

## 13. ACCOUNTANTS' REPORT



**Crowe Malaysia PLT**  
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20 SEP 2023

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

Dear Sirs,

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

#### **Opinion**

We have audited the financial information of Agricore CS Holdings and its subsidiaries ("the Group"), which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the financial information, including a summary of significant accounting policies, as set out on pages 4 to 36.

This historical financial statement has been prepared for inclusion in the prospectus of Agricore CS Holdings in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Guidelines") and is given for the purpose of complying with Chapter 10 of the Guidelines and for no other purpose.

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

#### **Basis for Opinion**

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

**13. ACCOUNTANTS' REPORT (Cont'd)***Independence and other ethical responsibilities*

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

**Directors' Responsibility for the Financial Information**

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

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

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

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

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

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

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



**Reporting Accountants' Responsibility for the Audit of Financial Information (Cont'd)**

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

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

**Other Matter**

Pursuant to Chapter 10 of the Prospectus Guidelines, we have nothing to report on subsequent events between the date of the most recent audited financial statements and the date of this report.

**Restriction on Distribution and Use**

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

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

Date: 20 SEP 2023

Penang

**Eddy Chan Wai Hun**  
02182/10/2023 J  
Chartered Accountant

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

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

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

	Note	Year ended 31 December 2020 RM'000	Year ended 31 December 2021 RM'000	Year ended 31 December 2022 RM'000
Revenue	16	88,995	100,832	122,685
Cost of goods sold		(78,195)	(86,651)	(103,294)
Gross profit		<u>10,800</u>	<u>14,181</u>	<u>19,391</u>
Interest income		85	35	76
Other income		285	135	167
Administrative and general expenses		(3,555)	(4,811)	(5,333)
Selling and distribution expenses		(2,532)	(2,736)	(3,350)
Finance costs		(841)	(923)	(1,179)
Impairment losses on financial assets	17	-	(67)	(10)
Loss on derecognition of financial assets measured at amortised cost		(51)	(7)	(27)
Profit before tax	18	<u>4,191</u>	<u>5,807</u>	<u>9,735</u>
Tax expense	20	(1,200)	(1,525)	(2,618)
Profit for the financial year		<u>2,991</u>	<u>4,282</u>	<u>7,117</u>
Other comprehensive income for the financial year		-	-	-
Comprehensive income for the financial year		<u>2,991</u>	<u>4,282</u>	<u>7,117</u>
Profit for the year attributable to:-				
- Owners of the Company		2,980	4,282	7,117
- Non-controlling interests		11	-	-
		<u>2,991</u>	<u>4,282</u>	<u>7,117</u>
Comprehensive income for the financial year attributable to:-				
- Owners of the Company		2,980	4,282	7,117
- Non-controlling interests		11	-	-
		<u>2,991</u>	<u>4,282</u>	<u>7,117</u>
Basic earnings per share (sen)	21	<u>123</u>	<u>143</u>	<u>117</u>

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

	Note	Invested capital RM'000	Retained profits RM'000	Equity attributables to owners of the Company RM'000	Non- controlling interests RM'000	Total RM'000
Balance at 1 January 2020		2,400	2,335	4,735	14	4,749
Profit (representing comprehensive income) for the financial year		-	2,980	2,980	11	2,991
Issue of shares		50	-	50	-	50
Dividends	22	-	(999)	(999)	-	(999)
Contributions by/(Distributions to) owners		50	(999)	(949)	-	(949)
Change in ownership interest in subsidiary		-	(59)	(59)	(25)	(84)
Total transactions with owners		50	(1,058)	(1,008)	(25)	(1,033)
Balance at 31 December 2020		2,450	4,257	6,707	-	6,707
Profit (representing comprehensive income) for the financial year		-	4,282	4,282	-	4,282
Issue of shares		3,250	0	3,250	-	3,250
Dividends	22	-	(880)	(880)	-	(880)
Total transactions with owners		3,250	(880)	2,370	-	2,370
Balance at 31 December 2021		5,700	7,659	13,359	-	13,359
Profit (representing comprehensive income) for the financial year		-	7,117	7,117	-	7,117
Issue of shares (representing total transactions with owners)		4,300	-	4,300	-	4,300
Balance at 31 December 2022		10,000	14,776	24,776	-	24,776

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

	Note	Year ended 31 December 2020 RM'000	Year ended 31 December 2021 RM'000	Year ended 31 December 2022 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax		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 expense		841	923	1,179
Interest income		(85)	(35)	(76)
Loss on derecognition of financial assets measured at amortised cost		51	7	27
Operating profit before working capital changes		5,766	7,599	11,876
Changes in:-				
Inventories		(5,704)	(424)	(10,667)
Receivables		1,850	(4,072)	(1,376)
Prepayments		(615)	137	267
Payables		20	2,674	5,553
Contract liabilities		-	-	28
Cash generated from operations		1,317	5,914	5,681
Tax paid		(456)	(1,730)	(2,214)
Net cash from operating activities		861	4,184	3,467
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(771)	(1,664)	(2,671)
Acquisition of right-of-use assets	23	-	(61)	(196)
Interest received		85	35	76
Proceeds from disposal of property, plant and equipment		-	29	429
Net cash used in investing activities		(686)	(1,661)	(2,362)
<b>Cash flows from financing activities</b>				
Acquisition of shares from non-controlling interests		(84)	-	-
Changes in term deposits pledged as security		(680)	(182)	(121)
Dividend paid		(264)	(1,102)	(513)
Drawdown of term loans	23	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	23	(372)	5,491	(1,367)
Payment of lease liabilities	23	(157)	(242)	(419)
Repayment of term loans	23	(105)	(404)	(1,583)
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 brought forward		732	(546)	5,615
Cash and cash equivalents carried forward	9	(546)	5,615	8,109

