

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Act on 16 May 2023 as a private limited company. Our Company was incorporated as a special purpose vehicle to facilitate the Listing. As such, the historical financial information of our Group for FYE 2020 to 2022 is prepared based on the historical combined audited financial statements of our Group. Our historical financial information for FYE 2020 to 2022 were prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

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

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

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2020 to 2022, which have been extracted from the Accountants' Report.

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

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

**Notes:**

(1) EBIT and EBITDA are calculated as follows:

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

(2) Calculated based on GP divided by revenue.

(3) Calculated based on PBT divided by revenue.

(4) Calculated based on PAT divided by revenue.

(5) Calculated based on PAT attributable to owners of our Company divided by our share capital of 151,086,000 Shares before Public Issue.

(6) Calculated based on PAT attributable to owners of our Company divided by our enlarged share capital of 202,800,000 Shares after Public Issue.

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

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9,100	10,128	11,899
Right-of-use assets	2,554	2,646	3,292
<b>Total non-current assets</b>	<b>11,654</b>	<b>12,774</b>	<b>15,191</b>
<b>Current assets</b>			
Inventories	14,956	15,380	26,047
Receivables <sup>(1)</sup>	9,908	13,906	15,245
Prepayments	716	579	312
Current tax assets	-	1	-
Cash and cash equivalents	4,515	9,474	12,068
<b>Total current assets</b>	<b>30,095</b>	<b>39,340</b>	<b>53,672</b>
<b>TOTAL ASSETS</b>	<b>41,749</b>	<b>52,114</b>	<b>68,863</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of our Company</b>			
Share capital	2,450	5,700	10,000
Retained earnings	4,257	7,659	14,776
<b>TOTAL EQUITY</b>	<b>6,707</b>	<b>13,359</b>	<b>24,776</b>
<b>Non-current liabilities</b>			
Loans and borrowings	4,944	4,739	6,092
Lease liabilities	141	327	770
Deferred tax liabilities	220	269	438
<b>Total non-current liabilities</b>	<b>5,305</b>	<b>5,335</b>	<b>7,300</b>
<b>Current liabilities</b>			
Payables <sup>(2)</sup>	13,547	12,507	17,547
Loans and borrowings	15,221	20,129	18,076
Lease liabilities	152	220	338
Contract liabilities	-	-	28
Current tax liabilities	817	564	798
<b>Total current liabilities</b>	<b>29,737</b>	<b>33,420</b>	<b>36,787</b>
<b>TOTAL LIABILITIES</b>	<b>35,042</b>	<b>38,755</b>	<b>44,087</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41,749</b>	<b>52,114</b>	<b>68,863</b>

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

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	9,809	13,824	15,133
- Loss allowance	-	(67)	(12)
	<b>9,809</b>	<b>13,757</b>	<b>15,121</b>
Other receivables			
- Related party <sup>(a)</sup>	7	7	-
- Unrelated parties <sup>(b)</sup>	92	142	124
	99	149	124
	<b>9,908</b>	<b>13,906</b>	<b>15,245</b>

**Notes:**

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

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	11,362	8,385	15,435
Other payables			
- Related parties <sup>(a)</sup>	51	86	63
- Unrelated parties <sup>(b)</sup>	1,399	3,523	2,049
	1,450	3,609	2,112
Dividend payable	735	513	-
	<b>13,547</b>	<b>12,507</b>	<b>17,547</b>

**Notes:**

- (a) Being companies in which a director's close family members have substantial financial interests. Comprise mainly transportation charges.
- (b) Comprise mainly accruals of staff related expenses, payables of construction costs of Phase 3 of our Bukit Minyak Premises, amount owing to Bourne Commercial Ltd due to the classification from trade payables to other payables upon the execution of the novation and debt settlement agreement dated 24 September 2021 (as detailed in Section 6.5(b)) as well as payables of forwarding and transportation charges.

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

The following table sets out the combined statements of cash flows of our Group for FYE 2020 to 2022 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis Results of Operations and Financial Conditions" and Accountant's Report set out in Sections 12.2 and 13 respectively.

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

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

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

**Notes:**

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

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

- (2) Being the acquisition of the remaining shares in Bapas from Wong Kam Tong, Ooi Su Heng, Leung Hak Kong and Cheng Boon Kai on 28 October 2020.

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

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

The following discussion and segmental analysis of our combined financial information for FYE 2020 to 2022 should be read with the Accountants' Report included in Section 13.

