i) allows our Company to raise up to RM38.20 million under the Maximum Scenario for the Smart Farming Business which is capital intensive;
- (ii) allows our Company to raise funds without incurring debt obligations and interest costs to our Group as compared to other means of financing such as bank borrowings. This would allow our Company to preserve our existing cash and bank balances for our Group's working capital requirements and/or to address any short-term obligations in a timely manner, as well as minimise any potential cash outflow in respect of interest servicing cost. In view of rising overnight policy rate by Bank Negara Malaysia which led to higher cost of borrowings and considering that we would be required to meet interest servicing obligation regardless of our Group's financial position and performance, our Company does not plan to obtain bank borrowings at this juncture for purposes as set out in Section 4 of this AP;
- (iii) enables our Company to strengthen our capital base as well as improve our Group's financial position and future earnings when the economic and financial benefits from the use of proceeds for the Smart Farming Business are realised. The Rights Issue will strengthen the capital base of our Group by increasing our NA and at the same time will improve the gearing level of our Group, thus providing our Group with additional debt headroom to procure debts funding in the future, if required. Nonetheless, our Board will continue to assess and evaluate our Group's long-term financial requirements against any other viable funding options available to our Group in the future, if any;
- (iv) involves issuance of new Shares without diluting the existing shareholders' shareholdings in our Company, assuming that all of our Entitled Shareholders fully subscribe for their respective entitlements under the Rights Issue and ultimately, participate in the prospects and future growth of our Group;
- (v) provides an opportunity for our existing shareholders to increase their equity participation in our Company by subscribing to the Rights Shares and exercising the Warrants into new Shares; and
- (vi) allows our Company to raise additional funds for, amongst others, our Group's working capital requirements as and when the Warrants are exercised.

For information purpose, the funds required by our Group for Smart Farming Business (as set out in Section 4 of this AP) were not raised earlier under the Placement as the funds raised under the Placement were earmarked for our Group's construction segment. In view of the sizable fund required for the Smart Farming Business which is capital intensive, our Board has resolved to undertake the Rights Issue, which is our Company's first rights issue exercise, if successfully implemented.

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4. UTILISATION OF PROCEEDS

Based on the issue price of RM0.30 per Rights Share, the Rights Issue will raise gross proceeds of up to approximately RM39.00 million, to be utilised by our Group in the following manner:

Utilisation purposes	Minimum Scenario	Maximum Scenario	Expected time frame for utilisation of proceeds [^]
	(RM'000)	(RM'000)	
Set-up of greenhouses and purchase and installation of its related facilities for the Smart Farming Business ⁽¹⁾	7,200	35,000	Within 36 months
Working capital for the Smart Farming Business ⁽²⁾	-	3,200	Within 12 months
Estimated expenses for the Corporate Exercises ⁽³⁾	800	800	Within 1 month
TOTAL	8,000	39,000	

The actual proceeds to be raised from the Rights Issue is dependent on the number of Shares in issue on the Entitlement Date and the eventual subscription level of the Rights Issue. Any additional proceeds raised in excess of RM8.00 million under the Minimum Scenario will be utilised in the following order of priority:

- (i) set-up of greenhouses and purchase and installation of its related facilities for the Smart Farming Business; and
- (ii) working capital for the Smart Farming Business.

Pending utilisation of proceeds from the Rights Issue, the proceeds will be placed in interest-bearing deposits with licensed financial institutions or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the licensed financial institutions or any gain arising from the short-term money market instruments will be used to finance our Group's operating expenses for our day-to-day operations which comprises, amongst others, staff costs, office-related expenses (e.g. office rental, utilities and office maintenance) and general administrative expenses (e.g. professional fees for audit, taxation and secretarial); operating expenses for the Smart Farming Business (e.g. purchase of seedlings, fertilisers and fungicide as well as maintenance of equipment and/or systems); and repayment of bank borrowings (if any). The exact breakdown for the utilisation cannot be determined by our Company at this juncture as it shall be dependent on, amongst others, our Group's funding requirement at the relevant time.

Notes:

[^] From the date of completion of the Rights Issue

- (1) Annum Industries had entered into Collaboration Agreements to undertake Smart Farming Business on the Setiu Lands (refer to Appendix III of this AP for salient terms of the Collaboration Agreements). Apart from the Setiu Lands, our Group may enter into further arrangements to collaborate with other party(ies) in the future for the use of Additional Lands for the Smart Farming Business. As at the LPD, other than the Setiu Lands, our Group has not identified any other Additional Lands to undertake the Smart Farming Business.

Our Group plans to commence planting and harvesting of Japanese melons (generally characterised by the net-like pattern on its skin and may either have green or orange coloured flesh) and hybrid melons (a type of cross-pollinated crop and generally have yellow coloured skin and its flesh may either be white or orange) under the Smart Farming Business, and gradually expands the range of fruits and vegetables to be farmed under the Smart Farming Business upon conducting detailed study of farming parameters of and demand for such fruits and vegetables.

As set out in Section 2.1.1(d) of the Circular, our Group intends to progressively set-up up to 140 units of greenhouses with the necessary equipment and systems on the Setiu Lands and/or the Additional Lands for the Smart Farming Business. Our management intends to commence and complete the set-up of up to 19 units of greenhouses on the Setiu Lands, whereby the exact number of greenhouses to be built on respective Setiu Lands to be determined later by 2nd quarter of calendar year 2023 and to commence the Smart Farming Business on it by 3rd quarter of calendar year 2023. Our management will progressively set up more greenhouses on the Setiu Lands and/or Additional

Land and expects to fully complete the set-up of 140 units of greenhouses by 3rd quarter of calendar year 2024. Apart from the Setiu Lands, our Group may enter into further arrangements to collaborate with other party(ies) in the future for the use of Additional Lands for the Smart Farming Business and therefore, not all greenhouses will be set-up on the Setiu Lands. As at the LPD, our Group has not commenced the Smart Farming Business. Barring any unforeseen circumstances, our management expects the Smart Farming Business to generate revenue and profits to our Group by 4th quarter of calendar year 2023.

The total estimated capital expenditure required for the set-up of up to 140 units of greenhouses and purchase and installation of its related facilities is approximately RM63.34 million. Our Company intends to utilise part of the proceeds from the Rights Issue to partially finance the Smart Farming Business in the following manner:

	Minimum scenario*	Maximum scenario*
	(RM'000)	(RM'000)
Land clearance and earthworks ^(a)	14	69
Set-up of greenhouses and purchase and installation of its related facilities ^(b)	7,186	34,931
TOTAL	7,200[^]	35,000[^]

Notes:

* Based on indicative quotations provided to our management at this juncture, the cost of setting-up and purchase and installation of related facilities for 1 unit of greenhouse is estimated at RM0.379 million. Hence, the minimum scenario reflects funding for up to 19 units of greenhouses while the maximum scenario reflects funding for up to 92 units of greenhouses. For information purpose, it is estimated that approximately 0.24 million of melons and 1.17 million of melons to be harvested under such minimum and maximum scenario, respectively (calculated based on the estimated number of melons to be harvested in each greenhouse per harvesting cycle and with 4 harvesting cycles per year). Please refer to Appendix IV of this AP on the computation of estimated production yield.

[^] This is an estimation of cost to be incurred based on indicative quotations provided to our management at this juncture. If there is a substantial hike in prices of materials, components, equipment and/or systems for the set-up of greenhouses and purchase and installation of its related facilities, the number of greenhouses to be set-up under the minimum and maximum scenarios (as illustrated above) will be adjusted accordingly.

(a) Comprises payments to local contractors for land clearance on the Setiu Lands and/or the Additional Lands for the Smart Farming Business, i.e., to remove and dispose of structures, stumps, bushes and shrubs on these lands; thereafter leaving these lands clean for professionals to conduct land survey to determine the layout and space configuration of the greenhouses, and for the setting-up of greenhouses and the farming activities to take place. The land clearance will be conducted progressively prior to commencement of setting-up of greenhouses. The estimation of cost to be incurred for land clearance and earthworks differ under minimum scenario and maximum scenario as the costs vary based on size of land subject to land clearance and earthworks. The land size under maximum scenario is larger and hence higher cost to be incurred. For information purpose, each greenhouse is estimated to measure approximately 0.25 acres in area and is subject to modification upon further study on layout enhancement and space configuration for the greenhouses to be set up on the Setiu Lands and/or the Additional Lands. In this regards, the estimated land size subject to land clearance under the maximum scenario is estimated at approximately 23 acres.

As at the LPD, our Group has yet to appoint any local contractors for the land clearance. Our Groups plans to appoint local contractors in the 2nd quarter of the calendar year 2023 for the land clearance and to commence construction of the greenhouses in the 3rd quarter of calendar year 2023. The setting-up of greenhouses will be in stages.

- (b) Comprises payments to local service providers for the setting-up of greenhouses, guard house and nutrient houses (to store water and nutrient solutions) on the Setiu Lands and/or the Additional Lands as well as purchases of the following equipment and systems (including related installation costs) to support the operations of the Smart Farming Business:

Equipment and systems	Functions	Quantity required
Outdoor weather station	To monitor temperature and humidity levels and wind speed in the environment outside the greenhouse	1 unit for every 25 acres of land
Site base station	To collect data from all sensors from the greenhouses and transmit to data analysis centre to provide real-time analysis to users	1 unit for every 4 greenhouses
Air circulation fan	To control temperature and humidity levels in the greenhouse	2 units for every greenhouse
Control panel	To control all the sensors and electrical and electronic systems	1 unit for every 4 greenhouses
Temperature and humidity sensors	To monitor the temperature and humidity levels in the greenhouse	1 unit for every greenhouse
Soil data sensors	To monitor the soil's pH, moisture and nutrients levels	4 units for every greenhouse
Water tank sensors	To monitor the temperature and nutrients in the water stored for irrigation purposes	2 units for every 1 tank shade
Tank shade and store (nutrient house)	To store the water that has been infused with nutrients	1 unit for every 4 greenhouses
Automated irrigation system (including nutrient system as well as farm piping and dripper)	To automate irrigation of soil with water that has been infused with nutrients	Nutrient system – 1 unit for every 4 greenhouses Farm piping and dripper – depending on the number of plants

As at the LPD, our Group has yet to appoint any service providers for the setting-up of greenhouses and nutrient houses and identify the vendors for the purchase and installation of the equipment and systems. Our Group targets to finalise the selection and appointment of external service providers in the 2nd quarter of calendar year 2023. The allocation of funds for the purchase of each of the abovementioned equipment and systems cannot be determined at this juncture as it will depend on, amongst others, our Group's scale of operations and purchase price of the equipment and systems at the relevant time.

The remaining funding requirement for the Smart Farming Business after utilising the proceeds from the Rights Issue will be met via a combination of our Group's internal funds, bank borrowings and/or any other fund-raising exercises to be undertaken by our Company (if required). However, the breakdown for the sources of funding cannot be determined at this juncture as it will depend on the amount of proceeds to be raised from the Rights Issue, availability and suitability of other funding alternatives at the relevant time.

- (2) Our Company intends to utilise part of the proceeds from the Rights Issue under the Maximum Scenario as working capital for the Smart Farming Business in the following manner:

Working capital	Indicative allocation	Maximum Scenario
	(%)	(RM'000)
Operating expenses ^(a)	67.0	2,144
Staff costs ^(b)	25.0	800
Administrative expenses ^(c)	8.0	256
TOTAL	100.0	3,200

The above allocation is indicative at this juncture. The actual breakdown of these expenses cannot be determined at this juncture as it shall depend on the actual working capital requirements of the Smart Farming Business at the relevant time. Despite this, priority shall be given for utilisation of proceeds for operating expenses of the Smart Farming Business.

Notes:

- (a) To purchase seedlings for the planting of Japanese melons and hybrid melons as well as nutrients solutions and fertiliser, all to be sourced locally and/or overseas such as Korea, Japan and China. It is estimated that our Group requires to incur an average cost of approximately RM3,200 for the purchase of seedlings (one-time cost for each plantation) for each greenhouse and approximately RM15,000 for the purchase of nutrients solutions and fertiliser per month for each greenhouse.
- (b) Comprises payment for staff related expenses (e.g., salaries, statutory contributions and staff welfare) for the Smart Farming Business. At this juncture, our Group had recruited a Project Director and a Farm Manager who are responsible to run the initial operation of the Smart Farming Business, wherein they will work closely with external service providers to be engaged by our Group for the preliminary works for the setting-up of greenhouses and related technical support; procure and deal with suppliers for melon seedlings, equipment and systems for the Smart Farming Business. Our Group intends to gradually recruit additional personnel with relevant experience in agricultural industry to support the Smart Farming Business, i.e., up to 19 personnel (i.e., 1 horticulturist, 3 farm supervisors, 5 general workers, 5 farm helpers, 1 administrative staff and 4 security staff) prior to commencement of operations of greenhouses which is expected to take place in 3rd quarter of calendar year 2023. Our Group will gradually expand the team to cater for the expansion of the Smart Farming Business. Further, we may engage part time general workers for harvesting works, if needed. The exact size of workforce, allocation for the respective roles in the Smart Farming Business and timing of recruitment shall depend on the scale of operations and expansion of the Smart Farming Business as well as availability of qualified and suitable candidates at the relevant time.
- (c) Comprises water and electricity utilities cost for the greenhouses as well as maintenance costs for the equipment and systems for the Smart Farming Business such as periodic and ad-hoc upkeep of equipment and systems.

Our Group will use a combination of internally generated funds, other form of equity fund-raising and/or bank borrowings (if required) to fund the working capital for the Smart Farming Business under the Minimum Scenario.

- (3) Mainly consist of the following:

Estimated expenses	Amount (RM'000)
Advisory fees ^(a) (including underwriting commission)	655
Fees to relevant authorities	97
Other incidental expenses in relation to the Corporate Exercises (including EGM, printing, despatch and advertising expenses)	48
TOTAL	800

Note:

- (a) Comprises fees payable (together with Malaysian sale and services tax) to the Principal Adviser, Sole Underwriter, due diligence solicitors, reporting accountants, independent market researcher, company secretary and share registrar as well as estimated out-of-pocket expenses to be incurred by respective parties.

Any variation in the actual amount of expenses for the Corporate Exercises will be adjusted from/to the amount earmarked for the working capital for the Smart Farming Business.

The exact quantum of proceeds to be raised from the exercise of the Warrants would depend on the eventual subscription level of the Rights Issue and actual number of Warrants to be exercised during the tenure of the Warrants. The proceeds from the exercise of the Warrants and interest derived thereon (if any) shall be utilised to finance our Group's operating expenses for our day-to-day operations which comprises, amongst others, staff costs, office related expenses (e.g. office rental, utilities and office maintenance) and general administrative expenses (e.g. professional fees for audit, taxation and secretarial); operating expenses for the Smart Farming Business (e.g. purchase of seedlings, fertilisers and fungicide as well as maintenance of equipment and systems); and repayment of bank borrowings (if any). The exact breakdown and timeframe for the utilisation cannot be determined by our Company at this juncture as it shall be dependent on, amongst others, our Group's funding requirement at the relevant time and the timing of exercise of the Warrants. Pending utilisation, the proceeds from the exercise of the Warrants will be placed in interest-bearing deposits with licensed financial institutions or short-term money market instruments as our Board may deem fit to earn interest income.

5. RISK FACTORS

You and/or your renounee(s)/transferee(s) (if applicable) should consider carefully the following risk factors which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Shares with Warrants.

5.1 Risks relating to our Group

(a) Dependency on key personnel

Our Group's business sustainability for both plywood and construction segments depends largely on the abilities, skills and experience as well as continued efforts of our existing Executive Directors and key management personnel. Our Group is led by David Wong You King and Lim Yun Nyen (both are Executive Directors of our Company). David Wong You King has more than 24 years' working experience in large and complex project management, design, engineering, procurement, construction and commissioning, maintenance support as well as identifying and planning upgrade of equipment of the heavy industry as well as oil and gas upstream and midstream industry. Lim Yun Nyen has over 25 years' experience in the timber industry and he was involved in the co-ordination and day-to-day operations of mills. Both of them are supported by key management personnel with relevant experience as well as knowledge in the construction and plywood industry. The loss of any of our Executive Directors and/or key management personnel without suitable and timely replacement, or the inability of our Group to attract and retain other qualified personnel, may adversely affect our Group's revenue and profitability. Our Group may not be able to identify, attract and retain skilled personnel from time to time in the future, and any loss of key personnel may not be easily and quickly replaced without major disruption to our Group's operations for the plywood and construction segments.

(b) Political, economic and regulatory considerations

Our Group's businesses may also be affected by risks on the occurrence of force majeure events or circumstances which are beyond the control of our Group, for instances, natural disasters, lockdown, closure of international borders, economic risks (such as an economic downturn, slower global and domestic growth and inflation), ongoing trade and geopolitical tensions, commodity-related crisis, adverse developments in political and government policies in Malaysia and foreign markets, acts of war or terrorism, riots, expropriations and changes in political leadership. Any occurrence of such adverse events may adversely affect global economic conditions, global supply chain and business sentiments which in turn could result in uncertainty to our Group's business operations, financial condition and prospects.

While we strive to continue to take precautionary measures such as prudent business, financial and risk management policies, most of the above changes may be beyond our control and may materially and adversely affect the performance of our Group.