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

**AGRICORE CS HOLDINGS BERHAD**

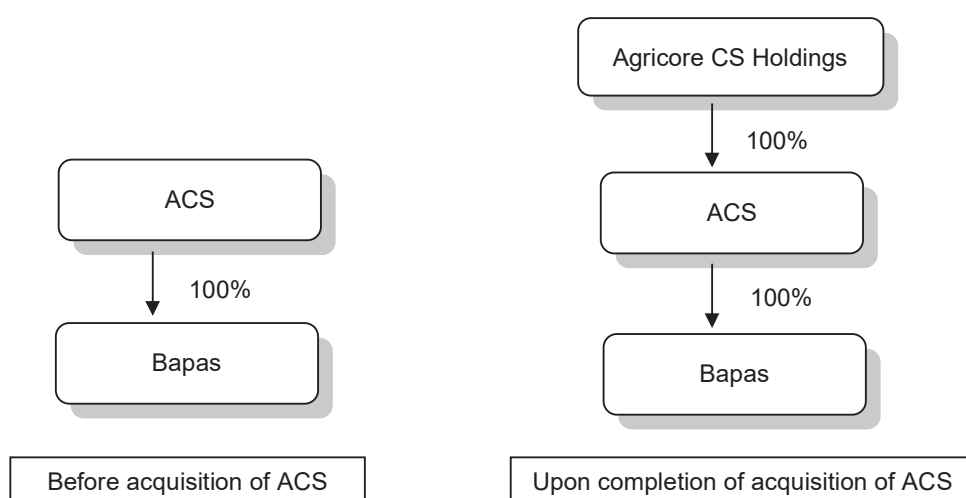
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. General information**

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

On 11 September 2023, Agricore CS Holdings was converted from a private company to public company limited by shares and assumed its present name of Agricore CS Holdings Berhad.

As an integral part of listing of Agricore CS Holdings on the ACE Market of Bursa Malaysia Securities Berhad, Agricore CS Holdings entered into a conditional share sale agreement to acquire the entire equity interest in ACS ("the Acquisitions"). Upon completion of the above share swap, ACS becomes a wholly owned subsidiary of Agricore CS Holdings with Bapas becomes an indirect wholly owned subsidiary of Agricore CS Holdings.



Agricore CS Holdings Berhad, Agricore CS Sdn Bhd and Bapas Food Products Sdn Bhd (collectively known as the "Group") are incorporated in Malaysia.

The principal activities, registered office and principal place of business of the companies are as follows:-

Name of company	Principal Activities	Registered office	Principal place of business
Agricore CS Holdings Berhad ("Agricore CS Holdings")	Investment holding	57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang
Agricore CS Sdn Bhd ("ACS")	Sourcing and distribution of plant-based agricultural food ingredients	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, 14100 Bukit Mertajam, Pulau Pinang



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

Name of company	Principal Activities	Registered office	Principal place of business
Bapas Food Products Sdn Bhd ("Bapas")	Production and sale of food additives and fried shallots	57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Pulau Pinang	1173, Jalan Perindustrian Bukit Minyak 2, Kawasan Perindustrian Bukit Minyak, MK13, 14100 Bukit Mertajam, Pulau Pinang  46, Lengkok IKS Simpang Empat 1, Taman IKS Simpang Empat, 14100 Simpang Ampat, Pulau Pinang

**2. Basis of preparation**

As the Acquisitions were only executed on 8 August 2023, there are no consolidated financial statements of Agricore CS Holdings for financial years ended 31 December 2020, 2021, and 2022.

For the purpose of inclusion in the prospectus of Agricore CS Holdings in connection with the listing of and quotation for its entire enlarged number of issued ordinary shares on the ACE Market of Bursa Malaysia Securities Berhad in accordance with the Chapter 10, Part II, Division I: Equity of Prospectus Guidelines-Equity issued by Securities Commission Malaysia ("Prospectus Guidelines"), the combined financial statements of Agricore CS Holdings, which are the combination or aggregation of the financial statements of the following combining entities, have been prepared based on the separate financial statements for the relevant reporting periods as follows:-

Combining Entity	Relevant Reporting Periods	Accounting Standards Applied	Auditors
ACS	FYE 31 December 2022 FYE 31 December 2021 FYE 31 December 2020	MFRSs MFRSs MFRSs	Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT
Bapas	FYE 31 December 2022 FYE 31 December 2021 FYE 31 December 2020	MFRSs MFRSs MFRSs	Crowe Malaysia PLT Crowe Malaysia PLT Crowe Malaysia PLT

Notes:

FYE = Financial year ended

MFRSs = Malaysian Financial Reporting Standards

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

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. Basis of preparation (cont'd)**

The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases. The identified assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies by the Group.

The acquisition of ACS from its shareholders in exchange for the shares issued by Agricore CS Holdings was accounted for using the "pooling-of-interest" method of consolidation. Any excess or deficiency of the nominal value of the shares acquired is taken to the shareholders' equity as a merger reserve or deficit.

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

The combined financial statements of the Group have been prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The audited financial statements used to prepare the financial statements are not subject to any audit qualifications, modifications or disclaimers.

The Group has not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective for the financial year ended 31 December 2022:-

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the combined financial statements.

**2.1 Statement of Compliance**

The financial statements have been prepared in accordance with MFRS and IFRS.