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

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

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

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

**(b) Revenue**

Our Group's revenue for FYE 2020 to 2022 was derived from sourcing and distribution of plant-based agricultural products and production and sale of food additives and fried shallots.

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

**(c) Cost of goods sold**

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

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

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

**(ii) Raw materials**

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

**(iii) Direct labour**

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

**(iv) Overheads**

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

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

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

**(e) Administrative and general expenses**

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

**(f) Selling and distribution expenses**

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

**(g) Finance costs**

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

**(h) Recent developments**

Save for the Acquisition and declaration of final dividend in respect of FYE 2022, there were no other significant events subsequent to our audited combined financial statements for FYE 2020 to 2022.

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

There were no exceptional or extraordinary items during FYE 2020 to 2022. In addition, our audited combined financial statements for the financial years under review were not subject to any audit qualifications.

**12.2.2 Significant factors affecting our revenue**

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

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

For FYE 2020 to 2022, majority of our purchases are denominated in USD which accounted for 61.2%, 74.5% and 82.0% to our Group's total purchases respectively. However, most of our revenue is generated from sales to local customers which are transacted in RM. As such, any substantial depreciation of the RM against the USD will lead to higher costs of supplies in RM. In such circumstances, we will attempt to pass the additional costs arising from the depreciation of RM against the USD to our customers. Our financial performance may be adversely affected should we fail to pass on the increase in costs to our customers effectively in a timely manner.

Please refer to Section 9.1.1 for further details.



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

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**(b) We may be affected by negative perception and publicity on our brand names and reputation**

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

Please refer to Section 9.1.3 for further details.

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

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

Please refer to Section 9.1.4 for further details.

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

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

Please refer to Section 9.1.9 for further details.

**12. FINANCIAL INFORMATION (Cont'd)****12.2.3 Review of our results of operations****(a) Revenue****Analysis of revenue by product segments**

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

**Note:**

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

Our revenue for FYE 2020 to 2022 was mainly derived from the sourcing and distribution of plant-based agricultural products, which accounted for more than 90.0% of our total revenue.

## 12. FINANCIAL INFORMATION (Cont'd)

### Analysis of revenue by brands

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

### Analysis of revenue by geographical markets

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

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

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**Comparison between FYE 2020 and FYE 2021**

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

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

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

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**Comparison between FYE 2021 and FYE 2022**

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

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

## 12. FINANCIAL INFORMATION (Cont'd)

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

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

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

#### Analysis of cost of goods sold

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

#### Analysis of GP and GP margin

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

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

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Our Group does not record GP and GP margin information by house brands and third party brands as well as geographical location. Accordingly, such information is not available. Our Group monitors our performance and profitability based on our overall and by product segment GP and GP margin. The increase in GP and GP margins over the financial years under review were mainly attributable to the increase in demand of our products and better sales mix.

**Comparison between FYE 2020 and FYE 2021**

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

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

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

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

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

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

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

**(c) Interest income**

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

The changes in our interest income from FYE 2020 to 2022 were mainly due to the revisions of interest rates by Bank Negara Malaysia (i.e. overall decreasing during FYE 2021, and increasing in FYE 2022).



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

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

**Notes:**

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

**Comparison between FYE 2020 and FYE 2021**

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

**Comparison between FYE 2021 and FYE 2022**

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

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

**(e) Administrative and general expenses**

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

**Note:**

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

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

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

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

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

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

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

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

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

## 12. FINANCIAL INFORMATION (Cont'd)

### (f) Impairment losses on financial assets

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Impairment losses on financial assets	-	-	67	100.0	10	100.0

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

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

The impairment losses on financial assets and loss on derecognition of financial assets measured at amortised cost from FYE 2020 to 2022 were mainly in relation to trade receivables which were individually assessed every financial year.

### (h) Selling and distribution expenses

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

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

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**Comparison between FYE 2020 and FYE 2021**

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

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

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

**Comparison between FYE 2021 and FYE 2022**

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

**12. FINANCIAL INFORMATION (Cont'd)****(i) Finance costs**

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

**Comparison between FYE 2020 and FYE 2021**

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

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

**Comparison between FYE 2021 and FYE 2022**

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

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

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

**Comparison between FYE 2020 and FYE 2021**

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

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

**Comparison between FYE 2021 and FYE 2022**

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

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

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

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

**Note:**

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

Our effective tax rate for FYE 2020 to 2022 were higher than the statutory tax rate of 24.0% mainly due to certain non-deductible expenses for income tax purpose and depreciation for non-qualifying assets such as leasehold land and building.