(c) Financial risk

Our Group's total borrowings amounted to approximately RM3.36 million as at 30 November 2022 (being a date no earlier than 60 days prior to the date of this AP), with a gearing ratio of 0.02 times as at 30 November 2022. These bank borrowings are term loans used by our Group to part finance the purchase of vacant residential land in Mukim Belanja, Daerah Kinta, Negeri Perak. All of our bank borrowings are interest-bearing based on variable rates and denominated in RM. As at the LPD, there is no unutilised banking facilities available to our Group. In view of the low level of bank borrowings, the recent hike in overnight policy rate by Bank Negara Malaysia does not have material impact to our finance cost at this juncture.

Nonetheless, if required, our Group may obtain additional borrowings to support our various business segments inclusive of Smart Farming Business in the future. As such, should there be an increase in bank borrowings of the Group, any fluctuation in interest rates could have a material effect on our finance costs. There can be no assurance that our performance would remain favourable in the event of adverse changes in interest rates or borrowings. Nevertheless, we believe that our prudent cash flow management will be able to generate sufficient funds for the repayment of the borrowings.

(d) COVID-19 impact

During the COVID-19 outbreak, our Group's operations for the plywood segment were temporarily suspended at certain stages of movement control order imposed by the government which in turn, resulted in lower sales volume for our Group. Further, our Group's venture into construction segment during FYE 2021 was also affected due to disruption and uncertainties to Malaysia's construction segment arising from prolonged COVID-19 outbreak in Malaysia. With the improvement in the COVID-19 situation in Malaysia following national vaccination programs and gradual easing of restrictions, the trading of plywood as well as consumer retail spending picked-up and our Group managed to secure new construction projects.

The COVID-19 outbreak is a force majeure event beyond the control of our Group. Any resurgence of COVID-19 and/or any new restrictive measures that maybe imposed by government may have material adverse impact on the macroeconomy of Malaysia and the industries in which our Group operates, which in turn could adversely affect our Group's operations, financial performance and profitability.

5.2 Risks relating to our Group's plywood segment

(a) Business and operational risks

Our Group is exposed to certain risks inherent in the plywood industry. These include but not limited to changes in general economic conditions (such as inflation and changes in interest rates), constraint in plywood supply, changes in the legal and environmental framework within which the industry operates, fluctuations in selling prices of plywood related products, re-negotiation or nullification of existing sales orders and contracts as well as negative publicity from non-governmental organisations concerned on environmental impact of logging activities. Any adverse event will have a material adverse impact on our Group's business, results of operations, financial condition and prospects.

(b) Supply of and demand for plywood

A continuous supply of plywood is crucial for smooth running of our Group's plywood business. Our Group does not enter into long term arrangement with suppliers for the supply of plywood. Hence, there is no assurance that our Group will be able to secure consistent supply of plywood from our suppliers at the relevant time. In the event of a shortage in the supply of plywood, our Group may not be able to fulfill our customers' order and therefore risk losing the potential business opportunities. While our Group has not encountered any shortage of supply of plywood in the past, there is no assurance that a prolonged or severe shortage of plywood will not have material adverse impact to our Group's business and financial performance.

Majority of our plywood products are for construction and furniture industries. Any lower demand for plywood from these markets due to, amongst others, changes in general economic and business condition will also cause a lower revenue to be generated from our Group which will potentially affect our Group's financial condition.

5.3 Risks relating to our Group's construction segment

(a) Operation risks

Our Group is primarily involved in the construction segment which involves construction, project management and related activities (such as supervision, coordination, management and administration of construction projects). Risks inherent in this industry include timely commencement and/or completion of projects; increase in costs of energy, labour and building materials; shortage of skilled workers in the construction sector; adverse weather conditions; natural disasters; accidents; and changes in general economic, business and credit conditions. Accordingly, there is no assurance that any changes to these factors, which may be beyond our Group's control, will not materially affect our business operations. Our Group will strive to minimise the aforesaid risks by diligently monitoring the performance and changes within the Malaysian construction industry as well as careful planning and close monitoring of our construction operations.

(b) Fluctuation in prices and availability of construction materials

Due to the nature of construction segment, our Group depends on a continuous supply of construction materials and we will constantly source and purchase a wide range of construction materials, which includes but not limited to, steel bars, ready mixed concrete, sand cement, tile and piling materials. The market prices and availability of such materials may fluctuate in response to changes in market supply and demand, economy conditions, inflationary pressure and environment regulations and tariffs.

Any sudden and/or unexpected shortage of supply (e.g., due to events of force majeure, such as adverse weather conditions or the worsening of COVID-19 condition, or our suppliers decided to reduce the quantum of their supply to our Group), may require us to source for alternative replacements. Failure to obtain the replacements in a timely manner may lead to delays in our construction works and as a result thereof, our Group's business operations may be adversely affected.

The recent increase in material prices were mainly due to the supply chain disruption and geopolitical concerns and such increase will prolong if these disruption and concerns are not resolved. The financial performance of our Group will be affected due to prolonged increase in material cost. Hence, under such circumstances, there is no assurance that we are able to obtain sufficient quantities of construction materials at reasonable prices for our construction projects at competitive prices at all times. Despite that our Group has not encountered any shortage of supply of construction materials, one of our sub-contract works was temporarily put on hold by our business partner due to severe shortage of construction materials in East Malaysia (refer to Section 6.6(ii) of this AP for further details).

(c) Delay or non-completion of projects

The performance of our Group's construction segment is dependent on the timely completion of our construction projects and external factors, some of which may be beyond the control of our Group such as natural disasters, adverse weather conditions, delay in obtaining approvals / permits necessary for the construction projects, shortage or unavailability of construction materials and/or labour workforce and other unforeseen circumstances.

Any delay in completing the construction projects within the agreed timeframe may expose our Group to additional cost and potential claims which may impact our Group's profitability. Such delays may also affect our Group's reputation which would then adversely affect our Group's ability to successfully bid for other construction projects in the future. As set out in Section 2.8 of this AP, there was a delay in commencement of Batang Padang Project (wherein our Group is appointed as a sub-contractor for the Works) as the developer for the project has yet to obtain the requisite approvals from the relevant authorities for the project, which is beyond the control of our Group. There is also no assurance that any delay in the construction projects will not increase the project costs which will materially affect the profitability of our Group.

(d) Competition risks

Our Group faces competition from both new entrance and existing players in the construction industry. Being a new entrant to the construction industry, our Group may be disadvantaged due to lack of track record, as compared to the other more established construction players.

The competitiveness of our Group will depend on our ability to deliver projects on time, with consistent quality and at a competitive pricing. Apart from careful planning and close monitoring, this will also require the employment of qualified personnel for our Group's construction business.

There is no assurance that our Group will be able to successfully compete with the competitors and secure new contracts in the future as well as the competitive pressure will not materially and adversely affect our Group's business, operations and financial conditions. Nevertheless, our Group will take proactive measures to remain competitive via sales and marketing strategies, conducting market survey before commencement of any construction projects and provide quality services with competitive pricing.

5.4 Risks relating to our Group's wholesale segment

(a) Competition risks

Our Group had ventured into the wholesale trading of mainly consumer electronic products such as fans and water heaters to wholesalers and intermediaries. The barrier of entry into the wholesale industry is low due to its low skill requirements. As such, wholesale companies (including our Group) are constantly facing intense competition while striving to survive and remain profitable.

There is no assurance that our Group can remain competitive among the new entrants. Emergence of new competitors who offer the same product range with our Group at competitive pricing may adversely affect the revenue and profit of our Group going forward.

(b) Supply disruption risks

Our Group's wholesale business is dependent on the support of third-party suppliers to ensure the continuous supply of products. If there is any delay or interruption in our suppliers' ability to provide us with the necessary products, or if our suppliers cease to operate, we may be required to seek alternative source of supply. We may not be able to procure an alternate source of supply of products in time to meet the demands from our customers, or we may not be able to procure products of equal quality and quantity as well as on equally competitive terms.

As our Group recently ventured into the wholesale segment, we have not encountered any supply chain interruption thus far. Despite this, any delay or interruption in receiving products from our suppliers could impair our ability to supply products to our customer on a timely basis and may materially and adversely affect our business, profitability and competitiveness.

5.5 Risks relating to our Group's Smart Farming Business

(a) Business diversification risk

The Diversification exposes our Group to risks inherent in the agricultural industry, in which our Group has no prior experience in the past. These include, but are not limited to, competition from other industry players, factors that affect the quantity and/or quality of agricultural production (such as climate change, outbreaks of plant diseases, damages from pests and plant diseases, fire or other natural disasters), changes in demand for agricultural products, fluctuation of prices of costs of farming and/or agricultural products, environmental risk and risk on non-compliance with the legal and environmental framework within which this industry operates. There can be no assurance that the anticipated benefits of the Diversification will be realised.

(b) Termination and/or non-renewal of collaboration agreements and/or lease or tenancy agreements over the Setiu Lands and/or the Additional Lands

Annum Industries had entered into the collaboration agreements with Lessees which allow Annum Industries to undertake the Smart Farming Business on the Setiu Lands for a tenure of 10 years with an option to renew for a further term to be mutually agreed between the respective parties. The Setiu Lands are leased by JPNT to the Lessees for a tenancy period of 3 years (i.e., expiring in year 2025) and renewable for 3 further renewal terms of 3 years each until year 2034. Our Group may also enter into other collaboration agreement(s) with other third party(ies) for the use of the Additional Lands to undertake the Smart Farming Business.

If the existing and future collaboration agreements and/or the leases or tenancies over the Setiu Lands and/or the Additional Lands are not renewed or terminated due to breach and/or failure to comply with the terms of respective agreements (such as failure of the Lessees to comply with the conditions imposed by JPNT in relation to the Setiu Lands), our Group will not be able to continue its smart farming activities on these lands and thus have to relocate to other suitable farming lands to undertake its Smart Farming Business and incur relocation costs for the greenhouses and all related facilities to the new locations. Further, if our Group is not able to identify other suitable farming lands, the operations of the Smart Farming Business would be disrupted and this would affect our Group's profitability and financial results.

(c) Dependency on key personnel

Our Group is currently involved in plywood, construction and wholesale segments and has no prior experience in the Smart Farming Business. Our Group intends to leverage on the experiences and business networks of Zaruddin Bin Manaf (Project Director of Annum Industries) and Norsyam Aswadi Bin Mohammad Nor (Farm Manager of Annum Industries) to spearhead the Smart Farming Business. Our Company believes that the success of the Smart Farming Business will depend significantly on the abilities, skills and experience as well as continued efforts of our Board and supported by the key personnel. The sudden loss of any key personnel without suitable and timely replacement, or the inability of our Group to attract and retain other qualified personnel, may adversely affect the revenue and profitability from the Smart Farming Business

(d) Dependency on external service providers

Our Group currently does not possess the in-depth technical know-how in the provision of IoT solutions for the Smart Farming Business and is required to appoint external service providers to provide technical support. Failure of the external service providers to provide the related IoT solutions services to meet our requirements may cause downtime and compromise our operations.

At this juncture, our Group believes it may be too preliminary to incur cost to establish a dedicated in-house team for the provision of IoT solutions for the Smart Farming Business. Our Group will continuously evaluate our needs and readiness to establish a dedicated in-house team for provision of IoT solutions for Smart Farming Business after considering the economic benefits of such need to ensure the Smart Farming Business is profitable and sustainable. In the meantime, as our Group and our personnel for the Smart Farming Business will acquire the relevant technical knowledge and familiarise ourselves with the modus operandi of the IoT system over time, we expect the reliance on external service providers will reduce gradually.

(e) Fluctuation in costs and availability of materials for set-up of greenhouses and farming activities

The prices and availability of materials for the set-up of greenhouses (such as construction materials, information and communication technology related equipment and systems for the Smart Farming Business) and/or materials for farming activities (such as seedlings, fertilisers and fungicide) would depend on market conditions. If there is a substantial hike in the costs or shortage of such materials, it will affect the procurement process, and disrupt the setting-up of greenhouses and commencement of smart farming activities and thereby, affect our Group's operations and financial performance of our Smart Farming Business.

(f) Fluctuation in selling prices for agricultural products

The prices of agricultural products (including the Japanese melons and hybrid melons) are subject to, amongst others, supply and demand factors, quality of the agricultural products, evolving customer preferences and general economic conditions. Any unfavourable price changes will directly affect the profitability of the Smart Farming Business and have an adverse effect on our Group's financial performance.

(g) Rapid technological change and internet connectivity

Our Group has no prior experience in the Smart Farming Business, of which is prone to rapid technological changes and frequent new product introductions and enhancements, which would in turn affect the agricultural productivity and consequently, affect our Group's operating results and financial performance.

Further, the Smart Farming Business relies on IoT for remote monitoring and control and requires continuous availability of internet connectivity. While our management strives to identify suitable farming lands with good internet network coverage, there can be no assurance that there will be no interruptions to the internet connectivity on the farming lands which is subject to network quality of the telecommunication service providers that is beyond the control of our Group. The rollout of 5G initiatives by the Government of Malaysia in future will increase the coverage and network quality which will mitigate internet connectivity risks in the long run.

(h) Competition risk

Being a new entrant in the smart farming industry and/or agricultural industry, our Group will face competition from the existing players in the smart farming industry and/or agricultural industry, especially in melon farming industry which our Group intends to tap into, due to our lack of track record and experience in the agricultural industry. Further, the existing industry players in the smart farming industry and/or agricultural industry may have relatively more economic resources and access to a wider distribution channel in the market. As such, these industry players may be better equipped to withstand the volatility in prices of agricultural products or demands for agricultural products. Our Group also faces competition from fruit traders or suppliers in terms of pricing and quality of agricultural products which could affect the profitability of the Smart Farming Business and assert pressure on our Group's agricultural product quality and marketing strategies.

There is no assurance that our Group will be able to compete successfully against current and future competitors or that competitive pressure will not materially and adversely affect the business, operations, results or financial conditions of our Group.

(i) Financing risk

As set out in Section 4 of this AP, the total estimated capital expenditure required for the set-up of up to 140 units of greenhouses for the Smart Farming Business is approximately RM63.34 million, to be funded via a combination of proceeds from the Rights Issue, our Group's internal funds, bank borrowings and/or any other fund-raising exercises to be undertaken by our Company (if required).

If our Group obtains bank borrowings to finance such capital expenditure, our Group will be exposed to fluctuations in interest rates and subject to financing repayment commitments, which in turn may affect our Group's cash flows and profitability. The interest rates of borrowings are dependent on various factors, which include general economic and capital market conditions, our Group's credit standing with financial institution as well as the political and social conditions in Malaysia.

There can be no assurance that our Group will be able to repay all bank borrowings and service all finance costs in the future as our Group's ability to make payments on loan principal and to service finance cost depends on our ability to generate sufficient cash flow in the future, which is subject to many factors beyond the control of our Group which include but not limited to, adverse weather condition (i.e., flood and typhoons), pests and plant diseases which could affect farming activities and crop yield.

(j) COVID-19 impact to Smart Farming Business

During the COVID-19 outbreak, economic activities (save for essential services as prescribed by the regulatory authorities in Malaysia) were restricted and it had impacted the macro-economic condition, daily business operation, consumer sentiment and consumer spending power in Malaysia.

Smart farming method applies IoT for remote monitoring and control of the farming environment with minimal labour and hence, the potential adverse disruption to farming activities as a result of COVID-19 is minimised due to the use of the smart farming method. However, there can be no assurance that a resurgence of COVID-19 cases, more restrictive measures to curb the spread of COVID-19 or new categorisation of essential services prescribed by regulatory authorities would not have a material adverse impact to daily farming activities and the sustainability of Smart Farming Business in the future.

5.6 Risks relating to the Rights Issue

(a) Investment risk

The market prices of our Shares and Warrants as traded on Bursa Securities are influenced by, amongst other, the prevailing market sentiments, volatility of the equity markets and outlook of the industries in which our Group operates in as well as our financial performance. In view of this, there can be no assurance that the Rights Shares and Warrants will trade at or above the issue price of Rights Share or the exercise price of Warrants, upon or subsequent to the listing and quotation of these securities on the Main Market of Bursa Securities.

You should also consider carefully that each Warrant derives its value from giving its holder the right to subscribe for new Shares at a pre-determined exercise price over the exercise period whereby the Warrants may be exercised at any time during the tenure of the Warrants of 2 years commencing from and inclusive of the date of allotment of issuance of the Warrants. In this regard, the Warrants have a finite lifespan during which tenure the holders can exercise the subscription rights comprised in the Warrant. If the exercise price of the Warrant is higher than the market price of our Shares, the Warrants are deemed 'out-of-the-money'. The value of the Warrants is directly related to the market price of our Shares. The higher the quantum by which the market price of our Shares exceeds the exercise price of Warrant, the higher the value of the Warrants will be.

Further, as the Warrants are new type of securities issued by our Company, there can be no assurance that an active market for the Warrants will develop upon the listing and quotation of Warrants on Bursa Securities or if developed, that it will sustain.

Accordingly, there can be no assurance that the market prices of the Rights Shares and Warrants will be at a level that meets the specific investment objectives or targets of any holders of the Rights Shares and Warrants.

(b) Delay in or abortion of the Rights Issue

The Rights Issue is exposed to the risk that it may be aborted or delayed on the occurrence of any material adverse change of events or circumstances, which are beyond the control of our Company and Principal Adviser, arising prior to or during the implementation of the Rights Issue. Such events or circumstances include, epidemics or pandemics; natural disaster; adverse developments in political, economic and government policies in Malaysia (including changes in political leadership, inflation and interest rates); global economic downturn; and acts of war, terrorism, riots and expropriations. No assurance can be made that the abovementioned events or circumstances will not cause a failure or delay in the completion of the Rights Issue.