**2.2 Functional and Presentation Currency**

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. Basis of preparation (cont'd)****2.3 Basis of Measurement**

The financial statements have been prepared on the basis stated in the notes described below using the audited financial statements under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies.

**3. Significant accounting policies****3.1 Business combinations**

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. If the assets acquired are not a business, the transaction or other event is accounted for as an asset acquisition.

**Acquisition method**

Business combinations are accounted for using the acquisition method, except for those involving entities under common control. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 3.5. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.1 Business combinations (cont'd)****Merger method**

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the value of shares acquired and any difference arising from the cancellation is taken to equity.

**3.2 Basis of consolidation**

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

**3.3 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 3.5.

Capital work-in-progress is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2% - 2.5%
Cold room	10%
Furniture, fittings and equipment	10% - 30%
Motor vehicles	10%
Plant and machinery	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.4 Leases**

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

**Lessor accounting**

When the Group acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group have not entered into any finance lease.

**Initial recognition and measurement**

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

**Subsequent measurement**

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 3.5.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.5 Impairment of non-financial assets**

At the end of each reporting period, the Group assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

**3.6 Inventories**

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

**3.7 Contract assets and contract liabilities**

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 3.8. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

**3.8 Financial assets**

Financial assets of the Group consist of receivables and cash and cash equivalents.

**Initial recognition and measurement**

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 3.12). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

**Subsequent measurement**

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.8 Financial assets (cont'd)****Subsequent measurement (cont'd)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

**Impairment**

At each reporting date, the Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

**Derecognition**

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

**Fair value measurement**

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are reasonable approximations of fair values.

**3.9 Financial liabilities**

Financial liabilities of the Group consist of payables, loans and borrowings.

**Initial recognition and measurement**

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.9 Financial liabilities (cont'd)****Subsequent measurement**

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

**Derecognition**

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

**Fair value measurement**

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities.

**3.10 Foreign currency transactions and translation**

The consolidated financial statements of the Group are presented in Ringgit Malaysia, which is also the Group's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

**3.11 Share capital**

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the interim financial statements.



**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.12 Revenue from contracts with customers**

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

**3.13 Other income**

Interest income is recognised in profit or loss using the effective interest method.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

**3.14 Government grants**

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are presented under "other income" in the statement of comprehensive income.

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

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**AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. Significant accounting policies (cont'd)****3.15 Employee benefits****Short-term employee benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

**Defined contribution plans**

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

**3.16 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**3.17 Income taxes**

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**3.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

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

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**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**4. Judgements and estimation uncertainty**

**Judgements made in applying accounting policies**

In the process of applying the accounting policies of the Group, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the interim financial statements.

**Sources of estimation uncertainty**

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 7).

Impairment of receivables

The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 8).

**13. ACCOUNTANTS' REPORT (Cont'd)**
**AGRICORE CS HOLDINGS BERHAD**
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**
**5. Property, plant and equipment**

	Buildings RM'000	Cold room RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>							
Balance at 1 January 2020	6,642	745	918	1,026	1,764	20	11,115
Additions	-	-	43	155	522	51	771
Balance at 31 December 2020	6,642	745	961	1,181	2,286	71	11,886
Additions	-	-	61	97	71	1,435	1,664
Disposals/Write-offs	-	-	-	(273)	-	-	(273)
Transfer from right-of-use assets	-	-	-	101	-	-	101
Balance at 31 December 2021	6,642	745	1,022	1,106	2,357	1,506	13,378
Additions	-	-	295	279	790	1,307	2,671
Disposals/Write-offs	-	-	-	(570)	(5)	-	(575)
Reclassifications	2,121	-	5	-	664	(2,790)	-
Transfer from right-of-use assets	-	-	-	240	188	-	428
Balance at 31 December 2022	8,763	745	1,322	1,055	3,994	23	15,902
<b>Accumulated depreciation</b>							
Balance at 1 January 2020	458	149	391	604	565	-	2,167
Depreciation	118	75	133	102	191	-	619
Balance at 31 December 2020	576	224	524	706	756	-	2,786
Depreciation	118	75	118	88	277	-	676
Disposals/Write-offs	-	-	-	(273)	-	-	(273)
Transfer from right-of-use assets	-	-	-	61	-	-	61
Balance at 31 December 2021	694	299	642	582	1,033	-	3,250
Depreciation	145	74	132	110	396	-	857
Disposals/Write-offs	-	-	-	(222)	(5)	-	(227)
Transfer from right-of-use assets	-	-	-	29	94	-	123
Balance at 31 December 2022	839	373	774	499	1,518	-	4,003

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

**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**5. Property, plant and equipment (cont'd)**

	Buildings RM'000	Cold room RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Carrying amount</b>							
Balance at 1 January 2020	6,184	596	527	422	1,199	20	8,948
Balance at 31 December 2020	6,066	521	437	475	1,530	71	9,100
Balance at 31 December 2021	5,948	446	380	524	1,324	1,506	10,128
Balance at 31 December 2022	7,924	372	548	556	2,476	23	11,899

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	2020 RM'000	2021 RM'000	2022 RM'000
Buildings	6,066	5,948	7,924
Cold room	521	446	372
Plant and machinery	690	994	458
	<u>7,277</u>	<u>7,388</u>	<u>8,754</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. Right-of-use assets**

	Leasehold land RM'000	Building RM'000	Motor vehicles RM'000	Plant and Machinery RM'000	Total RM'000
Balance at 1 January 2020	1,855	39	426	141	2,461
Additions	-	-	-	242	242
Depreciation	(36)	(29)	(63)	(21)	(149)
Balance at 31 December 2020	1,819	10	363	362	2,554
Additions	-	-	192	27	219
Remeasurement of lease liabilities	-	96	-	-	96
Depreciation	(37)	(29)	(73)	(44)	(183)
Transfer to property, plant and equipment	-	-	(40)	-	(40)
Balance at 31 December 2021	1,782	77	442	345	2,646
Additions	-	443	733	-	1,176
Depreciation	(36)	(50)	(103)	(36)	(225)
Transfer to property, plant and equipment equipment	-	-	(211)	(94)	(305)
Balance at 31 December 2022	1,746	470	861	215	3,292

The Group acquired the right to use the leasehold land as their principal place of business for 60 years. The Group also leases the buildings from third parties as food processing plant for 3 years. The rights to use the motor vehicles and plant and machinery were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease term of 5 years.