**12.2.4 Review of cash flows**

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

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

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

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



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

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

**Net cash for investing activities**

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

**Net cash for financing activities**

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

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

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

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

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

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

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

**Net cash for financing activities**

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

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

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

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

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

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

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

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

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

**Net cash for financing activities**

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

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

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

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### **12.3 LIQUIDITY AND CAPITAL RESOURCES**

#### **12.3.1 Working capital**

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

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

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

- (a) our cash and cash equivalents of approximately RM10.0 million as at LPD;
- (b) our expected future cash flows from operations after servicing of bank borrowings;
- (c) our total banking facilities limit as at LPD of RM34.9 million (excluding hire purchase facilities and term loans used for capital expenditure and lease liabilities for rental of building), of which RM23.2 million have been utilised; and
- (d) our pro forma gearing level of [•] times, based on our pro forma statements of financial position as at 31 December 2022 after the Acquisition, Public Issue and utilisation of proceeds.

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

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**12. FINANCIAL INFORMATION (Cont'd)**
**12.4 BORROWINGS AND INDEBTEDNESS**

As at 31 December 2022, our Group's total outstanding borrowings and indebtedness stood at RM24.8 million (excluding lease liabilities of rental of building of approximately RM0.5 million), details of which are set out below:

	<b>Purpose</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective interest rate</b>	<b>As at 31 December 2022</b>
				<b>%</b>	<b>RM'000</b>
<b>Current</b>					
Banker acceptances	To finance purchases of goods related to business from local and overseas suppliers	90 to 120 days	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"); (iii) Legal charge over Bukit Minyak Premises; and (iv) Memorandum of charge over fixed deposit.	4.0 - 4.9	17,345
Term loans	To part finance the purchase of a solar photovoltaic system construction of factory, cold room and electrical installation with fire protection system at Bukit Minyak Premises and purchase of new/used machinery/equipment together with accessories, working capital requirements	5 to 15 years	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by SJPP; (iii) Legal charge over Bukit Minyak Premises; (iv) Specific debenture over all machinery/equipment to be financed; and (v) Corporate guarantee by ACS.	3.5 - 7.0	731
Hire purchases	Finance the purchase of motor vehicles and machinery	3 to 5 years	Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong	4.0 - 8.5	205
					<b>18,281</b>

## 12. FINANCIAL INFORMATION (Cont'd)

	<u>Purpose</u>	<u>Tenure of facility</u>	<u>Security</u>	<u>Effective interest rate</u> %	<u>As at 31 December 2022</u> RM'000
<b>Non-current</b>					
Term loans	To part finance the purchase of a solar photovoltaic system construction of factory, cold room and electrical installation with fire protection system at Bukit Minyak Premises and purchase of new/used machinery/equipment together with accessories, working capital requirements	5 to 15 years	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong; (ii) Government guarantee provided by SJPP; (iii) Legal charge over Bukit Minyak Premises; (iv) Specific debenture over all machinery/equipment to be financed; and (v) Corporate guarantee by ACS.	3.5 - 7.0	6,092
Hire purchases	Finance the purchase of motor vehicles and machinery	3 to 5 years	Personal guarantee by our Promoter, substantial shareholder and Managing Director, Oon Boon Khong	4.0 - 8.5	421
					<b>6,513</b>
<b>Total borrowings</b>					<b>24,794</b>
<b>Gearing (times)</b>					
After Acquisition but before Public Issue and utilisation of proceeds <sup>(1)</sup>					1.1
After Public Issue and utilisation of proceeds <sup>(2)</sup>					[•]

### Notes:

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

## 12. FINANCIAL INFORMATION (Cont'd)

The maturity profile of our total outstanding borrowings and indebtedness (excluding lease liabilities for rental of building) as at 31 December 2022 is as follows:

	<b>RM'000</b>
Within 1 year	18,281
1 to 5 years	2,900
More than 5 years	3,613
<b>Total</b>	<b>24,794</b>

Separately, we have also recognised the following lease liabilities:

	<b>Purpose</b>	<b>Tenure</b>	<b>As at 31 December 2022 RM'000</b>
Lease liabilities payable within 1 year	Rental of factory	(Initial lease of 2 to 3 years with option to renew for another 2 years)	133
Lease liabilities payable after 1 year	Rental of factory	(Initial lease of 2 to 3 years with option to renew for another 2 years)	349
			<b>482</b>

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

We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2020 to 2022 and up to LPD.