Investors who had purchased the Provisional Allotments would lose their investments in the Provisional Allotments in the event the Rights Issue is terminated.

Where prior to the issuance and allotment of the Rights Shares with Warrants to the successful Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable):

- (a) if the failure in the completion of the Rights Issue where the SC issues a stop order pursuant to section 245(1) of the CMSA, all applications shall be deemed to have been withdrawn and cancelled and our Company shall forthwith repay without interest all monies received from the applicants within 14 days from the date of the stop order, failing which we shall be liable to repay such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC from the expiration of that period pursuant to section 245(7)(a) of the CMSA; or
- (b) if failure in the completion of the Rights Issue (other than pursuant to section 245(1) of the CMSA), all application monies received pursuant to the Rights Issue will be refunded to our Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) who have subscribed for the Rights Shares with Warrants without interest.

If the Rights Shares with Warrants have been allotted to the successful Entitled Shareholders and/or their renouneece(s)/transferee(s) (if applicable) and:

- (a) the SC issues a stop order pursuant to section 245(1) of the CMSA, any issue of the Rights Shares with Warrants shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days from the date of service of the stop order, our Company shall be liable to repay such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC from the expiration of that period and to take necessary steps to effect the stop order pursuant to section 245(7)(b) of the CMSA; or
- (b) the Rights Issue is subsequently cancelled or terminated for reasons other than pursuant to a stop order by the SC under section 245(1) of the CMSA, a return of monies received from the applicants can only be achieved by way of cancellation of our Company's share capital as provided under the Act and its related rules.

Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya or a solvency statement from our Directors. There can be no assurance that such monies can be returned within a short period of time or at all in such circumstances.

Notwithstanding the above, we will exercise our best endeavour to ensure the successful implementation of the Rights Issue. However, there can be no assurance that the abovementioned events will not cause a delay in or failure of the Rights Issue.

(c) Potential dilution of existing shareholders' shareholdings

Our Entitled Shareholders who do not or are unable to subscribe fully for their entitlements pursuant to the Rights Issue will have their proportionate percentage of shareholdings and voting interest in our Company reduced and the percentage of the enlarged issued share capital represented by their shareholdings in our Company will also be reduced accordingly. Consequently, their proportionate entitlement to any future distribution, rights and/or allotment that our Company may make after completion of the Rights Issue will correspondingly be diluted.

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(d) Forward-looking statements

Certain statements in this AP are based on historical data, which may not be reflective of the future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements contained in this AP are based on estimates and assumptions made by our Company, unless stated otherwise. Although our Board believes that these forward-looking statements are reasonable, the statements are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements.

In view of these uncertainties, the inclusion of any forward-looking statements in this AP should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

6. INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF OUR GROUP

6.1 Overview and outlook of Malaysian economy

The Malaysian economy registered a strong growth of 14.2% in the third quarter of (“3Q”) 2022 (second quarter of (“2Q”) 2022: 8.9%). Apart from the sizeable base effects from negative growth in 3Q 2021 wherein the Malaysian economy was adversely affected by the re-imposition of strict containment measures during 3Q 2021, which entailed, among others, limits to operating capacities for selected economic activities and inter-state travel restrictions (against this, the economy recorded a contraction of 4.5%), the high growth was underpinned by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.9% (2Q 2022: 3.5%). Overall, the Malaysian economy expanded by 9.3% in the first three quarters of 2022. All economic sectors expanded in 3Q 2022.

Going forward, Malaysia’s economic growth will be supported by continued expansion in domestic demand. The economy would benefit from the improvement in labour market conditions, realisation of multi-year projects and higher inbound tourism activity. While external demand is expected to moderate, this will be partly cushioned by Malaysia’s diversified export base. The balance of risks to Malaysia’s growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: BNM Quarterly Bulletin Vol. 37 No. 3 for the Third Quarter of 2022, Bank Negara Malaysia)

In tandem with continued implementation of development programmes and projects, the economy is expected to expand further in the second half of the year. The growth prospects have been supported by the resumption of economic and social activities and improvement in international travel activities following the relaxation of COVID-19 restrictions regionally. With better prospects as indicated by the Leading Index, the economy is anticipated to gain its growth momentum in the second half of the year attributed to strong domestic demand as the country transitions into endemicity. For the full year of 2022, the economic growth is expected to register a higher growth within the range of 6.5% – 7%. The domestic economy remains resilient and is forecast to expand between 4% – 5% in 2023 driven by the domestic demand. Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for cost of living and efforts in mitigating the downside risks such as geopolitical uncertainties, global inflation as well as tightening financial conditions. *(Source: Economic Outlook 2023, Ministry of Finance)*

6.2 Overview and outlook of the plywood industry in Malaysia

Plywood is a type of engineered wood which consists of three or more sheets of wood glued and pressed, with wood grains of successive sheets are at 90 degrees to one another. Generally, plywood is used for furniture and as building materials for construction sector.

Malaysia's export of timber and timber products for 2021 increased by 3.0% to RM22.74 billion compared to RM22.00 billion in 2020. Wooden furniture remained the highest contributor with RM10.33 billion, followed by plywood with RM3.28 billion and sawntimber of RM2.51 billion (*Source: <http://mtc.com.my/resources-TradeInfo-2021.php>, Malaysian Timber Council, accessed on the LPD*).

For the first half of 2022, Malaysia's export of timber and timber products was RM13.19 billion, which was an increase of 13.8% compared to the same corresponding period in 2021 that was RM11.59 billion. Among the agricommodity sectors in Malaysia, the timber industry maintained its top three position from January to June 2022 with total trade at RM17.79 billion. The top products exported were wooden furniture with an export value of RM6.02 billion or 45.6% of the total export, followed by plywood (RM1.88 billion or 14.2%) and sawntimber (RM1.38 billion or 10.5%). (*Source: Timber Malaysia July-August issue, Malaysian Timber Council*)

The government had launched the National Agricommodity Policy 2021-2030 (DAKN2030) which sets the policy direction for the coming 10 year from 2021 to 2030 for 8 key commodities – palm oil, rubber, timber, cocoa, pepper, plant-based fibres (kenaf), biomass and biofuel. 16 indicator and targets were identified to drive the development of the timber sector over the next 10 years from 2021 to 2030, with 14 strategies for implementation. Some key indicators, targets and strategies for timber under DAKN2030 include:

- Strengthen the timber raw material supply chain via Forest Plantation Development Programme (FPDP) 2.0, which targets to have estimated 50,000 hectares of forest plantations developed in the first 5 years (2021-2025) and estimated raw material supply turnover of 10 million m³ timber for a felling cycle of 4 to 15 years, depending on the planted species; and
- Total agricommodity exports for timber to reach RM28 billion by 2025 and RM32.80 billion by 2030.

(*Source: National Agricommodity Policy (DAKN) 2021-2030 – Action Plan, Ministry of Plantation Industries and Commodities*)

6.3 Overview and outlook of construction industry in Malaysia

The value of construction work done in the third quarter 2022 surged 23.2 per cent (Q2 2022: 6.1%) as compared to the same quarter of 2021, amounting to RM30.5 billion (Q2 2022: RM29.9 billion). The expansion was driven by non-residential buildings (37.7%), special trades activities (32.2%), residential buildings (17.8%) and civil engineering (14.6%) subsectors. In the third quarter of 2022, the civil engineering remained as the main contributor to the value of construction work done with a share of 37.9 per cent, followed by non-residential buildings (30.4%), residential buildings (22.3%) and special trades activities (9.4%). The value of work done owned by private sector stood at RM18.0 billion, soared 31.8 per cent (Q2 2022: 14.8%) which contributed a share of 59.0 per cent. Meanwhile, the value of work done by public sector increased 12.6 per cent (Q2 2022: -4.0%). The construction work done for the sum of three quarters of 2022 registered a value of RM89.9 billion, posted an increase of 6.6 per cent as compared to the same period of 2021 (3Qs 2021: -2.1%). (*Source: Quarterly Construction Statistics, Third Quarter 2022, Department of Statistics Malaysia*)

The construction sector recorded a higher growth of 15.3% in 3Q 2022 (2Q 2022: 2.4%) as all subsectors recorded improvements in activities. Commercial real estate, mixed development and small-scale projects continued to support activities in the non-residential and special trade subsectors. (*Source: BNM Quarterly Bulletin Vol. 37 No. 3 for the Third Quarter of 2022, Bank Negara Malaysia*)

The construction sector is forecast to expand by 4.7% in 2023 following a better performance in all subsectors. Civil engineering subsector is anticipated to rebound buoyed by implementation of new projects such as Mass Rapid Transit Line 3 (MRT3) Circle Line and acceleration of ongoing infrastructure projects which include, Rapid Transit System (RTS) Link, East Coast Rail Link (ECRL) and Light Rail Transit Line 3 (LRT3). In addition, the approved investment projects in the manufacturing sector are anticipated to come onstream and subsequently creating a greater demand for industrial buildings. Hence, the non-residential buildings subsector is projected to expand further. Meanwhile, the residential buildings subsector is expected to grow steadily supported by more construction of affordable houses, in line with the strategy under the 12MP. In addition, incentive offered by the Government to encourage home ownership through i-MILIKI programme is expected to spur demand for residential buildings while addressing the property overhang issue. (*Source: Economic Outlook 2023, Ministry of Finance*)

6.4 Overview and outlook of wholesale trade and consumer electronics industries in Malaysia

Malaysia's wholesale and retail trade continues to record a sturdy growth of 15.2% to RM133.9 billion in October 2022, registered a growth of 15.2 per cent year-on-year. The positive growth was contributed by all sub-sectors, namely retail trade 26.0 per cent, motor vehicles 11.2 per cent and wholesale trade 7.3 per cent. In terms of volume index, wholesale and retail trade registered 10.5 per cent year-on-year to record 145.8 points. The increment was supported by the increase in retail trade of 22.3 per cent, motor vehicles 3.0 per cent and wholesale trade 0.8 per cent. As for seasonally adjusted volume index, it went down -2.3 per cent month-on-month in October 2022. (Source: *Performance of wholesale & retail trade, October 2022, Department of Statistics Malaysia*)

The consumer electronics market has never evolved as quickly and as deeply as today. Despite the obvious disruptions caused by COVID-19, the future for the global consumer electronics market looks bright in coming years and is projected to grow from US\$1.05 trillion in 2022 to US\$1.77 trillion by 2030, at a compound annual growth rate of 4.9% during the forecast period. (Source: <https://www.mida.gov.my/industries/manufacturing/electrical-electronics/>, Malaysian Investment Development Authority, accessed on the LPD)

6.5 Overview and outlook of fruits and vegetables farming in Malaysia

Fruits and vegetables are vital in our day-to-day meals as they are a source of dietary fibre, nutrition, minerals and vitamins which are an essential part of a balanced diet for humans to stay healthy and fit. Regular intake of fruits and vegetables can help maintain weight, lower cholesterol and blood pressure, as well as reduce the risk of non-communicable diseases such as diabetes, stroke, heart disease, cancer and hypertension. The Ministry of Health Malaysia also released Malaysian Dietary Guidelines which recommended 2 servings of fruit per day, which is approximately 170 grams, and 3 servings of vegetables which is approximately 140 grams (serving sizes may vary depending on food groups).

The fruits and vegetables farming industry in Malaysia refer to the planting and harvesting of fruits and vegetables to be sold to wholesalers, retailers and/or end consumers. Fruits and vegetables farmers may either use:

- (i) conventional farming methods - where the soil's pH, moisture and nutrient levels as well as temperature and humidity levels of the environment the fruits and vegetables are being farmed are being monitored manually; and
- (ii) smart farming methods – a modern method of farming which utilises various technologies including the IoT devices, big data analytics, remote sensing, artificial intelligence and robotics to collect, process and analyse data relating to the soil's pH, moisture and nutrients levels as well as temperature and humidity levels of the environment. This allows for remote monitoring of the soil's nutrient, pH and moisture levels as well as temperature and humidity levels of the environment the fruits and vegetables are being farmed on a real-time basis.

Smart farming methods uses sensors to detect the temperature and humidity levels of the environment, as well as the soil's pH, moisture and nutrient levels. Data collected from these sensors are automatically fed to the smart farming system, which will be configured to ensure the soil's pH, moisture and nutrient levels as well as the temperature and humidity levels of the environment are maintained within prespecified levels. The smart farming system can provide reports, alert and recommend the next steps to the user if the levels are above or under the specified optimal ranges. The system can also be configured to automatically control the temperature and humidity as well as irrigation of the soil with water and nutrients.

Smart farming methods can be designed for greenhouses or in an open field. Typically, smaller crops such as melons, tomatoes, cucumbers or cabbages are best farmed in a controlled environment such as a greenhouse, whilst larger plants such as bananas and durians will be farmed in an open field.

Thus, the difference between the 2 farming methods are as follows:

Farming activities	Conventional farming method	Smart farming method
Monitoring of soil's nutrient, pH and moisture levels	Manual and on-site	<ul style="list-style-type: none"> • Sensor is placed to ensure that these indicators remain within prespecified levels. • User is alerted and the next course of action is provided to the user if the levels are above or under the specified optimal ranges. The system can also irrigate the soil with nutrients and water to maintain the parameters within optimal ranges. • User can remotely monitor these parameters.
Monitoring of environment's temperature and humidity levels	Manual and on-site	<ul style="list-style-type: none"> • Sensor is placed to ensure that these indicators remain within prespecified levels. • User is alerted and the next course of action is provided to the user if the levels are above or under the specified optimal ranges. The system can also control the temperature and humidity to maintain the parameters within optimal ranges. • User can remotely monitor these parameters.
Fertilisation of soil	Manual	Soil irrigation with water infused with nutrients is automated.
Watering	Manual	Soil irrigation with water infused with nutrients is automated.

Thus, the use of smart farming methods allows for the following benefits, amongst others:

- (i) allows for real-time monitoring and faster response time if the soil's nutrient, pH and moisture as well as the temperature and humidity levels of the environment fall above or under the specified optimal ranges. As these parameters are always kept at optimal ranges for the crops to grow, this will improve growth, quality and harvest yield;
- (ii) data captured and analytics performed can be used to improve farming operations and gauge of optimal ranges for the farming environment. This data can be used to improve growth, quality and harvest yields of the crops;
- (iii) minimise number of workers required to water, fertilise and monitor farming as activities are automated. This would increase operational efficiency as mundane tasks such as watering and fertilising can be automated;
- (iv) reduces instances of over watering and over fertilising as the amount of water and fertilisers used can be regulated; and
- (v) identify any unusual chemicals and toxicity present in the soil which may otherwise have gone unnoticed unless soil samples are frequently tested.

Further, smart farming methods, coupled with the use of greenhouses for smaller crops, will also minimise external factors as it allows for the growing environment to be controlled. This will thus enable temperature and humidity levels to be maintained at optimal levels for the plant, and pests and plant diseases that are detrimental to the plants to be minimised. This not only encourages better quality and harvest yields, but lesser pests and plant diseases in greenhouses will also minimise the usage of pesticides in farming.

The fruits and vegetables farming industry size in Malaysia can be measured based on planted areas of fruits and vegetables in Malaysia. The total fruits and vegetables farming industry size, in terms of planted area size, increased from 247,575 hectares in 2019 to an estimated 254,801 hectares in 2021, recording a compound annual growth rate ("CAGR") of 1.4% during the period. Moving forward, the total fruits and vegetables farming industry size, in terms of planted area size, is forecast to grow from an estimated 258,499 hectares in 2022 to 266,058 hectares in 2024 at a CAGR of 1.5% during the period.

The fruits and vegetables farming industry in Malaysia is expected to be driven by the following key demand drivers:

(i) Growing demand for fruits and vegetables will drive the fruits and vegetables farming industry in Malaysia

The fruits and vegetables farming industry in Malaysia is driven by demand for fresh fruits and vegetables. The fresh fruits and vegetables market in Malaysia, as measured by sales of fresh fruits and vegetables, grew from RM11.5 billion in 2017 to RM13.1 billion in 2021 at a CAGR of 3.2%. This has been largely driven by the following factors, amongst others:

(a) Increase in population and economic growth of Malaysia are expected to contribute to growth in demand for fresh fruits and vegetables

The growth of the population and continued economic development in the country are expected to increase demand for food, including fruits and vegetables. Economic development is indicative of more disposal income, and thus the ability to spend on higher quality and nutritious food such as fruits and vegetables.

The population in Malaysia was estimated to be 32.7 million in 2021, growing from 31.2 million in 2015. Meanwhile, Malaysia's gross national income ("GNI") per capita grew from RM36,710 in 2015 to an estimated RM46,051 in 2021. The growth of the economy in Malaysia has led to an increase in disposable income. Consumers with higher disposable income tend to seek foods and means to maintain and improve their health and well-being. Thus, as the disposable income of the population in Malaysia grows, it is expected that more consumers will be more inclined towards seeking means to maintain their health, and will be more exposed to the benefits of consuming fresh fruits and vegetables in their diet. In addition, the Ministry of Health also released Malaysian Dietary Guidelines which recommended 2 servings of fruit per day, which is approximately 170 grams, and 3 servings of vegetables which is approximately 140 grams (serving sizes vary depending on food groups).

(b) Increased awareness on the importance of consuming fruits and vegetables will create increased demand for fresh fruits and vegetables

Fruits and vegetables are generally known to be a source of nutrition and have been an essential part of a balanced diet to maintain and boost health. Fruits and vegetables generally help with maintaining weight, lowering cholesterol and blood pressure, as well as reducing the risk of non-communicable diseases such as diabetes, stroke, heart disease, cancer and hypertension.