The leasehold land has been pledged as security for credit facilities granted to the Group.

**7. Inventories**

	2020 RM'000	2021 RM'000	2022 RM'000
Raw materials	23	188	929
Work-in-progress	38	3	23
Finished goods	13	69	213
Trading goods	7,894	7,002	11,425
Goods-in-transit	6,988	8,118	13,457
	<u>14,956</u>	<u>15,380</u>	<u>26,047</u>

**8. Receivables**

	2020 RM'000	2021 RM'000	2022 RM'000
Trade receivables	9,809	13,824	15,133
- Loss allowance	-	(67)	(12)
	<u>9,809</u>	<u>13,757</u>	<u>15,121</u>
Other receivables:-			
- Related party*	7	7	-
- Unrelated parties	92	142	124
	<u>99</u>	<u>149</u>	<u>124</u>
	<u>9,908</u>	<u>13,906</u>	<u>15,245</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****8. Receivables (cont'd)**

\* Being a company in which a director's close family members have substantial financial interests

**Trade Receivables**

The Group and the Company determine credit risk concentration in terms of counterparties. As at 31 December 2020, 31 December 2021 and 31 December 2022, the Group did not have any major credit risk concentration relating to any individual customer or counterparty.

The credit terms of trade receivables range from 7 to 120 days. The Group use past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Not past due	6,469	9,959	10,377
1 to 30 days past due	2,103	2,977	3,533
31 to 60 days past due	755	555	797
61 to 90 days past due	208	23	315
More than 90 days past due	274	310	111
	<u>9,809</u>	<u>13,824</u>	<u>15,133</u>

The Group determine that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally consider a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. The changes in the loss allowance are as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Balance at 1 January	-	-	67
Impairment losses	-	67	10
Write-offs	-	-	(65)
Balance at 31 December	<u>-</u>	<u>67</u>	<u>12</u>

The above loss allowance is in respect of individually assessed credit-impaired trade receivables. Based on the low historical observed default rates (adjusted for forward-looking estimates), the expected credit losses on trade receivables that are not credit-impaired are not considered to be material and hence, have not been recognised.

**9. Cash and cash equivalents**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Term deposits	3,656	3,838	3,960
Cash and bank balances	859	5,636	8,108
	<u>4,515</u>	<u>9,474</u>	<u>12,068</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****9. Cash and cash equivalents (cont'd)**

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits have been pledged as security for credit facilities granted to the Group and not freely available for use are as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Term deposits	<u>3,656</u>	<u>3,838</u>	<u>3,959</u>

The effective interest rates of term deposits as at the end of the reporting period are as follows:-

	<b>2020</b> <b>%</b>	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>
Effective interest rates (per annum)	<u>1.50 – 1.85</u>	<u>1.50 – 1.85</u>	<u>1.85 – 2.85</u>

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Cash and cash equivalents	4,515	9,474	12,068
Bank overdrafts	(1,405)	(21)	-
Term deposits pledged as security	<u>(3,656)</u>	<u>(3,838)</u>	<u>(3,959)</u>
	<u>(546)</u>	<u>5,615</u>	<u>8,109</u>

**10. Payables**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Trade payables	11,362	8,385	15,435
Other payables:-			
- Related parties*	<u>51</u>	<u>86</u>	<u>63</u>
- Unrelated parties	<u>1,399</u>	<u>3,523</u>	<u>2,049</u>
	1,450	3,609	2,112
Dividend payable	<u>735</u>	<u>513</u>	<u>-</u>
	<u>13,547</u>	<u>12,507</u>	<u>17,547</u>

\* *Being companies in which a director's close family members have substantial financial interests*

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of trade and other payables range from 30 to 180 days.



**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****11. Loans and borrowings**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
<b>Secured</b>			
Banker acceptances	12,445	18,712	17,152
Bank overdrafts	1,405	21	-
Term loans	5,340	5,235	6,689
Trust receipts	776	-	-
<b>Unsecured</b>			
Banker acceptances	-	-	193
Term loans	199	900	134
	<u>20,165</u>	<u>24,868</u>	<u>24,168</u>
Disclosed as:-			
- Current liabilities	15,221	20,129	18,076
- Non-current liabilities	4,944	4,739	6,092
	<u>20,165</u>	<u>24,868</u>	<u>24,168</u>

Secured loans and borrowings are secured against certain property, plant and equipment (Note 5), right-of-use assets (Note 6) and term deposits (Note 9).