As at LPD, our Group is not in breach of any terms, conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During FYE 2020 to 2022, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

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

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

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

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

**12.6 MATERIAL CAPITAL COMMITMENTS**

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

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

As at LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

**(b) Contingent liabilities**

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

**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2020 to 2022 are as follows:

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

**Notes:**

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



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

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

**12.8.1 Trade receivables turnover**

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

Our trade receivable turnover days for FYE 2020 to 2022 were within our credit terms granted to our customers and remained relatively consistent at around 42 to 43 days.

The ageing analysis of our trade receivables as at 31 December 2022 is as follows:

	Trade receivables as at 31 December 2022		Collection from 1 January 2023 up to LPD	Balance as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	10,377	68.6	10,377	-
Past due but not impaired:				
- less than 30 days	3,533	23.4	3,533	-
- 31 to 60 days	797	5.3	797	-
- 61 to 90 days	315	2.1	315	-
- over 90 days	111	0.7	35	76
	4,756	31.4	4,680	76
<b>Total</b>	<b>15,133</b>	<b>100.0</b>	<b>15,057</b>	<b>76</b>

As at LPD, we have collected 99.5% of our total outstanding trade receivables as at 31 December 2022. The outstanding past due receivable of RM0.1 million are on instalment payment arrangement by certain customers.

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

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

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

**12.8.2 Trade payables turnover**

The normal credit terms granted to us by our suppliers range from 30 to 60 days from the date of invoice. Our trade payables turnover days for FYE 2020 to 2022 were within the normal credit period granted by our suppliers and within the range of 30 to 60 days. As we have been in continuous communication with our suppliers and have not defaulted in payment throughout our relationship with them, our suppliers provide us higher credit limits for their purchases and did not stop supplying us with our inventories.

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

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

The ageing analysis of our trade payables as at 31 December 2022 is as follows:

	<b>Trade payables as at 31 December 2022</b>		<b>Payment from 1 January 2023 up to LPD</b>	<b>Balance as at LPD</b>
	<b>RM'000</b>	<b>Percentage of trade payables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>(a)</b>		<b>(b)</b>	<b>(c) = (a)- (b)</b>
Within credit period	10,287	66.6	10,287	-
Exceeding credit period:				
- 1 to 30 days	3,883	25.2	3,883	-
- 31 to 60 days	1,263	8.2	970	293
- More than 90 days	2	<0.1	2	-
	5,148	33.4	4,855	293
<b>Total</b>	<b>15,435</b>	<b>100.0</b>	<b>15,142</b>	<b>293</b>

As at LPD, we have paid RM15.1 million or 98.1% of our total outstanding trade payables as at 31 December 2022. The balances as at LPD were mainly due to withholding of payment owed to a trade creditor who is under bankruptcy proceedings. As at LPD, there are no outstanding disputes in respect of our trade payables and there is no legal action initiated by our suppliers to demand for payment from us.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.3 Inventory turnover**

Our Group's inventories mainly comprise materials, work-in-progress and finished goods. Our plant-based agricultural products including those in transits accounted for 99.5%, 96.6% and 94.7% of our total inventories for FYE 2020 to 2022 respectively.

The breakdown of our inventories by product segments for FYE 2020 to 2022 are as follows:

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

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

Our inventory turnover days has been relatively consistent at 32 to 35 days for FYE 2020 to 2022.

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

As at 31 December 2022, the inventory ageing analysis is as follows:

	<b>1-30</b>	<b>31-60</b>	<b>61-90</b>	<b>More than 90 days but less than 1 year</b>	<b>More than 1 year<sup>(1)</sup></b>	<b>Total</b>
	<b>days</b>	<b>days</b>	<b>days</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Raw materials	653	93	8	366	16	1,136
Work-in-progress	23	-	-	-	-	23
Finished goods	135	27	38	11	2	213
Plant-based agricultural products	18,296	2,414	2,149	1,707	109	24,675
	<b>19,107</b>	<b>2,534</b>	<b>2,195</b>	<b>2,084</b>	<b>127</b>	<b>26,047</b>

**Note:**

- (1) Consists of raw materials which have long lifespan such as monosodium phosphate, packaging materials, common finished goods and plant-based agricultural products such as modified starch, etc.