In 2019, the average sugar consumption per person in Malaysia was 42.4 kilograms, which is equivalent to an estimated sugar intake of 116 grams per day. This is more than 2 times the 50g daily sugar intake recommendation from the World Health Organisation and Malaysian Dietary Guidelines. This is due to the high consumption of sweet and sugary foods and drinks in daily diet as Malaysian lifestyle revolves around food delivery, and late-night supper meals. This has subsequently led to a high prevalence of diabetes and obesity among the population in Malaysia.

According to the National Health and Morbidity Survey (NHMS) 2019, out of 50.1% of Malaysian adults (aged 18 years and above), 30.4% are overweight and 19.7% were obese while the prevalence rate of diabetes stood at 18.3%. The high prevalence rate of diabetes and obesity has led Malaysians to grow to become more aware of their unhealthy diets and practices. This in turn has led to more Malaysians choosing healthier options for food such as fruits and vegetables. It is expected that the trend of eating healthier food options such as fruits and vegetables will continue to grow in the coming years.

(c) Growth in exports of fruits and vegetables farmed in Malaysia will benefit the fruits and vegetables farming industry in Malaysia

Malaysia is a tropical country and as such, a wide variety of fruits and vegetables can be farmed in the country such as melons (comprising varieties that can be grown in Malaysia such as Japanese melons, hybrid melons, watermelons, honeydew and rockmelons), durian, mangosteen, rambutan, langsung, pomelo and coconut. In 2021, the export value of fruits and vegetables rose significantly from RM2.5 billion in 2020 to RM3.1 billion in 2021, growing by 24.0%.

(d) Processing of fruits and vegetables into fruit and vegetables products are expected to increase consumption of fruits and vegetables

Fruits and vegetables processing such as dehydrating, freezing, canning and pickling can help to preserve the quality of fruits and vegetables. These processing activities also extend the shelf life of fruits and vegetables and thus lessens spoilage and wastage. In addition, processing of fruits and vegetables has given consumers more choices for consuming fruits and vegetables, as there are more fruit and vegetables products produced from these processing activities. The demand for processed fruits and vegetables, as measured by sales value, has been growing from RM259.6 million in 2015 to RM314.7 million in 2021, registering a CAGR of 3.3% during the period. Thus, this is expected to contribute to the growth in consumption of the fruits and vegetables in Malaysia.

(ii) Use of smart farming method in fruits and vegetables farming is expected to benefit the fruits and vegetables farming industry

The fruits and vegetables farming industry is a highly labour intensive industry which requires many workers to manage, maintain and harvest crops as well as operate the machines and transporting the crops. This has led to difficulty in obtaining sufficient and experienced workers to operate on the nurseries and farms. There is thus a need for farmers to utilise smart farming methods in fruits and vegetables farming, which allows for several benefits as indicated above.

Further, the Government of Malaysia has also been supporting the use of smart farming methods. Amongst the initiatives under the Twelfth Malaysia Plan 2021 - 2025 (“**12MP**”) include intensifying smart farming activities within the agriculture sector by promoting collaboration between technology providers and farmers to make smart farming technology accessible and affordable along the agriculture sector value chain. In addition, a smart farming fund will be introduced to support the acceleration of adopting modern technology in the agriculture sector. The Malaysia Digital Economy Blueprint also aims to promote smart farming adoption through a centralised open data platform amongst industry players.

As an illustration, the economic potential of IoT, which is utilised in smart farming methods, is forecast to be RM9.5 billion GNI creation by 2020. The GNI creation denotes the potential income that can be earned in the country with the use of IoT. The GNI creation in Malaysia from IoT is expected to reach RM42.5 billion by 2025.

(iii) Government initiatives aimed to support the fruits and vegetables farming industry

The Government of Malaysia has introduced various policies and initiatives aimed to revitalise and boost the agricultural industry, including the fruits and vegetables farming industry in Malaysia. Amongst the various policies and initiatives includes the following:

(a) 12MP

Under the 12MP, the Government of Malaysia has also implemented various measures to strengthen the upstream and downstream activities of the agriculture sector, including the expansion of replanting programmes with high quality varieties, enhancement of research and development activities and technology adoption, implementation of sustainable management as well as optimisation of resources through smallholders land consolidation.

(b) Budget 2022

The Government of Malaysia aims to drive modernisation in the agriculture sector to improve food security and safety by increasing productivity, generating higher incomes and attracting the younger generation into participating in the agriculture sector. Under Budget 2022, the Government of Malaysia has allocated a total of RM1.5 billion for seeds, fertiliser, price and paddy production subsidies. Further, the initiative also aims to increase agricultural areas to provide more opportunities for those within the lower-income group as well as youths. Idle lands and undeveloped lands owned by the Federal Government and the Malay Reserve Land will be leased for agricultural purposes or business projects to further drive the agricultural industry. Additionally, the Government of Malaysia has also implemented a financing program with a budget of RM1.25 billion under the Bank Pertanian Malaysia Berhad (Agrobank) and Bank Negara Malaysia to help fund small-to-medium enterprises to boost the agrofood production in Malaysia.

(c) National Agrofood Policy 2021 – 2030

The National Agrofood Policy 2.0 (“**NAP 2.0**”) is a plan formulated to develop a sustainable, resilient and technology-based agrofood sector to drive economic growth, improve the well-being of the people as well as prioritise food security and nutrition. Under the NAP 2.0, the Government of Malaysia plans to implement 5 key policy thrusts which will drive the agrofood sector. Among these key policies includes the following:

- Embrace modernisation and smart agriculture
- Strengthen domestic market and produce demand driven and export-oriented products
- Build talents that meets demand of the industry
- Advance towards sustainable agricultural practices and food systems
- Create conducive business ecosystem and robust institutional framework

These policies will be aimed at 4 key subsectors including the paddy and rice subsector, the fruits and vegetables subsector, the livestock subsector as well as the fisheries and aquaculture subsector.

(d) Malaysia Digital Economy Blueprint

Amongst the initiatives to be implemented under the plan includes promoting a centralised open data platform amongst industry players, as well as create more local digital platforms to enable access to ‘Farm to Table’ digital marketplace. The goal is to increase digital adoption and generate new business models through open data platforms and pinpointing cost-cutting measures, as well as increasing participation in the digital marketplaces for sales of farmers.

The abovementioned government initiatives are expected to drive and support the fruits and vegetables farming industry in Malaysia.

(Source: IMR Report)

6.6 Prospects of our Group

(i) Plywood segment

Despite historical losses from the plywood segment, our Group had undertaken various asset rationalisation and business optimisation measures to streamline and improve the efficiency of the plywood segment, such as shifting our business focus from manufacturing of plywood products to trading of plywood products. Despite the challenging prospects of the plywood segment in the future due to the competitive pricing of plywood products, our Board envisages that there is continuous demand for plywood for the furniture and construction industries as set out in Sections 6.2 and 6.3 of this AP, which would improve the prospects of our Group’s plywood segment. Our management will continue with the trading of plywood. We plan to increase our product range and marketing efforts to promote our Group’s plywood products and attain more clientele for our plywood products.

(ii) Construction segment

As at the LPD, our Group had secured 3 construction projects/contracts as follows:

- (i) Batang Padang Project for a contract sum of RM134.02 million. As at the LPD, the Works on the land earmarked for the Batang Padang Project has yet to commence as the developer has yet to obtain the requisite approvals from relevant authorities for this project. The Works are expected to commence within a month upon receipt of the relevant approvals, which are expected to be obtained by the 1st half of calendar year 2023. Upon commencement of the Works, the Batang Padang Project is expected to be completed within 24 months;
- (ii) collaboration between Annum EPCC and Greentech IOT Technology Sdn. Bhd. (“GITSB”) for the sub-contract works in relation to the provision of supplying, laying, testing and commissioning of the pipelines (piping works) from Salim Water Treatment Plant, Sibul Water Board to Kanowit Sibul Division, proposed booster station in Durin, proposed elevated tank at Bukong Jagoi junction, refurbishment of existing Kanowit Reservoir at Lipus Road junction as well as piling works and mechanical and electrical works for the Sarawak Water Supply Grid Program – Stressed Areas for a contract sum of RM62.25 million. As at the LPD, the collaboration works was temporarily put on hold by GITSB due to severe shortage of construction materials in East Malaysia and hence, no sub-contract works done by Annum EPCC at this juncture; and
- (iii) to undertake construction works for a residential development project comprising of 130 units of single-storey terrace house on a parcel of government land held under title of PT 184265 to PT 184394, Mukim Belanja, Daerah Kinta, Perak Darul Ridzuan for an estimated gross development value of RM31.06 million. The development project commenced in August 2022 and is expected to be completed within 2 years from the commencement date. As at the LPD, the construction works is currently on-going at the stage of building foundation. Further, IJ Ventures Sdn. Bhd. (a wholly-owned indirect subsidiary of our Company) had signed a Memorandum of Understanding with Koperasi Belia Nasional Berhad wherein the latter was appointed as an agent to procure its members to purchase units of this project.

The above illustrated the efforts by our management to secure contracts in the construction segment from different industries to diversify our clientele. Despite that it takes time for our Group to establish our track record and build up our business reputation in the construction segment, our Board believes that the successful completion of our Group’s construction projects/contracts coupled with the positive prospects of the construction industry in Malaysia (as set out in Section 6.3 of this AP) will contribute positively to the earnings of our Group in the future. We intend to leverage on the successful completion of existing projects/contracts to build-up and strengthen our business reputation as well as leverage on the business networks of key management of our Group to identify potential projects with customers from different industries to diversify our clientele. Further, our Group integrate industrialised building system for our Group’s construction projects/contracts to reduce construction costs and generate higher profit margin for our construction projects/contracts.

(iii) Wholesale segment

Consumer electronic products are products intended for daily use with the purpose of improving our daily lives, and the range of consumer electronic products is very wide as they comprise many types of products with different functions to serve different purposes. With improving economic activities in Malaysia and generalisation of smart electronic devices, our Group is of the view that there shall be sustainable demand for consumer electronic products in the future. We plan to increase our marketing efforts to promote our Group’s wholesale segment and attain new clientele.

Our Group shall closely monitor the scale of the wholesale segment and should the wholesale segment potentially contribute 25% or more of our Group’s net profits and/or result in a diversion of 25% or more of the NA of our Group to an operation which differs widely from the current operations of our Group, our Company shall seek shareholders’ approval in accordance with paragraph 10.13(1) of the Main LR.

(iv) Smart Farming Business

Our Group's venture into smart farming for various types of fruits and vegetables and proposed involvement in the full spectrum of agribusiness supply chain for fruits and vegetables is expected to be supported by the positive outlook of the fruits and vegetable farming industry in Malaysia. As set out in Section 6.5 of this AP, the fruits and vegetable farming industry in Malaysia is expected to be driven by the growing demand for fruits and vegetables which will be supported by the growing population, economic growth, increased awareness of consuming fruits and vegetables, growth in exports in locally farmed fruits and vegetables and processing of fruit products as well as use of smart farming method and government initiatives to support the industry. The total fruits and vegetables farming industry size, in terms of planted area size, is forecast to grow by a CAGR of 1.5% between 2022 and 2024 (*Source: IMR Report*).

In view of the above, our Board believes that the positive outlook of industries in which our Group operates in will provide opportunities to improve our Group's operations and financial performances in the medium to long term.

(*Source: Our management*)

7. EFFECTS OF THE RIGHTS ISSUE**7.1 Share capital**

The pro forma effects of the Rights Issue on our Company's issued share capital are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
As at the LPD	97,500,000	105,839,258	97,500,000	105,839,258
To be issued pursuant to the Rights Issue ⁽¹⁾	26,666,667	8,000,000	130,000,000	39,000,000
To be issued assuming full exercise of Warrants ⁽²⁾	124,166,667	113,839,258	227,500,000	144,839,258
Enlarged issued share capital	144,166,667	119,839,258	325,000,000	174,089,258

Notes:

(1) Computed based on issue price of RM0.30 per Rights Share.

(2) Assuming full exercise of the Warrants at an exercise price of RM0.30 each.

7.2 Earnings and EPS

The Rights Issue is not expected to have an immediate effect on our Group's earnings and consolidated EPS for FYE 2022 as the Rights Issue is expected to be completed within 6 months from the date of approval from Bursa Securities for, amongst others, the listing of and quotation for Rights Shares and Warrants on the Main Market of Bursa Securities, or such other period as may be prescribed by Bursa Securities.

Nevertheless, the Rights Issue is expected to contribute positively to the future earnings of our Group as and when the benefits of the utilisation of proceeds are realised. The EPS of our Group shall be correspondingly diluted pursuant to the issuance of Rights Shares and new Shares arising from the exercise of the Warrants in the future. The extent of dilution to the EPS of our Group will depend on, amongst others, the future earnings of our Group and the returns to be generated from the utilisation of proceeds from the Rights Issue and exercise of the Warrants as well as the number of Warrants exercised.

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7.3 NA and gearing

The pro forma effects of the Rights Issue on the consolidated NA and gearing of our Company, based on the latest announced financial results of our Group as at 30 September 2022, are set out below:

Minimum Scenario

	(Unaudited)	(I)	(II)
	As at 30 September 2022	After the Rights Issue	After (I) and assuming full exercise of Warrants
	(RM'000)	(RM'000)	(RM'000)
Share capital	105,839	113,839 ⁽¹⁾	119,839 ⁽⁴⁾
Warrants reserve	-	2,444 ⁽²⁾	-
Other reserve	-	(2,444) ⁽²⁾	-
Retained earnings	39,855	39,055 ⁽³⁾	39,055
Shareholders' fund / NA	145,694	152,894	158,894
No. of Shares in issue ('000)	97,500	124,167	144,167
NA per Share (RM)	1.49	1.23	1.10
Total borrowings	3,434	3,434	3,434
Gearing (times)	0.02	0.02	0.02

Maximum Scenario

	(Unaudited)	(I)	(II)
	As at 30 September 2022	After the Rights Issue	After (I) and assuming full exercise of Warrants
	(RM'000)	(RM'000)	(RM'000)
Share capital	105,839	144,839 ⁽¹⁾	174,089 ⁽⁴⁾
Warrants reserve	-	11,846 ⁽²⁾	-
Other reserve	-	(11,846) ⁽²⁾	-
Retained earnings	39,855	39,055 ⁽³⁾	39,055
Shareholders' fund / NA	145,694	183,894	213,144
No. of Shares in issue ('000)	97,500	227,500	325,000
NA per Share (RM)	1.49	0.81	0.66
Total borrowings (RM)	3,434	3,434	3,434
Gearing (times)	0.02	0.02	0.02

Notes:

- (1) Computed based on an issue price of RM0.30 per Rights Share.
- (2) Computed based on the issuance of 20,000,000 Warrants with a theoretical fair value of RM0.1222 each (under the Minimum Scenario) or up to 97,500,000 Warrants with a theoretical fair value of RM0.1215 each (under the Maximum Scenario), all based on Black-Scholes Options Pricing Model (Source: Bloomberg Finance L.P.). The other reserve account will be used to offset against the warrants reserve account upon exercising of any Warrants. If none of the Warrants are exercised by any Warrant Holders during the tenure of the Warrants, the entire other reserve account will be offset against the warrants reserve account by the end of the tenure of the Warrants.
- (3) After accounting for the estimated expenses for the Corporate Exercises of RM800,000.
- (4) Assuming full exercise of Warrants based on the exercise price of RM0.30 per Warrant.

7.4 Substantial shareholder's shareholding

As at the LPD, our Company does not have any substantial shareholder.

Under the Minimum Scenario and assuming the Sole Underwriter subscribes for all Rights Shares with Warrants pursuant to the Underwriting Agreement, the Sole Underwriter will emerge as a substantial shareholder of our Company, as illustrated in the table below:

	As at the LPD				(I) After Rights Issue				(II) After (I) and assume full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%	('000)	%
Sole Underwriter	-	-	-	-	26,667	21.48	-	-	46,667	32.37	-	-

7.5 Convertible securities

As at the LPD, our Company does not have any outstanding convertible securities.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL TRANSACTIONS

8.1 Working capital

Our businesses are funded by a combination of the following sources of fund:

- internal source of funds which comprise funds from shareholders (including proceeds from issuance of new Shares) and/or Directors, cash generated from our Group's operations and cash and bank balances. As at the LPD, our Group's total cash and bank balances with financial institutions stood at RM13.85 million (inclusive of the remaining un-utilised proceeds from the Placement); and
- external source of funds which comprise credit terms granted by our suppliers, which is generally 30-60 days.

Apart from the abovementioned sources of liquidity, our Group does not have access to other material unused sources of liquidity as at the LPD.

Our Board is of the opinion that our Group has sufficient working capital for our existing operations for the next 12 months from the date of this AP after taking into consideration the proceeds from the Rights Issue and Placement, our Group's future plans after taking into consideration the Diversification, existing cash and bank balances and funds to be generated from our Group's existing operations.

8.2 Borrowings

As at 30 November 2022 (being a date no earlier than 60 days prior to the date of this AP), our Group has total outstanding borrowings of approximately RM3.36 million, all of which are denominated in RM and interest bearing, as follows:

	Total (RM'000)
Short term borrowing:	
Term loans	468
Long-term borrowing:	
Term loans	2,892
Total borrowings	3,360

Throughout FYE 2021 and the subsequent period up to the LPD, our Group did not default on payments of either interest or principal sum in respect of any borrowings.

8.3 Contingent liabilities

Our Board confirms that as at the LPD, there is no contingent liability incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Company and/or our Group.