The effective interest rate of the term loans at the end of the reporting period is as follows:

	<b>2020</b> <b>%</b>	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>
Effective interest rates (per annum)	<u>2.95 – 6.70</u>	<u>2.95 – 7.00</u>	<u>3.50 – 7.00</u>

Except for term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Term loans are repayable over 1 to 15 years. The repayment analysis is as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Gross loan instalments:-			
- Within 1 year	799	1,622	1,027
- 1 to 5 years	2,966	3,054	3,401
- After 5 years	3,057	2,629	4,019
Total contractual undiscounted cash flows	6,822	7,305	8,447
Future finance charges	(1,283)	(1,170)	(1,624)
Present value of term loans	<u>5,539</u>	<u>6,135</u>	<u>6,823</u>

The fair values of term loans were measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities. The fair values measured were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****12. Lease liabilities**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Gross lease liabilities:-			
- Within 1 year	164	245	387
- 1 to 5 years	147	351	822
Total contractual undiscounted cash flows	311	596	1,209
Future finance charges	(18)	(49)	(101)
Present value of lease liabilities	<u>293</u>	<u>547</u>	<u>1,108</u>
Disclosed as:-			
- Current liabilities	152	220	338
- Non-current liabilities	141	327	770
	<u>293</u>	<u>547</u>	<u>1,108</u>

The incremental borrowing rates applied to lease liabilities as at the end of the reporting period is as follows:

	<b>2020</b> <b>%</b>	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>
Effective interest rates (per annum)	<u>4.00 – 6.72</u>	<u>4.00 – 8.41</u>	<u>4.00 – 8.50</u>

**13. Contract liabilities**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Balance at 1 January	-	-	-
Excess of consideration over revenue recognised	-	-	28
Balance at 31 December	<u>-</u>	<u>-</u>	<u>28</u>

As disclosed in Note 3.12, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

**14. Deferred tax liabilities**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Balance at 1 January	100	220	269
Deferred tax expense relating to origination and reversal of temporary differences	87	43	155
Deferred tax liabilities underprovided in prior year	33	6	14
Balance at 31 December	<u>220</u>	<u>269</u>	<u>438</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****14. Deferred tax liabilities (cont'd)**

	2020 RM'000	2021 RM'000	2022 RM'000
In respect of:-			
- Taxable/(Deductible) temporary differences of:-			
- Property, plant and equipment	326	257	379
- Right-of-use assets	72	106	289
- Financial instruments	-	(16)	(98)
- Lease liabilities	(150)	(77)	(132)
- Unused tax losses	(28)	(1)	-
	220	269	438

**15. Invested capital**

	No. of ordinary shares with no par value '000	RM'000
<b>Issued and fully paid</b>		
Balance at 1 January 2020 - Ordinary shares	2,400	2,400
Issue of ordinary shares Class A	30	30
Issue of ordinary shares Class B	20	20
Balance at 31 December 2020		
- Ordinary shares	2,400	2,400
- Ordinary shares Class A	30	30
- Ordinary shares Class B	20	20
	2,450	2,450
Issue of ordinary shares*	3,250	3,250
Balance at 31 December 2021		
- Ordinary shares	5,650	5,650
- Ordinary shares Class A	30	30
- Ordinary shares Class B	20	20
	5,700	5,700
Issue of ordinary shares	4,300	4,300
Balance at 31 December 2022 - Ordinary shares	10,000	10,000

Ordinary shares and ordinary shares Class A have 1 vote per share, whereas ordinary shares Class B have 58 votes per share. Pursuant to a special resolution of the members during the financial year 2022, ordinary shares Class A and ordinary shares Class B have been altered to ordinary shares and varied to 1 vote per share.

\* The shares were issued through conversion of amount owing to the shareholders of ACS

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****16. Revenue**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Revenue from sale of goods	88,995	100,832	122,685
Disaggregated by geographical areas:-			
- Malaysia	86,688	99,367	120,838
- Overseas	2,307	1,465	1,847
	<u>88,995</u>	<u>100,832</u>	<u>122,685</u>

Information about other disaggregation of revenue has not been disclosed as the Group generate revenue principally from sourcing, distribution and production of food ingredients.

**17. Impairment losses on financial assets**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Trade receivables from contracts with customers	-	67	10

**18. Profit before tax**

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Profit before tax is arrived at after charging:-			
Auditors' remuneration:-			
- Statutory	18	37	32
- Non-statutory	-	-	25
Depreciation of property, plant and equipment	619	676	857
Depreciation of right-of-use assets	149	183	225
Employee benefits expense (Note 19)	3,285	4,736	5,415
Fee expense for financial instruments not measured at fair value through profit or loss	58	71	83
Interest expense for financial liabilities not measured at fair value through profit or loss	821	891	1,140
Interest expense for lease liabilities	20	32	39
Lease expense relating to:-			
- Short-term leases	71	89	191
- Leases of low-value assets (other than short-term leases)	2	2	3
Realised loss on foreign exchange	-	1	-

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****18. Profit before tax (cont'd)**

	2020 RM'000	2021 RM'000	2022 RM'000
and crediting:-			
Gain on disposal of property, plant and equipment	-	29	81
Government grants under Wage Subsidy Programme	235	11	-
Interest income for financial assets measured at amortised cost	85	35	76
Operating lease income	10	8	5
Realised gain on foreign exchange	7	-	25

**19. Employee benefits expense (including directors' remuneration)**

	2020 RM'000	2021 RM'000	2022 RM'000
Directors of the Company:-			
- Short-term employee benefits	224	389	410
- Defined contribution plans	27	46	49
	251	435	459
Director of subsidiary:-			
- Short-term employee benefits	68	157	143
- Defined contribution plans	8	19	13
	76	176	156
Other employees:-			
- Short-term employee benefits	2,731	3,758	4,394
- Defined contribution plans	227	367	406
	2,958	4,125	4,800
	3,285	4,736	5,415