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

Based on the above, 73.4% of our inventories fall within 1 to 30 days. We are of the opinion that there is no material slow moving or obsolete inventories, premised on the following:

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

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

**12.8.4 Current ratio**

Our current ratio throughout FYE 2020 to 2022 is as follows:

	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	30,095	39,340	53,672
Current liabilities	29,737	33,420	36,787
<b>Net current assets</b>	<b>358</b>	<b>5,920</b>	<b>16,885</b>
Current ratio (times)	1.0	1.2	1.5

Our current ratios range between 1.0 time to 1.5 times for FYE 2020 to 2022. This indicates that our Group is capable of meeting short-term obligations as our current assets, such as trade receivables and inventories, which can be readily converted to cash, together with our cash and cash equivalents, are enough to meet our current liabilities.

The increase in current ratio for FYE 2020 to 2022 was mainly due to:

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

**12.8.5 Gearing ratio**

Our gearing ratio throughout FYE 2020 to 2022 is as follows:

	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	20,458	25,415	25,276
Total equity	6,707	13,359	24,776
Gearing ratio (times)	3.0	1.9	1.0

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

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

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

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

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

Save for policies in relation to COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2020 to 2022. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

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

**12.10 IMPACT OF INFLATION**

During FYE 2020 to 2022, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

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

We have minimal exposure to foreign currency in terms of our sales as 97.4%, 98.6% and 98.5% of our total revenue were denominated in RM for FYE 2020 to 2022 respectively.

However, our purchases denominated in USD made up 61.2%, 74.5% and 82.0% of our total purchases for FYE 2020 to 2022 respectively. As such, any significant change in foreign exchange rates may affect our financial performance if we are unable to pass on the higher costs to our customers.

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

Our Group's gain or loss from foreign exchange fluctuations for FYE 2020 to FYE 2022 are as follows:

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

Based on the table above, our Group has not been materially impacted by the foreign exchange fluctuations.

**(b) Impact of interest rates**

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

A sensitivity analysis performed on our Group based on the outstanding floating rate of our loans and borrowings as at 31 December 2022 indicates that our PBT for FYE 2022 would increase or decrease by approximately RM0.02 million, as a result of increase or decrease in interest rates by 40 basis points on these borrowings.

Our financial results for FYE 2020 to 2022 were not materially affected by fluctuations in interest rates.

**(c) Impact of commodity prices**

Our products' material mainly consists of plant based agricultural products and fresh onions. Our financial performance was not materially affected by fluctuations in commodity prices for FYE 2020 to 2022. Any adverse changes in such commodity prices will raise our cost of goods sold and may have adverse effect on us. However, any such price increase will affect the entire food industry. We will generally pass on such price increase to our customers, wherever possible, to minimise the impact on our financial performance.

**12.12 ORDER BOOK**

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

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

Our Board is of the opinion that:

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

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

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

### **12.14 TREND INFORMATION**

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 7.12, 12.9, 12.10 and 12.11;
- (b) material commitments for capital expenditure as disclosed in Section 12.6;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.12 and 9;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2 and 12.11; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.11.

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

### **12.15 DIVIDEND POLICY**

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

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

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

During FYE 2020 to 2022 and up to LPD, we declared the following dividends:

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

There was a final dividend of RM1.4 million declared with respect to FYE 2022, which was paid on 31 July 2023.

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

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

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

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

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

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.16 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

- (a) Based on latest unaudited combined financial information of our Group as at 31 July 2023; and
- (b) After adjusting for the effects of Acquisition, the Public Issue and utilisation of proceeds.

	<u>Unaudited</u>	<u>I</u>	<u>II</u>	<u>III</u>
	<u>As at 31 July 2023</u>	<u>After Acquisition</u>	<u>After I and Public Issue</u>	<u>After II and use of proceeds</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Capitalisation</b>				
Share capital	^	23,358	[•]	[•]
<b>Total capitalisation</b>	^	<b>23,358</b>	<b>[•]</b>	<b>[•]</b>
<b>Indebtedness</b>				
<b>Current</b>				
<i>Secured</i>				
Term loans	-	658	658	658
Bankers' acceptances	-	21,789	21,789	21,789
Lease liabilities	-	135	135	135
<i>Unsecured</i>				
Bankers' acceptances	-	554	554	554
<b>Non-current</b>				
<i>Secured</i>				
Term loans	-	6,860	6,860	6,860
Lease liabilities	-	237	237	237
<b>Total indebtedness:</b>	-	<b>30,233</b>	<b>30,233</b>	<b>30,233</b>
<b>Total capitalisation and indebtedness</b>	-	<b>53,591</b>	<b>[•]</b>	<b>[•]</b>
Debt-to-capital ratio (times) <sup>(1)</sup>	-	1.3	[•]	[•]

**Notes:**

^ Represents RM2.

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