8.4 Material commitments

As at the LPD, our Board confirms that there is no material commitment incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group.

8.5 Material transactions

Save for the Corporate Exercises, our Board confirms that there is no other transaction which may have a material effect on our Group's operations, financial position and results since 30 September 2022 (being the most recent published interim financial results of our Group).

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION FOR THE RIGHTS ISSUE

Full instructions for the acceptance of and payment for the Provisional Allotments as well as excess applications for Rights Shares with Warrants and the procedures to be followed should you and/or your renounee(s)/transferee(s) (if applicable) wish to sell/transfer all or any part of your/his rights entitlement are set out in this AP, the accompanying RSF and the notes and instructions printed therein. In accordance with section 232(2) of the CMSA, the RSF must not be circulated unless accompanied by this AP.

You and/or your renounee(s)/transferee(s) (if applicable) are advised to read this AP, the accompanying RSF and the notes and instructions printed therein carefully. Acceptance of and/or payment for the Provisional Allotments which do not conform strictly to the terms of this AP, the RSF or the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of our Board.

9.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments which you are entitled to subscribe for in full or in part, under the terms of the Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants provisionally allotted to you, as well as to apply for excess Rights Shares with Warrants, if you choose to do so.

This AP, together with the NPA and RSF, is also available at our registered office, our Share Registrar's office and on Bursa Securities' website at <https://www.bursamalaysia.com>.

The outcome of the subscription of the Rights Issue shall be announced after the Closing Date.

9.2 NPA

The Provisional Allotments are prescribed securities pursuant to section 14(5) of the SICDA and therefore, all dealings in the Provisional Allotments will be by book entries through the CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your renounee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

9.3 Methods of acceptance and application

You may subscribe for the Provisional Allotments as well as apply for excess Rights Shares with Warrants, if you choose to do so, using either of the following methods:

Method	Category of Entitled Shareholders
RSF	All Entitled Shareholders
e-RSF	All Entitled Shareholders

9.4 Last day, date and time for acceptance and payment

The last day, date and time for acceptance of and payment for the Provisional Allotments as all as application of and payment for the excess Rights Shares with Warrants is **Tuesday, 7 February 2023 at 5.00 p.m.**. An announcement shall be made on the outcome of the subscription of the Rights Issue after the Closing Date.

9.5 Procedures for full acceptance and payment

9.5.1 By way of RSF

If you wish to accept your entitlement to the Provisional Allotments, the acceptance of and payment for the Provisional Allotments must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances of and/or payments for the Provisional Allotments which do not conform to the terms of this AP, the NPA, the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

Renounee(s)/transferee(s) (if applicable) who wishes to accept the Provisional Allotments must obtain a copy of the RSF from their stockbrokers or our Share Registrar or at our registered office or from Bursa Securities' website at <http://www.bursamalaysia.com> and complete the RSF and submit the same together with the remittance to our Share Registrar in accordance with the notes and instructions printed therein.

The procedures for acceptance and payment applicable to our Entitled Shareholders also apply to renounee(s)/transferee(s) (if applicable) who wishes to accept the Provisional Allotments.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND EXCESS APPLICATION FOR THE RIGHTS SHARES WITH WARRANTS AS WELL AS THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN. IN ACCORDANCE WITH SECTION 232(2) OF THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS AP.

YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

If you and/or your renounee(s)/transferee(s) (if applicable) wish to accept your entitlement to the Provisional Allotments, please complete Part I(A) and Part II of the RSF in accordance with the notes and instructions printed therein. Thereafter, please send each completed and signed RSF together with the relevant payment by using the envelope provided (at your own risk) to our Share Registrar by **ORDINARY POST, DELIVERY BY HAND** or **COURIER** to the following address:

Aldpro Corporate Services Sdn. Bhd.

B-21-1, Level 21, Tower B
Northpoint Mid Valley City
No. 1, Medan Syed Putra Utara
59200 Kuala Lumpur
Tel. no.: +603-9770 2200
Fax no.: +603-9770 2239

so as to arrive **not later than 5.00 p.m. on Tuesday, 7 February 2023**, being the last time, day and date for acceptance of and payment for the Provisional Allotments, or such extended time and date as may be determined and announced by our Board.

1 RSF can only be used for acceptance of Provisional Allotments standing to the credit of 1 CDS Account. Separate RSF(s) must be used for the acceptance of Provisional Allotments standing to the credit of more than 1 CDS Account. If successful, the Rights Shares with Warrants subscribed for will be credited into your CDS Account(s) where the Provisional Allotments are standing to the credit.

A reply envelope is enclosed with this AP. In order to facilitate the processing of the RSF by our Share Registrar for the Rights Shares with Warrants, you are advised to use 1 reply envelope for each completed RSF.

You and/or your renounee(s)/transferee(s) (if applicable) should take note that a trading board lot for the Rights Shares and Warrants comprises 100 Rights Shares and 100 Warrants, respectively. The minimum number of securities that can be subscribed for or accepted is 4 Rights Shares for every 3 Shares held on the Entitlement Date. Successful applicants of the Rights Shares will be given the Warrants on the basis of 3 Warrants for every 4 Rights Shares successfully subscribed for. Fractional entitlements (if any) arising from the Rights Issue will be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

If acceptance of and payment for the Provisional Allotments is not received by our Share Registrar by **5.00 p.m. on Tuesday, 7 February 2023**, being the last time, day and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board, you and/or your renounee(s)/transferee(s) (if applicable) will be deemed to have declined the Provisional Allotments made to you and/or your renounee(s)/transferee(s) (if applicable) and it will be cancelled.

If the Rights Shares with Warrants are not fully taken up by such applicants, our Board will then have the right to allot such Rights Shares with Warrants to the applicants who have applied for the excess Rights Shares with Warrants in the manner as set out in Section 9.8 of this AP. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. Our Board reserves the right not to accept any application or to accept any application in part only without providing any reason.

You and/or your renounee(s)/transferee(s) (if applicable) who lose, misplace or for any other reasons require another copy of this AP and/or the RSF may obtain additional copies from your stockbrokers, our Share Registrar at the address stated above, or at our registered office or on Bursa Securities' website at <http://www.bursamalaysia.com>.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY APPROPRIATE REMITTANCE IN RM FOR THE FULL AMOUNT PAYABLE FOR THE PROVISIONAL ALLOTMENTS ACCEPTED, IN THE FORM OF BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) DRAWN ON A BANK IN MALAYSIA OR MONEY ORDER(S) OR POSTAL ORDER(S) ISSUED BY A POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY", MADE PAYABLE TO "ANNUM BERHAD" AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE CLOSING DATE.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNERS STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF. CHEQUE OR OTHER MODE(S) OR PAYMENT NOT PRESCRIBED HEREIN ARE NOT ACCEPTABLE.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. IF YOUR APPLICATION IS SUCCESSFUL, SUCCESSFUL APPLICANTS WILL BE ALLOTTED WITH THEIR RIGHTS SHARES WITH WARRANTS AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) AT YOUR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF OUR COMPANY AS PROVIDED BY BURSA DEPOSITORY WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT THE RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED INTO YOUR BANK ACCOUNT REGISTERED WITH BURSA DEPOSITORY FOR THE PURPOSE OF CASH DIVIDEND/DISTRIBUTION OR BY ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED TO YOU WITHIN 15 MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF OUR COMPANY AS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

ALL RIGHTS SHARES WITH WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING INTO THE CDS ACCOUNTS OF THE SUCCESSFUL APPLICANTS. NO PHYSICAL SHARE CERTIFICATES AND WARRANTS CERTIFICATES WILL BE ISSUED.

9.5.2 By way of electronic submission of the e-RSF

The electronic submission of the e-RSF is available to you upon your login to our Share Registrar's Investor Portal at <https://www.aldpro.com.my>. You are advised to read the instructions as well as the terms and conditions of the electronic submission of the e-RSF.

The electronic submission of the e-RSF is available to all Entitled Shareholders.

Our Entitled Shareholders who wish to subscribe for the Provisional Allotments and apply for the excess Rights Shares with Warrants by way of electronic submission of the e-RSF, shall take note of the following:

- (i) the electronic submission of the e-RSF will be closed at **5.00 p.m. on Tuesday, 7 February 2023**. All valid electronic submission of e-RSF received by our Share Registrar are irrevocable and cannot be subsequently withdrawn;
- (ii) the electronic submission of e-RSF must be made in accordance with the procedures and terms and conditions of the electronic submission of e-RSF, this AP and the notes and conditions contained in the RSF. Any incomplete or incorrectly completed e-RSF submitted via our Share Registrar's Investor Portal may or may not be accepted at the absolute discretion of our Board;

- (iii) your application for the Provisional Allotments and the excess Rights Shares with Warrants must be accompanied by the remittance in RM via internet bank transfer, the bank account details as follows:

Name of account	ANNUM BERHAD
Name of bank	CIMB Islamic Bank Berhad
Bank account no.	860 4530 668

You are required to pay an **additional fee of RM15.00** (being the stamp duty and handling fee) for each electronic submission of e-RSF.

- (iv) All Entitled Shareholders who wish to submit by way of electronic submission of e-RSF are required to follow the procedures and read the terms and conditions as stated below:

(a) Procedures

	Procedure	Action
User registration		
1.	Register as a user with the Investor Portal	<ul style="list-style-type: none"> • Access the website at https://www.aldpro.com.my. • Click the yellow box "Investor Portal". • Refer to the online help tutorial for assistance. • Click on Grey box "Register Account". • Read and agree to the terms and conditions and confirm the declaration. • Upon submission of your registration, you will receive an email on verification for your email address and your user account will be activated within one working day. • Upon successful registration of your user account, you will receive a notification email. • If you have already registered an account with Aldpro's Investor Portal, you are not required to register again.
Electronic submission of e-RSF		
2.	Sign into Investor Portal	<ul style="list-style-type: none"> • Access the website at https://www.aldpro.com.my • Login with your user ID and password for electronic submission of the e-RSF before the Closing Date.
3.	Complete the submission of the e-RSF	<ul style="list-style-type: none"> • Open the corporate exercise "RIGHTS ISSUE WITH WARRANTS FOR ANNUM BERHAD". • Key in your full name, CDS Account number, contact number, the number of units for acceptance your Provisional Allotments and excess Rights Shares with Warrants (if you choose to apply for additional Rights Shares with Warrants). • Proceed for the payment via online banking and please indicate the details with the last 9 digits of your CDS Account number and your full name as per Bursa Depository's record when payment is made. • Download the payment advice once the payment is successfully transferred. • Upload the proof of payment(s) and print your e-RSF for your reference and record. • Ensure all information in the form is accurate and then submit the form. • You may check your submitted transaction(s) under "My Submission" at your main page.

If you encounter any problems during the registration or submission, please email our Share Registrar at admin@aldpro.com.my for assistance.

(b) Terms and conditions of the e-Subscription

By submitting your acceptance of the Provisional Allotments and application of the excess Rights Shares with Warrants (if applicable) by way of electronic submission of the e-RSF:-

(a) You acknowledge that your submission by way of electronic submission of the e-RSF is subject to the risks of electrical, electronic, technical, transmission, communication and computer related faults and breakdowns, fires and other events beyond the control of our Company or our Share Registrar and irrevocably agree that if:-

(i) our Company or Share Registrar does not receive your submission of the e-RSF; or

(ii) data on the e-RSF is wholly or partially lost, corrupted or inaccessible, or not transmitted,

your submission of the e-RSF will be deemed as failed and not to have been made. Our Company and the Share Registrar will not be held liable for any delays, failures or inaccuracies in the processing of your electronic submission of the e-RSF due to the above reasons and you further agree that you may not make any claims whatsoever against our Company or the Share Registrar for any loss, compensation or damage in relation to the unsuccessful or failure of your electronic submission of the e-RSF.

(b) You will ensure that all information provided by you in the e-RSF is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from the records of Bursa Depository, your application by way of electronic submission of the e-RSF may be rejected at the absolute discretion of our Board without assigning any reason.

(c) You agree that your application shall not be deemed to have been accepted by reason of the remittance have been made.

(d) You agree that all the Rights Shares to be issued pursuant to the Rights Issue will be allotted by way of crediting the Rights Shares into your CDS Account. No physical share certificate will be issued.

(e) You agree that our Company and the Share Registrar reserve the right to reject your application which does not conform to these terms and conditions.

(f) If your application is successful, a notice of allotment will be issued and despatched by ordinary post to the address as shown in the Record of Depositors provided by Bursa Depository at your own risk within 8 Market Days from the Closing Date.

(g) Where your application is not accepted or accepted only in part, the full amount or the balance of the application monies, as the case may be, shall be refunded without interest by issuance of cheque/ online payment within 15 Market Days from the Closing Date and will be despatched by ordinary post to the address as shown in the Record of Depositors provided by Bursa Depository at your own risk.

9.6 Procedures for part acceptance

If you do not wish to accept the Provisional Allotments in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares that may be subscribed or accepted is 4 Rights Shares for every 3 Shares held on the Entitlement Date. However, the Warrants will be issued in proportion of 3 Warrants for every 4 Rights Shares subscribed for. Fractions of a Rights Share arising from the Rights Issue will be disregarded and the aggregate of such fractions shall be dealt with as our Board may at its absolute discretion deem fit and expedient and in the best interests of our Company. Applicants should take note that a trading board lot comprises 100 Rights Shares.

You must complete both Part I(A) and Part II of the RSF or e-RSF by specifying the number of the Provisional Allotments which you are accepting and deliver the completed and signed RSF or submit the e-RSF together with the relevant payment to our Share Registrar in the manners as set out in Section 9.5 of this AP.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.7 Procedures for sale/transfer of Provisional Allotments

As the Provisional Allotments are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Allotments to 1 or more person(s) through your stockbrokers during the period up to the last day, date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Accounts. To sell or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement on the open market of Bursa Securities during the period up to the last day, date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such person(s) as may be allowed pursuant to the Rules of Bursa Depository during the period up to the last day, date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR ENTITLEMENT TO THE PROVISIONAL ALLOTMENTS, YOU NEED NOT DELIVER ANY DOCUMENT INCLUDING THE RSF, TO YOUR STOCKBROKER. HOWEVER, YOU MUST ENSURE THAT THERE IS SUFFICIENT PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

If you have sold or transferred only part of your entitlement to the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Part I(A) and Part II of the RSF and deliver the RSF or submitting the e-RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to our Share Registrar. Please refer to Section 9.5 of this AP for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

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9.8 Procedures for application for excess Rights Shares with Warrants

9.8.1 By way of RSF

You and/or your renounee(s)/transferee(s) (if applicable) may apply for excess Rights Shares with Warrants in excess of your entitlement by completing Part I(B) of the RSF (in addition to Part I(A) and Part II) and forwarding it (together with a **combined remittance made in RM** for the full amount payable in respect of the excess Rights Shares with Warrants applied for) to our Share Registrar so as to be received by our Share Registrar **not later than 5.00 p.m. on Tuesday, 7 February 2023**, being the last time, day and date for acceptance of and payment for excess Rights Shares with Warrants.

PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR SHOULD BE MADE IN THE SAME MANNERS AS DESCRIBED IN SECTION 9.5 OF THIS AP, AND IN THE FORM OF BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) DRAWN ON A BANK IN MALAYSIA OR MONEY ORDER(S) OR POSTAL ORDER(S) ISSUED BY A POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" MUST BE MADE PAYABLE TO "ANNUUM BERHAD" FOR THE EXCESS RIGHTS SHARES WITH WARRANTS AND ENDORSED ON THE REVERSE SIDE WITH YOUR NAME, ADDRESS AND CDS ACCOUNT NUMBER IN BLOCK LETTERS SO AS TO BE RECEIVED BY OUR SHARE REGISTRAR NOT LATER THAN THE CLOSING DATE. THE PAYMENT MUST BE MADE FOR THE FULL AND EXACT AMOUNT PAYABLE FOR THE EXCESS RIGHTS SHARES WITH WARRANTS APPLIED FOR. ANY EXCESS OR INSUFFICIENT PAYMENT MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. IF YOUR APPLICATION IS SUCCESSFUL, SUCCESSFUL APPLICANTS WILL BE ALLOTTED WITH THE RIGHTS SHARES WITH WARRANTS AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPACHED BY ORDINARY POST TO YOU OR YOUR RENOUNCEE(S)/TRANSFEREE(S) (IF APPLICABLE) AT YOUR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF OUR COMPANY AS PROVIDED BY BURSA DEPOSITORY WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

WHERE AN APPLICATION IS NOT ACCEPTED OR IS ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE CREDITED INTO YOUR BANK ACCOUNT REGISTERED WITH BURSA DEPOSITORY FOR THE PURPOSE OF CASH DIVIDEND/DISTRIBUTION OR BY ISSUANCE OF CHEQUE AND SHALL BE DESPACHED TO YOU WITHIN 15 MARKET DAYS FROM THE CLOSING DATE BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS OF OUR COMPANY AS PROVIDED BY BURSA DEPOSITORY AT YOUR OWN RISK.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

9.8.2 By way of electronic submission of the e-RSF

You and/or your renounee(s) and/or transferee(s) (if applicable) may apply for the excess Rights Shares with Warrants in excess of your Provisional Allotments via electronic submission of the e-RSF. If you wish to do so, you may apply for the excess Rights Shares with Warrants by following the same steps as set out in Section 9.5.2 of this AP.

The electronic submission of the e-RSF for excess Rights Shares with Warrants will be made on, subject to, the same terms and conditions appearing in Section 9.5.2 of this AP.