**20. Tax expense**

	2020 RM'000	2021 RM'000	2022 RM'000
Tax based on results for the year:-			
- Current tax	1,082	1,479	2,395
- Deferred tax	87	43	155
	1,169	1,522	2,550
Tax (over)/ under provided in prior year:-			
- Current tax	(2)	(3)	54
- Deferred tax	33	6	14
	1,200	1,525	2,618

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****20. Tax expense (cont'd)**

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	<b>2020</b> %	<b>2021</b> %	<b>2022</b> %
Applicable tax rate	24.00	24.00	24.00
Non-deductible expenses	4.03	2.57	2.31
Non-taxable income	-	(0.36)	(0.12)
Effect of differential tax rates	(0.14)	-	-
Average effective tax rate	<u>27.89</u>	<u>26.21</u>	<u>26.19</u>

**21. Earnings per share****Basic**

Basic earnings per share is calculated by dividing the Group's profit for the financial years by the weighted average number of ordinary shares in issue during the financial years as follows:-

	<b>2020</b>	<b>2021</b>	<b>2022</b>
Profit attributable to owner (RM'000)	<u>2,980</u>	<u>4,282</u>	<u>7,117</u>
Weighted average number of share in issue ('000)	<u>2,425</u>	<u>2,993</u>	<u>6,065</u>
Basic earnings per share (sen)	<u>123</u>	<u>143</u>	<u>117</u>

The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the financial years.

**22. Dividends**

	<b>2020</b> RM'000	<b>2021</b> RM'000	<b>2022</b> RM'000
Based on 2,400,000 shares of ACS :-			
- First interim single tier dividend of RM0.11 per share in respect of the financial year ended 31 December 2020	264	-	-
Based on 2,450,000 shares in ACS :-			
- Second interim single tier dividend of RM0.30 per share in respect of the financial year ended 31 December 2020	735	-	-
- First interim single tier dividend of RM0.15 per share in respect of the financial year ended 31 December 2021	-	367	-
Based on 5,700,000 shares of ACS :-			
- Second interim single tier dividend of RM0.09 per share in respect of the financial year ended 31 December 2021	-	513	-
	<u>999</u>	<u>880</u>	<u>-</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****22. Dividends (cont'd)**

On 30 June 2023, ACS declared a dividend of RM1,423,000 in respect of financial year ended 31 December 2022.

The combined financial statements do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

**23. Notes to cash flows****Acquisition of right-of-use assets**

	2020 RM'000	2021 RM'000	2022 RM'000
Cost of right-of-use assets acquired	242	219	1,176
Acquisition by means of leases	(242)	(158)	(980)
Net cash disbursed	<u>-</u>	<u>61</u>	<u>196</u>

**Term loans**

	2020 RM'000	2021 RM'000	2022 RM'000
Balance at 1 January	4,644	5,539	6,135
Drawdowns	1,000	1,000	2,271
Repayments	(105)	(404)	(1,583)
Balance at 31 December (Note 11)	<u>5,539</u>	<u>6,135</u>	<u>6,823</u>

**Short-term loans and borrowings**

	2020 RM'000	2021 RM'000	2022 RM'000
Balance at 1 January	13,593	13,221	18,712
Net cash flow changes	(372)	5,491	(1,367)
Balance at 31 December	<u>13,221</u>	<u>18,712</u>	<u>17,345</u>

**Lease liabilities**

	2020 RM'000	2021 RM'000	2022 RM'000
Balance at 1 January	450	293	547
Acquisition of right-of-use assets	-	400	980
Remeasurement from reassessment	-	96	-
Payments	(157)	(242)	(419)
Balance at 31 December (Note 12)	<u>293</u>	<u>547</u>	<u>1,108</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****23. Notes to cash flows (cont'd)****Lease liabilities (cont'd)**

	2020 RM'000	2021 RM'000	2022 RM'000
<b>Operating activities</b>			
Lease expense recognised in profit or loss (Note 18)	73	91	194
<b>Investing activities</b>			
Acquisition of right-of-use assets	-	61	196
<b>Financing activities</b>			
Interest portion of lease liabilities (Note 18)	20	32	39
Principal portion of lease liabilities	157	242	419
	<u>250</u>	<u>426</u>	<u>848</u>

**24. Related party disclosures**

Transactions with related parties during the relevant period are as follows:-

	2020 RM'000	2021 RM'000	2022 RM'000
Key management personnel compensation:-			
- Short-term employee benefits	438	964	1,015
- Defined contribution plans	74	115	118
	512	1,079	1,133
Acquisition of property, plant and equipment from other related party*	-	-	49
Interest charged by director	-	11	-
Interest charged by subsidiary of shareholder	23	28	19
Receiving of services from other related parties*	902	1,013	1,146
Receiving of services from shareholder	184	-	-
Rental charged by other related party**	9	28	28
Rental charged to other related party*	7	6	3

\* Being companies in which a director's close family members have substantial financial interests

\*\* Being a director's close family member

**25. Contractual commitments**

	2020 RM'000	2021 RM'000	2022 RM'000
Acquisition of property, plant and equipment	<u>2,238</u>	<u>1,955</u>	<u>460</u>



**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****26. Segment reporting****Operating Segment**

Information about operating segment has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the sourcing, distribution and production of food ingredient.