It is the intention of our Board to allot the excess Rights Shares with Warrants in a fair and equitable basis and in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, for allocation to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, for allocation to our Entitled Shareholders who have applied for excess Rights Shares with Warrants, taking into consideration the quantum of their respective applications for excess Rights Shares with Warrants; and
- (iv) lastly, on a pro-rata basis and in board lots, for allocation to renouncee(s)/transferee(s) who has/have applied for the excess Rights Shares with Warrants, after taking into consideration the quantum of their respective applications for excess Rights Shares with Warrants.

The excess Rights Shares with Warrants will firstly be allocated to minimise the odd lots (if any) held by each applicant of excess Rights Shares with Warrants. Thereafter, the allocation process will perform steps (ii), (iii) and (iv) in succession. Any remaining balance of excess Rights Shares with Warrants will be allocated by performing the same sequence of allocation i.e., steps (ii), (iii) and (iv) again in succession until all excess Rights Shares with Warrants are allotted.

Notwithstanding the foregoing, our Board reserves the right to allot any excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in (i), (ii), (iii) and (iv) above is achieved. Our Board also reserves the right at its absolute discretion not to accept any application for excess Rights Shares with Warrants, in full or in part, without assigning any reason thereto.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARES APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE ADDRESS AS SHOWN IN THE RECORD OF DEPOSITORS OF OUR COMPANY AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICATIONS FOR EXCESS RIGHTS SHARES WITH WARRANTS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL APPLICATIONS FOR EXCESS RIGHTS SHARES WITH WARRANTS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE MADE BY ONLINE PAYMENT/ISSUANCE OF CHEQUE AND SHALL BE DESPATCHED BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS OF OUR COMPANY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

9.9 Procedures to be followed by renounee(s)/transferee(s)

As a renounee/transferee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the excess Rights Shares with Warrants and/or payment is the same as that which is applicable to our Entitled Shareholders as described in Sections 9.3 to 9.8 of this AP. Please refer to the relevant sections of this AP for the procedures to be followed.

If you wish to obtain a copy of this AP and/or accompanying RSF, you can request the same from our registered office, our Share Registrar's office or Bursa Securities' website at <http://www.bursamalaysia.com>.

RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.10 Notice of allotment

Within 5 Market Days after the Closing Date, our Company will make the relevant announcements in relation to the subscription rate of the Rights Issue.

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renounee's/transferee's acceptance (if applicable) and application for excess Rights Shares with Warrants (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Accounts where the Provisional Allotments were credited. No physical share certificate and warrant certificate will be issued in respect of the Rights Issue. However, a notice of allotment will be issued and despatched to you and/or your renounee(s)/transferee(s) (if applicable) by ordinary post to the address shown in the Record of Depositors of our Company as provided by Bursa Depository at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed by Bursa Securities.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you. The refund will be credited into your bank account registered with Bursa Depository for the purpose of cash dividend/distribution or by issuance of cheque and will be despatched to you within 15 Market Days from the Closing Date by ordinary post to the address shown on the Record of Depositors of our Company as provided by Bursa Depository at your own risk.

Please note that a completed RSF and the payment thereof, once lodged with our Share Registrar for the Rights Issue, cannot be withdrawn subsequently.

9.11 Form of issuance

Bursa Securities has prescribed that our Shares and Warrants listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants and the new Shares to be issued arising from the exercise of Warrants are prescribed securities and as such the provisions of the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in these securities. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares with Warrants. Failure to comply with these specific instructions or inaccuracy of CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares with Warrants shall signify your consent to receive such Rights Shares with Warrants as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued.

All excess Rights Shares with Warrants allotted shall be credited directly into the CDS Accounts of successful applicants. If you have multiple CDS Accounts into which the Provisional Allotments have been credited, you cannot use a single RSF to accept all these Provisional Allotments. Separate RSFs must be used for acceptance of Provisional Allotments credited into separate CDS Accounts. If successful, the Rights Shares with Warrants that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

9.12 Laws of foreign jurisdiction

This AP and the accompanying NPA and RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction other than Malaysia, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any foreign country jurisdiction other than Malaysia.

The distribution of this AP together with the accompanying NPA and RSF, as well as the acceptance of the Provisional Allotments and the subscription for or the acquisition of the Rights Shares with Warrants may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdictions under the relevant laws of those countries or jurisdictions.

This AP, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue will not be made or offered or deemed made or offered for acquisition or subscription of any Rights Shares with Warrants, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this AP relates is only available for our Entitled Shareholders receiving this AP, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this AP, the NPA and the RSF have not been (and will not be) sent to Foreign Entitled Shareholders. However, Foreign Entitled Shareholders may collect this AP, the NPA and the RSF from our Share Registrar, Aldpro Corporate Services Sdn. Bhd. at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this AP, the NPA and the RSF.

Our Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia or an address for service in Malaysia if not otherwise stated on the Record of Depositors of our Company as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

A Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) may only accept or renounce all or any part of his/their Provisional Allotments and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and our Company, our Board and officers, TA Securities and/or the advisers named herein (“**Parties**”) would not, in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or might be subject to.

A Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) shall be solely responsible to seek advice from his/their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his/their entitlement under the Rights Issue would result in the contravention of the laws of the countries or jurisdictions to which he/they is/are or might be subject to. The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of his/their entitlements or to any net proceeds thereof.

Our Company reserves the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares with Warrants available for excess application by other Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable).

Each person, by accepting the delivery of this AP, the NPA and the RSF, accepting any Provisional Allotments by signing any of the forms accompanying this AP or subscribing for or acquiring the Rights Shares with Warrants, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which our Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or might be subject to;
- (ii) the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has complied with the laws to which the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is or might be subject to in connection with the acceptance or renunciation;
- (iii) the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Allotments, be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) is/are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any other way in accordance with all applicable laws in Malaysia;
- (v) the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has/have obtained a copy of this AP and has/have read and understood the contents of this AP, has/have had access to such financial and other information and has/have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) deem(s) necessary in connection with the Foreign Entitled Shareholder and/or his renounee's/transferee's decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) the Foreign Entitled Shareholder and/or his renounee(s)/transferee(s) (if applicable) has/have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and is/are and will be able, and is/are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN ENTITLED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY COUNTRY OR JURISDICTION OUTSIDE OF MALAYSIA RECEIVING THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES WITH WARRANTS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH COUNTRY OR JURISDICTION.

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10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue is governed by the terms and conditions as set out in this AP and the accompanying NPA and RSF as well as the Deed Poll.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully
For and behalf of the Board of
ANNUM BERHAD



DAVID WONG YOU KING
Executive Director

INFORMATION ON OUR GROUP**1. BOARD OF DIRECTORS**

The details of our Board as at the LPD are as follows:

Name / (Designation)	Address	Age	Nationality
Kenneth Chai Chuan Teong <i>(Independent Non-Executive Chairman)</i>	30, Lorong PJU 1/46C Aman Suria Damansara 47301 Petaling Jaya, Selangor	43	Malaysian
David Wong You King <i>(Executive Director)</i>	19, Jalan S2 K1 Pearl132 Vision Homes 70300 Seremban Negeri Sembilan	50	Malaysian
Lim Yun Nyen <i>(Executive Director)</i>	No. 7257, Taman Riang Jalan Tengku Osman 91000 Tawau, Sabah	51	Malaysian
Yan Ying Chieh <i>(Independent Non-Executive Director)</i>	17, Jalan Hujan Gerimis Satu Taman Overseas Union 58200 Kuala Lumpur	60	Malaysian
Khor Chin Meng <i>(Independent Non-Executive Director)</i>	A-19-12, PV5, Platinum Hill No. 2, Jalan Melati Utama 3 Taman Melati Utama, Setapak 53100 Kuala Lumpur	50	Malaysian

2. SHARE CAPITAL

As at the LPD, the issued share capital of our Company is RM105,839,258 comprising 97,500,000 Shares in issue and our Company does not have any treasury shares and convertible securities.

3. DIRECTORS' SHAREHOLDINGS

As at the LPD, none of our Directors have any direct and/or indirect shareholding in our Company.

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

As at the LPD, our Company does not have any substantial shareholders.

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INFORMATION ON OUR GROUP (CONT'D)**5. HISTORICAL FINANCIAL INFORMATION**

The following tables set out our Group's key financial information based on our consolidated financial statements for the financial year and periods under review:

(i) Historical financial performance

	Audited			Unaudited	
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	9M FPE 2021 (RM'000)	9M FPE 2022 (RM'000)
Revenue	46,282	42,323	264,483	167,163	234,199
(GL)/GP	(8,482)	(1,915)	47,230	30,332	33,381
Other income / Other operating income	12,846	9,335	34,552	32,722	6,199
Other operating expenses	(1,300)	(113)	(12,988)	(15,031)	(1)
Operating expenses	-	-	(5,372)	(2,488)	(9,553)
Selling expenses	(2,367)	(1,243)	(64)	(33)	(589)
Administrative expenses	(5,517)	(2,812)	(2,091)	(1,699)	(2,514)
Impairment on property, plant and equipment	(6,682)	-	-	-	-
Finance costs	(455)	(238)	(4,309)	(28)	(4,395)
Share of results of associate company	-	-	(99)	-	180
(LBT) / PBT	(11,957)	3,014	56,859	43,775	22,708
Taxation	853	-	233	38	55
(Loss)/Profit from continuing operations	(11,103)	3,014	57,092	43,813	22,763
Profit from discontinued operation, net of tax	-	941	-	-	-
(LAT) / PAT	(11,103)	3,955	57,092	43,813	22,763
(LAT) / PAT attributable to:					
Owners of our Company	(11,103)	3,955	57,093	43,813	22,684
Non-controlling interests	-	-	Neg	-	79
(LAT) / PAT	(11,103)	3,955	57,092	43,813	22,763
Weighted average number of Shares in issue ('000)	73,335	73,335	74,583	74,590	91,813
No. of Shares in issue ('000)	75,000	75,000	75,000	75,000	97,500
Basic (LPS) / EPS ⁽¹⁾ (sen)	(15.14)	5.39	76.55	58.74	24.71
Diluted (LPS) / EPS (sen)	(15.14)	5.39	76.55	58.74	24.71
(GL) / GP margin (%)	(18.33)	(4.52)	17.86	18.14	14.25
(LBT) / PBT margin (%)	(25.84)	7.12	21.50	26.19	9.70
(LAT) / PAT margin (%)	(23.99)	9.34	21.59	26.21	9.72

(Source: Our Company's annual reports and quarterly results for the financial years and periods under review)

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INFORMATION ON OUR GROUP (CONT'D)

(ii) Historical financial position

	Audited			Unaudited	
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	9M FPE 2021 (RM'000)	9M FPE 2022 (RM'000)
Total non-current assets	31,041	17,378	165,372	97,686	156,968
Total current assets	52,091	49,340	71,556	131,988	87,451
Total assets	83,132	66,718	236,928	229,674	244,419
Share capital	92,374	92,374	93,464	93,464	105,839
Treasury shares	(694)	(694)	-	-	-
Accumulated losses/ profits	(33,414)	(18,806)	16,530	3,251	39,855
Equity attributable to owners of our Company	58,266	23,468	109,994	96,715	145,694
Non-controlling interests	-	-	(0.770)	-	(3)
Total equity	58,266	23,468	109,993	96,715	145,691
Total non-current liabilities	3,512	1,815	98,481	6,564	68,411
Total current liabilities	21,354	13,785	28,454	126,395	30,317
Total liabilities	24,866	15,600	126,935	132,959	98,728
Total equity and liabilities	83,132	66,718	236,928	229,674	244,419
NA per Share (RM) ⁽²⁾	0.78	0.70	1.47	1.29	1.49

(Source: Our Company's annual reports and quarterly results for the financial years and periods under review)

(iii) Historical cash flow

	Audited			Unaudited	
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	9M FPE 2021 (RM'000)	9M FPE 2022 (RM'000)
Net cash (used in) / generated from operating activities	(11,275)	3,088	514	320	(2,682)
Net cash generated from / (used in) investing activities	11,110	4,197	2,782	3,074	(2)
Net cash (used in) / generated from financing activities	(1,046)	(7,732)	(399)	(399)	12,197
Net (decrease) / increase in cash and cash equivalents	(1,211)	(447)	2,897	2,995	9,513
Cash and cash equivalents at beginning of financial year / period	2,296	1,085	638	638	3,535
Cash and cash equivalents at the end of financial year / period	1,085	638	3,535	3,633	13,048

(Source: Our Company's annual reports and quarterly results for the financial years and periods under review)

Notes:

Neg Negligible

- (1) Being the (LAT)/PAT attributable to owners of our Company divided by weighted average number of Shares in issue for the financial years and periods under review.
- (2) Being the NA of our Group divided by the number of Shares in issue for the financial years and periods under review.

INFORMATION ON OUR GROUP (CONT'D)**Commentaries:**

Historically, our Group was involved in the manufacturing and trading of plywood products, which recorded losses since FYE 2007 up to FYE 2019. In FYE 2020, our Group has shifted our business focus from manufacturing of plywood products to trading of plywood products and as a result, our Group recorded increase in revenue and PAT in FYE 2021. This segment is the main revenue contributor of our Group for the financial years/periods under review.

Upon obtaining our shareholders' approval on 9 February 2021, our Group had diversified and ventured into the construction segment which involves construction, project management and related activities (including engineering, procurement, construction and commissioning). Our Group recorded revenue from the construction segment in subsequent financial period.

Our Group ventured into the wholesale trading of mainly consumer electronic products during 2nd quarter of FYE 2022.

In the industries we operate in, our Group's revenue and operations may be affected by the following significant factors:

- demand for plywood products and fluctuations in the selling prices of plywood products;
- status of progress or completion of construction projects; and
- selling prices of trading products.

(i) FYE 2019 vs FYE 2018

Our Group's revenue for FYE 2019 decreased by RM41.75 million or 47.43% as compared to the previous financial year. The lower revenue was mainly due to lower demand for plywood from both local and export markets as well as a reduction in selling prices of plywood in view of the oversupply and competition in the industry.

In line with the lower revenue, our Group recorded a GL of RM8.48 million for FYE 2019 (GL margin of 18.33%) as compared to a GP of RM6.16 million (GP margin of 6.99%) in the previous financial year. This was mainly due to the increase in the direct production cost for plywood, which was attributable to the increase in stock written down in view of the reduced selling prices.

In line with the GL, our Group recorded a higher LAT of RM11.10 million in FYE 2019 as compared to LAT of RM4.29 million in the previous financial year, representing an increase of RM6.81 million or 158.74%. Apart from the GL, the higher LAT was also contributed mainly by the following:

- (a) one-off impairment loss on leasehold land and buildings; plant and machineries; and motor vehicles of RM6.68 million as a result of revaluation; and
- (b) stock written off of RM1.92 million as a result of writing down of slow-moving stocks which resulted in lower selling price than the closing stock price.

However, these were partly offset mainly by the following:

- (a) one-off gain on disposal of RM9.07 million arising from the disposal of 2 parcels of leasehold land and buildings in Sandakan, Sabah which was completed on 13 May 2019;
- (b) one-off insurance recovery of RM2.49 million in relation to a heavy storm occurred in August 2018 which had damaged the buildings, machineries and plywood stocks located at our Group's factory in 8.7 KM and 8.5 KM Jalan Batu Sapi, Sandakan, Sabah; and
- (c) reduction in selling expenses by RM2.23 million and administrative expenses by RM0.96 million as a result of the cost rationalisation exercises undertaken by our Group such as the cessation of the loss-making operation from the leased plywood factory in Jengka, Pahang in February 2019; disposal of 2 parcels of leasehold land and buildings in Sandakan, Sabah (as mentioned in item (a) above); and the cost reduction arising from the merger of 2 mills in Sandakan, Sabah which was completed in 2018.

INFORMATION ON OUR GROUP (CONT'D)**(ii) FYE 2020 vs FYE 2019**

Our Group's revenue for FYE 2020 decreased by RM3.96 million or 8.56% as compared to the previous financial year. The lower revenue was mainly due to lower sales volume of plywood and polyester plywood due to lower market demand.

Despite the lower revenue, our Group recorded a lower GL of RM1.92 million (GL margin of 4.52%) in FYE 2020 as compared to GL of RM8.48 million (GL margin of 18.33%) in the previous financial year, representing an improvement of financial performance of RM6.56 million or 77.36%. The lower GL was mainly due to our Group's decision to shift our business focus from the manufacturing of plywood products to the trading of plywood products which generates higher and more consistent profit margin as the raw material costs incurred for the manufacturing of plywood products are subject to fluctuation due to the uncertain supply of logs.

In line with the lower GL, our Group recorded a PAT of RM3.96 million as compared to LAT of RM11.10 million in the previous financial year. Apart from the lower GL, the PAT was contributed mainly by the following:

- (a) one-off gain on disposal of RM8.16 million arising from the disposal of 100% equity interest in Poly-Ply Industries Sdn. Bhd. ("PPISB"), which was completed on 11 December 2020;
- (b) decrease in administrative expenses by RM2.71 million as a result of disposal of PPISB and reduction of Directors' remuneration, salaries and management fee; and
- (c) absence of impairment loss on leasehold land and building, plant and machineries and motor vehicles during FYE 2020 (FYE 2019: impairment loss of RM6.68 million).

Despite PAT recorded for FYE 2020, our Group recorded a lower cash and cash equivalent of RM0.64 million for FYE 2020 (FYE 2019: RM1.09 million), mainly due to lower cash generated from investing activities (nil proceed from disposal of assets held for sale in FYE 2020 (FYE 2019: proceeds of RM12.00 million) and higher cash used in financing activities (due to higher repayment of bankers' acceptance during FYE 2020 of RM5.55 million (FYE 2019: RM0.72 million), for the purchase of plywood products.)

(iii) FYE 2021 vs FYE 2020

Our Group's revenue for FYE 2021 increased substantially by RM222.16 million or 524.92% as compared to the previous financial year, mainly due to higher sales volume of plywood and polyester plywood. The construction segment recorded maiden revenue of RM2.25 million in FYE 2021 (FYE 2020: nil) due to completion of a construction project in 4th quarter of 2021.

In line with the higher revenue, our Group recorded GP of RM47.23 million (GP margin of 17.86%) in FYE 2021 as compared to GL of RM1.92 million (GL margin of 4.52%) in the previous financial year, representing an increase of RM49.15 million (an improvement of 2,559.90%). The GP recorded was mainly due to our Group was able to purchase plywood and polyester wood at a bargain price from third parties during FYE 2021 which resulted with a decrease in the raw material cost of plywood products, as well as the full year impact of cost savings arising from the cessation of plywood manufacturing activities in FYE 2021.

Our Group recorded a substantial increase in PAT of RM57.09 million in FYE 2021 as compared to PAT of RM3.96 million in FYE 2020, representing a year-on-year growth of RM53.13 million (or 1,341.67%). Apart from GP recorded in FYE 2021, the higher PAT was also contributed by the following:

- (a) bargain purchase on business combination of RM14.24 million arising from the acquisition of 100% equity interest in Annum Softcodes Sdn. Bhd. ("Annum Softcodes") (involved in IT related services), which was completed on 20 September 2021;

INFORMATION ON OUR GROUP (CONT'D)

- (b) bargain purchase on business combination of RM8.26 million arising from the acquisition of 100% equity interest in Annum IBS Technology Sdn. Bhd. (*formerly known as CO2 Industrial Sdn. Bhd.*) (“**AITSB**”) (involved in construction, general trading and investment holding), which was completed on 9 December 2021;
- (c) gain on disposal of RM5.24 million arising from the disposal of 100% equity interest in Syabas Mujur Sdn. Bhd. (“**SMSB**”), which was completed on 20 May 2021; and
- (d) reversal of written-down receivables of RM4.04 million arising from settlement from PPISB subsequent to the disposal of 100% equity interest in PPISB. Previously, the amount was written down due to recoverability issue. However, PPISB was able to settle the outstanding amount subsequently and hence, the previously written-down amount was reversed and recognised as a gain during FYE 2021.

However, the above was partly offset mainly by the following:

- (a) impairment loss on other receivables of SMSB of RM6.84 million in FYE 2021 (FYE 2020: nil), which was recognised upon disposal of SMSB during FYE 2021;
- (b) net written-off of other receivables of RM5.15 million in FYE 2021 (FYE 2020: nil), mainly due to write-off of prepayments, deposits and bad debts written off by our existing subsidiaries and former subsidiaries of our Company (which were disposed of in the previous financial years) during FYE 2021;
- (c) increase in finance cost due to accretion of financial instrument of RM4.28 million in FYE 2021 (FYE 2020: nil) arising from the purchase of IT software for long-term usage for our Group’s IT business segment; and
- (d) increase in operating expenses by RM5.37 million (FYE 2020: nil), mainly arising from the following:
 - (aa) amortisation of intangible assets of RM2.66 million following the acquisitions of Annum Softcodes and AITSB during FYE 2021;
 - (bb) professional fees incurred of RM0.09 million for the diversification of our Group’s business to include construction segment (which was deemed completed upon obtaining approval from our shareholders on 9 February 2021) and expenses incurred for the Placement;
 - (cc) fees paid for voluntary separation scheme amounted to RM0.99 million which only incurred in FYE 2021 and resulted in a reduction in headcount of our Group to a total of 86 staffs; and
 - (dd) depreciation expenses of RM1.24 million (FYE 2020: nil), as the depreciation expenses for machineries used for plywood manufacturing activities were re-classified from cost of sales to other operating expenses during FYE 2021 due to cessation of plywood manufacturing activities.

Despite substantial increase in PAT, our Group recorded a lower net cash generated from operating activities in FYE 2021 of RM0.51 million (FYE 2020: RM3.09 million), mainly due to lower payable arising from repayment to suppliers and increase in receivables arising from higher billings. However, our Group recorded a higher cash and cash equivalent of RM3.54 million for FYE 2021, attributed by lower net cash used in financing activities due to proceeds raised from disposal of treasury shares and lower repayment of credit facilities.

(iv) 9M FPE 2022 vs 9M FPE 2021

Our Group’s revenue for 9M FPE 2022 increased by RM67.04 million or 40.11% as compared to 9M FPE 2021, mainly due to higher revenue recorded from the wholesale segment (i.e., wholesale trading of mainly consumer electronic products) of RM57.07 million (9M FPE 2021: nil) which commenced in 2nd quarter of FYE 2022 and higher revenue contributed by the construction segment

INFORMATION ON OUR GROUP (CONT'D)

(9M FPE 2022: RM15.73 million; 9M FPE 2021: nil). For 9M FPE 2021, our Group recorded revenue from the plywood segment solely.

Despite the higher revenue, our Group recorded a lower GP margin of 14.25% in 9M FPE 2022 (9M FPE 2021: 18.14%), mainly due to lower profit margin in wholesale segment which only commenced in 2nd quarter of FYE 2022.

Our Group recorded lower PAT of RM22.68 million in 9M FPE 2022 (9M FPE 2021: RM43.81 million), representing a decrease of RM21.13 million or 48.23% mainly due to the following:

- lower other operating income due to absence of negative goodwill in 9M FPE 2022 (9M FPE 2021: RM20.69 million, arising from the acquisition of Annum Softcodes, which was completed in September 2021);
- higher operating expenses due to amortisation of intangible assets of RM7.81 million following the acquisition of Annum Softcodes, which was completed in September 2021; and
- higher finance cost due to interest expenses for the term loan obtained by IJ Venture Sdn. Bhd. as a result of consolidation of IJ Venture Sdn. Bhd.'s account into our Group.

For 9M FPE 2022, our Group recorded a net cash used in operating activities amounting to RM2.68 million, mainly due to lower PBT and lower payables arising from repayment to suppliers for the industrialised building system. Further, our Group recorded higher cash generated from financing activities due to proceeds raised from the Placement. As a result, our Group recorded a higher cash and cash equivalents of RM13.05 million for 9M FPE 2022 as compared to financial years/period under review.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted market prices of our Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2022		
January	1.050	0.670
February	0.995	0.765
March	0.840	0.650
April	0.685	0.495
May	0.540	0.380
June	0.450	0.290
July	0.490	0.335
August	0.435	0.360
September	0.370	0.310
October	0.320	0.250
November	0.365	0.265
December	0.385	0.305
Last transacted market price for our Shares on 2 October 2022 (being the last trading date prior to the announcement of the Corporate Exercises on 3 October 2022)	RM0.320	
Last transacted market price for our Shares on the LPD	RM0.320	
Last transacted market price for our Shares on 13 January 2023 (being the Market Day prior to the ex-date for the Rights Issue)	RM0.295	

(Source: Bloomberg Finance L.P.)

INFORMATION ON OUR GROUP (CONT'D)

7. OPTION TO SUBSCRIBE FOR SHARES

As at the LPD, no option to subscribe for any securities of our Company has been granted or is entitled to be granted to any person, save for the Provisional Allotments and excess Rights Shares with Warrants.

8. MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any other material contracts which are or may be material (not being contracts entered into in the ordinary course of business of the Group) during the 2 years immediately preceding the date of this AP:

- (a) the sale and purchase agreement dated 31 May 2021 entered into between Cymao Plywood Sdn. Bhd., Inovwood Sdn. Bhd., (both being part of our Group and collectively, the “**Vendors**”) and Malsa Wood Products Sdn. Bhd. (purchaser) for the disposal of used machineries and vehicles owned by the Vendors for our Group’s plywood business for a total cash disposal consideration of RM3,200,000, which was completed on 31 May 2021;
- (b) the Underwriting Agreement; and
- (c) the Deed Poll.

9. MATERIAL LITIGATION

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the business or financial position of our Group, and our Board does not have any knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which may materially and adversely affect the business or financial position of our Group.

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ADDITIONAL INFORMATION

1. CONSENTS

The Principal Adviser and Sole Underwriter, Company Secretary, Due Diligence Solicitors, Share Registrar and Independent Market Researcher have each given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they are included in this AP.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent to the inclusion in this AP of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data are included in this AP.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur during normal business hours from 9.00 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for a period of 6 months from the date of this AP:

- (i) our Constitution;
- (ii) the IMR Report;
- (iii) the Collaboration Agreements and the Lease Agreements;
- (iv) the material contracts as referred to in Section 8 of Appendix I of this AP; and
- (v) the letters of consent as referred to in Section 1 of Appendix II of this AP.

3. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and our Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Principal Adviser and Sole Underwriter for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning this Rights Issue.

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SALIENT TERMS OF THE COLLABORATION AGREEMENTS

(For information, the Collaboration Agreement for Setiu Land I and Setiu Land II, respectively, contains similar terms and conditions save for the details on the respective Setiu Lands and tenure of Lease Agreements. In this regard, “parties”, “Lessees”, “Collaboration Agreements”, “Lease Agreements”, “Setiu Lands” and Annual Fees as referred in this Appendix shall refer to respective parties, Lessees, Collaboration Agreements, lease agreements, Setiu Lands and annual fees payable under the respective Collaboration Agreement, whichever applicable.)

The salient terms of the Collaboration Agreements include the following:

1. Collaboration

1.1 Lease Agreements and consent from JPNT

As detailed in Section 2.1.1(b) of the Circular, the Lessees have leased the Setiu Lands from the Terengganu State Government (Kerajaan negeri Terengganu), as represented by JPNT for the lease terms vide the Lease Agreements.

Pursuant to a letter dated 15 August 2022, JPNT and the Lessees mutually agreed that the Lessees may further renew the tenure of the Lease Agreements for the periods described below at the same annual rent and upon the same terms and conditions of the Lease Agreements, provided always that a notice substantially in the agreed form has been served by the Lessees:

Setiu Land I

- 1st renewal for a period of 3 years, commencing from 22 February 2025 and expiring on 21 February 2028;
- 2nd renewal for a period of 3 years, commencing from 22 February 2028 and expiring on 21 February 2031; and
- final renewal for a period of 3 years, commencing from 22 February 2031 and expiring on 21 February 2034.

Setiu Land II

- 1st renewal for a period of 3 years, commencing from 28 June 2025 and expiring on 27 June 2028;
- 2nd renewal for a period of 3 years, commencing from 28 June 2028 and expiring on 27 June 2031; and
- final renewal for a period of 3 years, commencing from 28 June 2031 and expiring on 27 June 2034.

JPNT had on 3 August 2022 granted our Company its unconditional consent for our Group to, amongst others, enter into any form of agreements upon terms and conditions as may be deemed fit and proper by our Group with JPNT and/or its lessee(s), tenant(s) and/or licensee(s) (collectively “**Strategic Partners**”) for the use of the lands located in TKPM owned and/or managed by JPNT as may be identified from time to time, subject to the terms and conditions of the agreements to be made between our Group and JPNT or made between JPNT with the Strategic Partners.

1.2 Scope of the collaboration

In recognition of the mutual benefits, Annum Industries and the Lessees are desirous of collaborating with one another to engage in and undertake the Smart Farming Business on the Setiu Lands, upon the terms and subject to the conditions set out in the Collaboration Agreements.

1.3 Non-exclusivity

- (a) Nothing in the Collaboration Agreements shall be deemed to infer Annum Industries to be an exclusive collaboration partner of the Lessees, nor shall the Collaboration Agreements bind Annum Industries in any form of exclusivity.
- (b) The Lessees agree and acknowledge the rights of Annum Industries to enter into any separate or further collaborative arrangement (in any form and/or manner whatsoever) of similar nature and context with the collaboration contemplated under the Collaboration Agreements, with such other persons or parties that may be identified or engaged by Annum Industries from time to time.

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

- (c) The parties agree and acknowledge that notwithstanding Clause 3.2(a) below and anything under the Collaboration Agreements, Annum Industries shall reserve its rights, exercisable in its sole and absolute discretion to use only part of the Setiu Lands to be identified by it from time to time for the Smart Farming Business. In any such event, Annum Industries shall notify the Lessees of its decision by notice in writing and such notice shall clearly stipulate all such part(s) and portion(s) of the Setiu Lands that Annum Industries intends to cease occupation and use for the Smart Farming Business (“**Surrendered Portion of the Setiu Lands**”) and the following shall be applicable:
- (i) Annum Industries agrees and acknowledges that the Lessees shall be entitled to deal with the Surrendered Portion of the Setiu Lands in such manner as he/it deems fit and proper, provided always that any and all such dealings by the Lessees shall not affect, impact or prejudice or cause the Lessees to be in breach of the terms of the Collaboration Agreements and the Lease Agreements; and
- (ii) the Lessees irrevocably and unconditionally agree and acknowledge that Annum Industries shall not in any way be liable in contract, tort or otherwise for loss of profit sharing, loss of anticipated return or such other losses whatsoever or howsoever arising pursuant to such Surrendered Portion of the Setiu Lands.

2. Effective date, term and option to renew

The Collaboration Agreements shall be effective from the date of its execution of the Collaboration Agreements (“**Effective Date**”). Unless earlier terminated, the Collaboration Agreements shall continue in full force and effect for a term of 10 years. Subject to the renewal of the Lease Agreements, the Lessees shall upon the written request of Annum Industries renew the Collaboration Agreements for an extended term to be mutually agreed by both parties in writing upon the same terms and conditions.

3. Duties and obligations of the parties**3.1 Duties and obligations of Annum Industries**

Annum Industries covenants and undertakes to:

- (a) use commercially reasonable efforts to support all capital expenditures and operating costs of the Smart Farming Business, including but not limited to the following:
- (i) land clearance, earthworks and purchase of materials and components for the building and construction of the greenhouses and installation of its related facilities;
- (ii) purchase of relevant software and hardware together with their utilities and maintenance costs;
- (iii) purchase of raw materials such as fertilisers, seedlings, nutrient solutions and fungicides; and
- (iv) staff related costs and expenses;
- (b) build and construct greenhouses on the Setiu Lands (or part thereof) for the purpose of the Smart Farming Business. It is mutually agreed and acknowledged by the parties that all greenhouses constructed together with the materials, components and related facilities on the Setiu Lands shall at all times remain the properties of Annum Industries and Annum Industries shall be entitled to deal with all such properties in the manner it deems fit and proper in its sole and absolute discretion;
- (c) manage the day-to-day operation and administration of the Smart Farming Business, including but not limited to matters with relation to accounting, finance, statutory and compliance;
- (d) farm, harvest and package the agricultural products produced and harvested on the Setiu Lands through the Smart Farming Business (“**Products**”) for trading by the related corporation(s) engaged by Annum Industries. The parties mutually agree and acknowledge that Annum Industries shall be entitled to engage its related corporation(s) and/or any such other third parties to undertake the Smart Farming Business (including but not limited to trading of the Products) in its sole and absolute discretion;

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

- (e) provide and supply adequate number of qualified, competent and experienced manpower for the Smart Farming Business;
- (f) actively procure new customers and promote or market the Products to existing and prospective customers from both local and international markets;
- (g) use and occupy the Setiu Lands strictly for the Smart Farming Business pursuant to the terms and conditions of the Collaboration Agreements; and
- (h) bear all such costs and expenses of the requisite insurances to be procured and maintained by the Lessees in accordance with the terms and conditions of the Lease Agreements.

3.2 Duties and obligations of the Lessees

The Lessees covenant and undertake to:

- (a) deliver and grant the exclusive, free, unfettered and uninterrupted right to occupy and use the Setiu Lands for the building and construction of greenhouses for the Smart Farming Business under the collaboration contemplated under the Collaboration Agreements with effect from the date of the Collaboration Agreements, subject always to the due observance and payment of the Annual Fees (as detailed in Clause 4(a)(i) below);
- (b) not to do or omit to do anything which may tarnish, jeopardise or prejudice the brand name and reputation of Annum Industries in any manner;
- (c) not to do or omit to do anything which may breach the terms of the Lease Agreements or cause the Lease Agreements to be terminated;
- (d) where required, to do all acts and things as may be necessary to assist Annum Industries in procuring all requisite licences, permits and approvals for the Smart Farming Business and/or the greenhouses (if necessary);
- (e) do all acts and execute all documents as may be reasonably required by Annum Industries for the implementation of the Smart Farming Business;
- (f) not to interfere in the management of the day-to-day operation and administration of the Smart Farming Business by Annum Industries in any manner;
- (g) procure the extension of the term of the Lease Agreements for all the periods described in Clause 1 above (“**Extended Lease Term**”) and promptly deliver all renewal notices following the terms and conditions of the letter dated 15 August 2022;
- (h) upon the written request of Annum Industries, exercise his/its best efforts and endeavours to procure the renewal of the Lease Agreements prior to the expiration of the Extended Lease Term;
- (i) permit Annum Industries paying the Annual Fees (as defined in Clause 4(a)(i) below) and observing and performing the covenants on its part, peaceably enjoy, use and occupy the Setiu Lands without any interruption or disturbance by the Lessees or any persons rightfully or lawfully claiming through, under or in trust of the Lessees;
- (j) to procure the Malaysian Good Agricultural Practices (MyGAP) Certification on or before 2 April 2024 (for Setiu Land I) and 6 August 2024 (for Setiu Land II);
- (k) to adhere to all instructions, rules and directions of JPNT, promptly deliver all notices and requests of JPNT to Annum Industries, comply with all the terms and conditions of the Lease Agreements and promptly notify Annum Industries of any occurrence (or likelihood of such occurrence) of event of default or breach of the terms and conditions of the Lease Agreements;

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

- (l) to procure and maintain all the requisite insurances in accordance with the terms and conditions of the Lease Agreements at the cost and expense of Annum Industries and to provide Annum Industries copies of the policies or cover notes of the insurances; and
- (m) not to vary, amend or agree to any variation or amendment to the terms and conditions of the Lease Agreements without the prior written consent of Annum Industries.