**Geographical Information**

The Group operates principally in Malaysia throughout the financial years and generates revenue from the following geographical locations of customers:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Malaysia	86,688	99,367	120,838
Overseas	2,307	1,465	1,847
	<u>88,995</u>	<u>100,832</u>	<u>122,685</u>

**Major customers**

There was 1 major customer that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer is as follows:-

	<b>2020</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>	<b>2022</b> <b>RM'000</b>
Customer A	<u>12,880</u>	<u>10,950</u>	<u>5,868</u>

**27. Financial risk management**

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

**Credit risk**

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 9. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. Financial risk management (cont'd)****Liquidity risk**

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

**Currency risk**

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD") and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	<b>Denominated in USD</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents	67	61	447
Payables	<u>(1,449)</u>	<u>(2,417)</u>	<u>(13,899)</u>
	<u>(1,382)</u>	<u>(2,356)</u>	<u>(13,452)</u>

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. The Group also maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Increase/(Decrease) in profit</b>			
Appreciation of USD against RM by (%) (2020 : 3 ; 2021 : 1 ; 2022: 4 )	(32)	(18)	(409)
Depreciation of USD against RM by (%) (2020 : 3 ; 2021 : 1 ; 2022: 4 )	<u>32</u>	<u>18</u>	<u>409</u>

**Interest rate risk**

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

**13. ACCOUNTANTS' REPORT (Cont'd)****AGRICORE CS HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. Financial risk management (cont'd)****Interest rate risk (cont'd)**

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	2020 RM'000	2021 RM'000	2022 RM'000
<b>Fixed rate instruments</b>			
Financial assets	3,656	3,838	3,960
Financial liabilities	15,070	21,663	19,549
<b>Floating rate instruments</b>			
Financial liabilities	<u>5,388</u>	<u>3,752</u>	<u>5,727</u>

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any change in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	2020 RM'000	2021 RM'000	2022 RM'000
<b>Increase/(Decrease) in profit</b>			
Increase in interest rates by (basis points) (2020 : 40 ; 2021 ; 0 ; 2022 : 40)	(16)	-	(17)
Decrease in interest rates by (basis points) (2020 : 40 ; 2021 ; 0 ; 2022 : 40)	<u>16</u>	<u>-</u>	<u>17</u>

**28. Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

	2020 RM'000	2021 RM'000	2022 RM'000
Loans and borrowings	20,165	24,868	24,168
Lease liabilities	<u>293</u>	<u>547</u>	<u>1,108</u>
Total interest-bearing debts	20,458	25,415	25,276
Total equity	<u>6,707</u>	<u>13,359</u>	<u>24,776</u>
Total capital	<u>27,165</u>	<u>38,774</u>	<u>50,052</u>
Debt-to-equity ratio	<u>3.05</u>	<u>1.90</u>	<u>1.02</u>

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

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**AGRICORE CS HOLDINGS BERHAD**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**28. Capital management (cont'd)**

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

**29. Significant Event After The Reporting Period**

- (a) Prior to the listing, the Directors of ACS declared a single tier dividend of RM1,423,000 for the financial year ended 31 December 2022. The dividend was subsequently paid on 31 July 2023.
- (b) On 8 August 2023, Agricore CS Holdings entered into a conditional share sale agreement to acquire the entire issued share capital of ACS comprising 10,000,000 ordinary shares for a purchase consideration of RM23,357,895 via the issuance of 151,085,998 Agricore CS Holdings Shares.
- (c) The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA position of ACS as at 31 December 2022 and the declaration of a single tier interim dividend of RM1,423,000 in respect of financial year ended 31 December 2022. The Acquisition of ACS was completed on [•] and ACS became a wholly-owned subsidiary of the Company.

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

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**AGRICORE CS HOLDINGS BERHAD**

**STATEMENT BY DIRECTORS**

In the opinion of the directors, the combined financial statements set out on pages 4 to 36 give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and of their financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines issued by the Securities Commission Malaysia.



Datuk Keh Chuan Seng



Oon Boon Khong

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION**



**Crowe Malaysia PLT**  
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20 SEP 2023

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

Dear Sirs,

**AGRICORE CS HOLDINGS BERHAD (“AGRICORE CS HOLDINGS” or the “COMPANY”)  
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL  
POSITION AT 31 DECEMBER 2022**

We have completed our assurance engagement to report on the compilation of pro forma financial position of Agricore CS Holdings and its subsidiaries (collectively known as the “Group”) as at 31 December 2022 (“Pro Forma Combined Statements of Financial Position”) and the related notes (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position and related notes have been compiled by the Board of Directors of the Company for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”).

The Pro Forma Combined Statement of Financial Position have been prepared by the Board of Directors to illustrate the impact of the events or transactions as set out in the notes thereto the Pro Forma Combined Statements of Financial Position as at 31 December 2022. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors of the Company from the Group’s audited Statements of Financial Position as at 31 December 2022.

**THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling Pro Forma Combined Statements of Financial Position on the basis of the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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



### REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

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

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

### REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling Pro Forma Combined Statements of Financial Position.

The purpose of Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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



**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of Pro Forma Combined Statements of Financial Position.

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

**OPINION**

In our opinion, the Pro Forma Combined Statements of Financial Position of the Group has been compiled, in all material respects, on the basis as described in notes thereon of the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**OTHER MATTER**

Our report on the Pro Forma Combined Statements of Financial Position have been prepared for inclusion in the Prospectus. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully

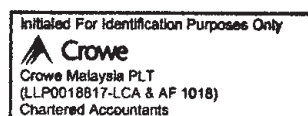
A stylized signature in black ink that reads "Crowe".

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

A handwritten signature in black ink that reads "Eddy Chan Wai Hun".