4. Financial arrangements

- (a) The parties agree to the financial arrangements and payment terms below:

(i) Annual fees

Annum Industries agrees to pay the Lessees the annual fees for the sums of RM1,408.50 (for Setiu Land I) and RM735.00 (for Setiu Land II) only per annum (“**Annual Fees**”), in cash and on a lump sum basis, on or before the 14th day of the first calendar month.

If Annum Industries delivers a notice of its intent to cease occupation and use of the Surrendered Portion of the Setiu Lands in accordance with Clause 1.3(c) above, the parties agree that the Annual Fees shall be adjusted and reduced proportionately in accordance with the land area of the Surrendered Portion of the Setiu Lands.

If:

- (i) the Effective Date is not the 1st day of the calendar year; or
- (ii) where the dates of expiry or termination of the Collaboration Agreements do not fall on the last day of a calendar year,

(“**Broken Term**”), the Annual Fees shall be apportioned based on the number of days over the relevant period within the Broken Term (“**Broken Term-Consideration**”) and computed following the formula below. Where there is an overpayment by Annum Industries, the Lessees shall refund such sums overpaid within 7 days from the date of expiry or termination of the Collaboration Agreements and shall be recoverable as a debt due by the Lessees to Annum Industries.

$$A = B \times \frac{C}{D}$$

Where:

- (i) “A” means the Broken Term-Consideration;
- (ii) “B” means the Annual Fees;
- (iii) “C” means the number of days within the relevant Broken Term; and
- (iv) “D” means the total number of days in the calendar year.

(ii) Profit sharing

The profit after tax (computed based on the total revenue generated from the sale of the Products less all relevant cost of sales, operating expenses, fees, discounts, reductions, cancelled orders, interest and taxes paid or payable for the sale of the Products) (“**Profit**”) generated from the Smart Farming Business on the Setiu Lands (including but not limited to cultivation, plantation and sale of the Products) shall be shared between the parties and the Lessees shall be entitled to an annual profit share amounting to the lower of:

- 10% of the Profit generated from the Smart Farming Business on the Setiu Lands for the relevant financial year of Annum Industries (“**Financial Year**”); or
- RM1,000,000 only,

Or such other profit-sharing ratio as may be mutually agreed by the parties in writing, subject to the deduction described below, if any.

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

The parties agree that the Profit or loss after tax (where there is loss recorded from the sale of the Products less all relevant cost of sales, operating expenses, fees, discounts, reductions, cancelled orders, interest and taxes paid or payable for the sale of the Products) (“Loss”) (whichever applicable) as recorded in the unaudited management accounts of Annum Industries for the Smart Farming Business on the Setiu Lands shall in the absence of manifest error or fraud, be binding and conclusive on the parties.

The profit share of the Lessees for a Financial Year shall be computed on an annual basis and paid by Anum Industries and/or its related corporation by 30 June of the subsequent year.

Where Loss is recorded for any Financial Year:

- Annum Industries shall be discharged from its obligation to pay any profit share to the Lessees for the relevant Financial Year; and
- the Loss for the relevant Financial Year shall be accumulated and be taken into consideration in the computation of the profit share of the respective Lessees for the subsequent Financial Year(s).

Annum Industries shall be entitled to set-off from the profit share of the Lessees any set-off, counterclaim or deduction pertaining to the Smart Farming Business on the Setiu Lands claimable by it against the Lessees.

5. Termination**5.1 Early termination by mutual agreement**

The Collaboration Agreements may be terminated by mutual agreement of the parties in writing. Following such termination:

- (a) Annum Industries shall at its sole cost and expense, remove all the materials and components of the greenhouses, software, hardware, raw materials, components and related facilities on the Setiu Lands and peaceably surrender, yield up and vacate the Setiu Lands within the period to be mutually agreed by the parties in writing;
- (b) the Lessees shall:
 - (i) take all such necessary steps to return to Annum Industries any property, documentation, records or confidential information that belongs to Annum Industries and if required by Annum Industries, to destroy any and all confidential information received by him/it in accordance with the requirements specified by Annum Industries; and
 - (ii) be solely responsible to clear up and reinstate the Setiu Lands to its original state and condition at his/its sole cost and expense; and
- (c) subject as otherwise provided in the Collaboration Agreements and to any rights or obligations which have accrued prior to the date of termination, neither party shall have any further obligation to the other party under the Collaboration Agreements.

5.2 Events of default

It is an event of default, whether or not it is within the control of the Lessees, if:

- (a) he/it fails or neglects to observe, perform or proceed regularly and diligently with performance of any of his/its duties, obligations or undertakings under the Collaboration Agreements and shall fail to remedy such failure (if capable of remedy) within 14 days (or such other period as may be specified by Annum Industries) upon his/its receipt of a default notice in writing from Annum Industries specifying such breach and requiring such breach to be remedied;

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

- (b) any representation, warranty or undertaking relating to him/it or given under the Collaboration Agreements become false, misleading or incorrect when made or deemed to be made under the Collaboration Agreements;
- (c) any legal proceeding, suit, action, litigation or arbitration proceeding is commenced against him/it or in connection with the Setiu Lands and/or Lease Agreements, which has or might reasonably be expected to have an adverse effect against his/its duties, obligations and undertakings under the Collaboration Agreements and is not remedied within 30 days (or such other period as may be specified by Annum Industries) from the date of notice in writing by Annum Industries;
- (d) an order or petition of bankruptcy/winding-up is issued, presented or threatened against him/it or an effective resolution has been passed for its winding-up or dissolution, which could involve the appointment of relevant officials over his/its properties, assets and/or undertakings; or
- (e) the Lease Agreements are lawfully terminated pursuant to its terms.

5.3 Termination by default

Upon the occurrence of any of the event(s) of default set out in Clause 5.2 above, without prejudice to its rights and remedies under the Collaboration Agreements, at law or in equity, Annum Industries shall be entitled to:

- (a) the right of specific performance against the Lessees and all such reliefs flowing therefrom; or
- (b) terminate the Collaboration Agreements with immediate effect by giving written notice to the Lessees ("**Termination Notice**"), whereupon:
 - (i) the Lessees shall indemnify Annum Industries and keep Annum Industries fully indemnified against all losses arising pursuant to such termination within 14 business days (or such further period as may be agreed by Annum Industries in writing) from the date of the Termination Notice; and
 - (ii) with relation to the Setiu Lands:
 - (A) in the event of termination for default by the Lessees pursuant to Clause 5.2(e) above, Annum Industries shall at the sole cost and expense of the Lessees remove all the materials and components of the greenhouses, software, hardware, raw materials, components and related facilities on the Setiu Lands ("**Reinstatement Costs**") and peaceably surrender, yield up and vacate the Setiu Lands within 4 days from the date of termination of the Lease Agreements and the Lessees shall be the sole party responsible to clear up and reinstate the Setiu Lands to its original state and condition at his/its sole cost and expense and redeliver the Setiu Lands in accordance with the terms and conditions of the Lease Agreements; or
 - (B) in the event of termination for such other event(s) of default other than Clause 5.2(e) above and the Lease Agreements shall be validly subsisting after such termination, the Lessees irrevocably and unconditionally agrees and undertakes to grant Annum Industries the exclusive, irrevocable and unconditional licence and right to continue using and occupying the Setiu Lands until the harvest of the existing Products on the Setiu Lands ("**Licence Term**"). In respect of such Licence Term:
 - (aa) the Lessees agree that he/it shall not be entitled to any profit sharing throughout the Licence Term;
 - (bb) Annum Industries shall continue to observe due payment of the Annual Fees in accordance with the terms of the Collaboration Agreements;

SALIENT TERMS OF THE COLLABORATION AGREEMENTS (CONT'D)

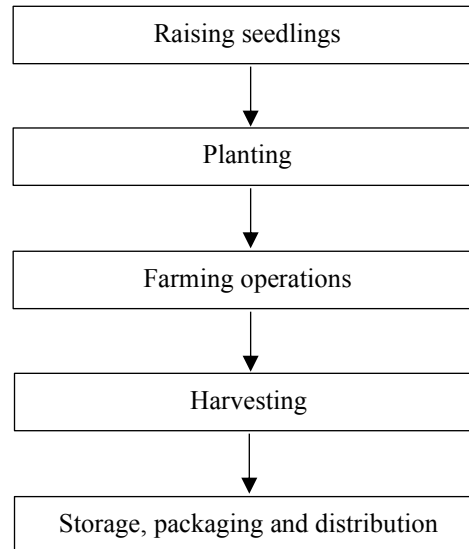
- (cc) Annum Industries shall remove all the materials and components of the greenhouses, software, hardware, raw materials, components and related facilities on the Setiu Lands and peaceably surrender, yield up and vacate the Setiu Lands within the period to be mutually agreed by the parties in writing. All such Reinstatement Costs incurred by Annum Industries shall be reimbursed by the Lessees within 14 business days (or such further period as may be agreed by Annum Industries in writing) from the date of expiry of the Licence Term; and
- (dd) the Lessees shall be solely responsible to clear up and reinstate the Setiu Lands to its original state and condition at his/its sole cost and expense;
- (C) the Lessees shall take all such necessary steps to return to Annum Industries any property, documentation, records or confidential information that belongs to Annum Industries and if required by Annum Industries, to destroy any and all confidential information received by him/it in accordance with the requirements of Annum Industries; and
- (D) subject as otherwise provided in the Collaboration Agreements and to any rights or obligations which have accrued prior to the date of termination, neither party shall have any further obligation to the other party under the Collaboration Agreements.

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OVERVIEW OF THE SMART FARMING BUSINESS OF OUR GROUP

1. Operational process flow

The proposed operational process flow for the planting, harvesting, packaging and distribution of fruits and vegetables (including melons) under our Group's Smart Farming Business is as follows:

**(i) Raising seedlings**

The process will begin by planting germinated seeds in a seedling tray in the greenhouses on the Setiu Lands and/or the Additional Lands.

For the melons, the seedlings will be sourced from local and/or overseas suppliers, particularly suppliers from Korea, Japan and China. These seedlings will be raised for 7 to 8 days before they are transplanted in treated soil in the greenhouses.

(ii) Planting

Once the young plants are transplanted in treated soil in the greenhouses, the environment is controlled so that the optimal temperature and humidity levels are maintained.

For the melons, the ideal temperature to plant the melon plants are between 25°C to 30°C and the humidity levels are kept at 85%. Meanwhile, the pH level of the soil will be kept between 5.5 to 6.5. A greenhouse is expected to produce approximately 3,200 melons per harvesting cycle, based on the number of melon plants that can be planted in relation to the size of the greenhouses and planting distance, with the assumption that all conditions (such as soil's pH, moisture and nutrients levels as well as temperature and humidity levels of the environment) are kept at optimal levels and there are no pests and plant diseases outbreaks. The melon plants will typically begin to produce fruits 24 to 27 days after flowering.

(iii) Farming operations

As a smart farming system will be used, 3 types of sensors will be placed in the treated soil for each greenhouse to monitor the pH, moisture and nutrient levels of the treated soil meanwhile the sensors in the greenhouse will monitor the temperature and humidity levels of the growing environment. These sensors will collect the data from the greenhouses and it will be automatically analysed by the smart farming system. Information will be displayed on a dashboard in the application for the Farm Manager to view. The system can be configured to maintain the soil's pH, moisture and nutrients levels as well as temperature and humidity levels of the environment within a particular range, and alert the Project Director and Farm Manager if the levels fall above or under the specified optimal ranges.

OVERVIEW OF THE SMART FARMING BUSINESS OF OUR GROUP (CONT'D)

Irrigation will be automated using the smart farming system, whereby the soil's pH, moisture and nutrients content will be monitored and water which has been infused with nutrients will be irrigated if the pH, moisture and nutrients content falls below a pre-specified level.

(iv) Harvesting

The fruits and vegetables will then be harvested once they have reached respective ideal size and weight.

For the melons, they generally mature 35 to 40 days after the plant begins to fruit, depending on the type of melon. The melons will be harvested every 85 days once the fruits have reached the ideal size and weight.

(v) Storage, packaging and distribution

The harvested fruits and vegetables will then be sorted by grades by observing their shape and weight.

In particular, melons will be sorted by grades where aesthetically perfect melons weighing approximately 1.1 kilograms are graded as Grade A and the remaining melons are graded as Grade B. These melons will be stored in the greenhouses while waiting for customers to collect the melons. If required, our Group will pack the melons according to the customers' specifications.

In general, melons should be able to retain its freshness within 7 days from the time it is harvested and the ideal temperature to retain its freshness will be at 25°C and below. The shelf-life time for Japanese melons is generally between 7 to 8 days while hybrid melons is generally between 7 to 10 days.

The melons will be distributed and sold to distributors through our Group's and KOSAHABAT's business network for their onward sales to wholesalers and grocery retailers in Malaysia. KOSAHABAT (a shareholder of Annum Sahabatko with 20% equity interest in Annum Sahabatko) is a cooperative formed with the aim of helping entrepreneurs in the agriculture industry in Terengganu by supporting them through guiding them to set up their businesses and providing training to ensure they have the necessary knowledge and skills to set up their businesses. KOSAHABAT is also presently involved in the smart farming of fruits which they sell to established grocery retailers and wholesalers in Malaysia. Hence, our Group intends to also leverage on the extensive distribution channel of KOSAHABAT to reach out to the distributors.

2. Quality assurance and quality control

Our Group shall employ the following methods and technologies to ensure and improve the quality and production yield of fruits and vegetables (where applicable):

(i) Farming methods

Our Group intends to utilise 2 types of farming methods:

(a) Greenhouse farming

Farming in greenhouses allows crops to grow in a controlled environment where:

- **the temperature and humidity levels can be controlled**

By controlling the temperature and humidity, this allows our Group to create an optimal environment for growing of a particular species of fruits and vegetables.

OVERVIEW OF THE SMART FARMING BUSINESS OF OUR GROUP (CONT'D)

- **pests and plant diseases that are detrimental to the plants can be minimised**

Being in an enclosed environment, there is thus less presence of pests and plant diseases within the greenhouse. Thus, this allows our Group to grow fruits and vegetables with minimal use of pesticides and will also minimise the occurrences of plant diseases. Further, as the farming is segregated by different greenhouses, this allows our Group to contain the spread of plant diseases, should it occur within a greenhouse.

(b) Smart farming

Smart farming allows for the soil's pH, moisture and nutrients levels as well as temperature and humidity levels of the environment in which the fruits and vegetables are being farmed to be monitored on a real-time basis. This information can also be remotely accessed by our Group's Project Director and Farm Manager.

With the use of smart farming method, our Group will be able to monitor these parameters (i.e. soil's pH, moisture and nutrients levels as well as temperature and humidity levels of the environment) to ensure that they are constantly at optimal levels.

(ii) Monitoring of fruit quality

Fruits, including melons, are generally more saleable if they are sweeter. Upon request by the potential and existing customers, our Group will send samples of our melons to an independent laboratory to examine the sugar content levels in the melons. Should the melons' sugar content level be below the acceptable range determined by our Group's potential or existing customers, our Group will review our farming process and seedlings used to improve our fruit quality.

3. Sales and marketing strategies

Our Group intends to distribute the fruits and vegetables produced via the following means:

(i) Collaborations with KOSAHABAT

As KOSAHABAT is a shareholder of Annum Sahabatko with 20% equity interest in Annum Sahabatko, our Group can leverage on KOSAHABAT's distribution channel to distribute the fruits and vegetables harvested under the Smart Farming Business. KOSAHABAT's distribution channel comprises various established wholesalers (e.g. hypermarkets and supermarkets), grocery retailers in Malaysia and online platforms.

(ii) Seeking new collaborations or joint-ventures

Our Group intends to seek new collaborations or joint-ventures with third-party companies to leverage on their distribution channels. This will increase the reach and expand our Group's customer base.

4. Research and development activities

Currently, our Group intends to leverage on KOSAHABAT to support our Group's research and development activities that will promote higher production yield and fruit quality. At this juncture, no cost is expected to be incurred for leveraging on such support from KOSAHABAT. KOSAHABAT has experiences in guiding farmers in Terengganu in planting, harvesting and marketing melons and has participated, as technology provider, in setting up farms in TKPM in Ara Kuda, Tasek Gelugor and Pulau Pinang which use SM4RT TANI (an end-to-end solution for precision farming by utilising IoT network and big data analytics for farming of melons). KOSAHABAT will keep our Group abreast with technical know-how on IoT solutions and latest farming methods, including smart farming methods that can improve and optimise farming methods.

Our Group will also constantly keep up-to-date with the latest information on market demands and trends for seedlings provided by the seedlings suppliers, and will consider expanding the range of fruits and vegetables farmed to include other forms of agricultural products, if necessary.