**Eddy Chan Wai Hun**  
02182/10/2023 J  
Chartered Accountant



**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)****AGRICORE CS HOLDINGS BERHAD****APPENDIX A****1. Abbreviation**

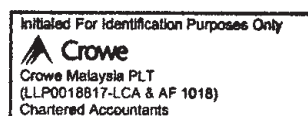
Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

Acquisition of ACS	: Acquisition by Agricore CS Holdings of the entire issued share capital of ACS comprising 10,000,000 ACS Shares from the Vendors for a total consideration of RM23,357,895 which was fully satisfied by the issuance of 151,085,998 new Agricore CS Holdings Shares at an issue price of RM0.1546 per share
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Agricore CS Holdings or Company	: Agricore CS Holdings Berhad (202301018008 (1511930-P))
ACS	: Agricore CS Sdn Bhd (200901002764 (845691-H))
Bapas	: Bapas Food Products Sdn Bhd (201401048709 (1124898-K))
Agricore CS Group or Group	: Collectively, Agricore CS Holdings and its subsidiaries
Agricore CS Share(s)	: Ordinary share(s) in Agricore CS Holdings
ACS Share(s)	: Ordinary share(s) in ACS
IPO	: Initial public offering comprising the Public Issue
IPO Price	: The issue price of RM[•] per share pursuant to the IPO
Issue Shares	: 51,714,000 new Agricore CS Holdings Shares to be issued at the IPO price pursuant to the Public Issue
Listing	: Admission to the Official List of Bursa Securities and the listing of and quotation for the entire enlarged issued share capital of 202,800,000 Agricore CS Holdings Shares on the ACE Market of Bursa Securities
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities, as amended or expanded from time to time
Listing Scheme	: Comprising the Acquisition of ACS, IPO and Listing, collectively
NA	: Net assets

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

APPENDIX A

**AGRICORE CS HOLDINGS BERHAD**



**1. Abbreviation (cont'd)**

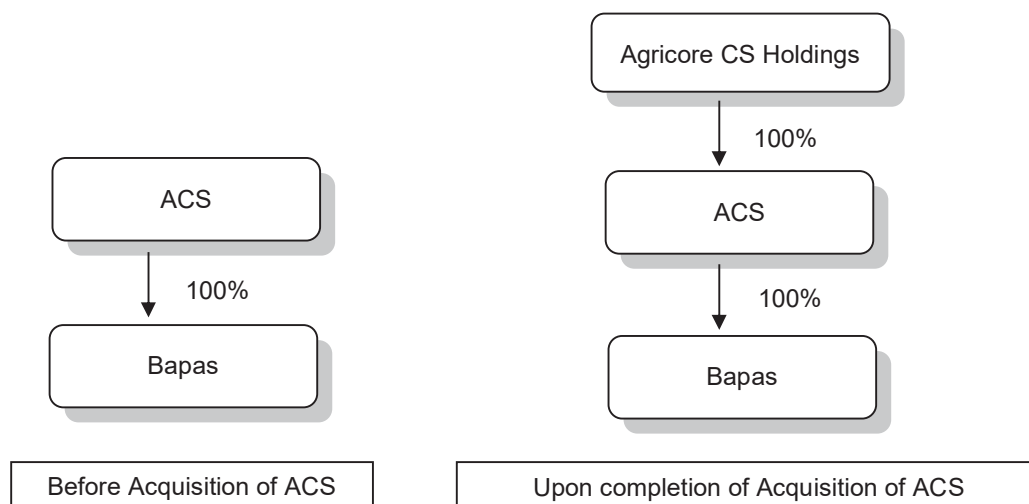
Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (cont'd):-

- Prospectus : This Prospectus in relation to the IPO
- Public Issue : Public issue of 51,714,000 Agricore CS Holdings Shares, representing 25.50% of the Company's enlarged share capital, at the IPO Price
- Purchase Consideration : Purchase consideration of RM23,357,895 for the Acquisition of ACS
- SSA : Conditional share sale agreement dated 8 August 2023 entered into between Agricore CS Holdings and the Vendors for the Acquisition of ACS
- Vendors : Collectively, Frazel Group Sdn Bhd, Datuk Keh Chuan Seng, Datin Cheong Kai Meng, Oon Boon Khong, Lim Swee Chuan and Aromi Sdn Bhd pursuant to the Acquisition of ACS
- RM and sen : Ringgit Malaysia and sen, respectively

**2. Group structure and basis of preparation**

**2.1 Group structure**

The group structure of Agricore CS Holdings is as follows:-

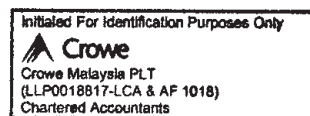


**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

**APPENDIX A**

**AGRICORE CS HOLDINGS BERHAD**

**2. Group structure and basis of preparation (cont'd)**



**2.1 Group structure (cont'd)**

The financial positions of Agricore CS Holdings and its subsidiaries are combined using the merger method as the companies are under common control by same parties, both before and after the Acquisition of ACS, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by Agricore CS Holdings (i.e. the consideration for the Acquisition of ACS) and the share capital of ACS is accounted for as re-organisation reserve in the Pro Forma Combined Statements of Financial Position, as follow:-

	<b>RM'000</b>
New share issued by the Company as consideration for the Acquisition of ACS	23,358
Less: Reversal of issued share capital of ACS as at 31 December 2022	<u>(10,000)</u>
Re-organisation reserve	<u>13,358</u>

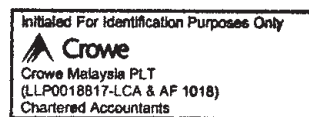
**2.2 Applicable Criteria**

- (a) The Pro Forma Consolidated Statements of Financial Position have been prepared solely to illustrate the effect in the financial positions of the Group as at 31 December 2022 had the transactions as set out in Note 3.1 herein been undertaken on 31 December 2022.
- (b) The audited combined statement of financial position used in compilation of Pro Forma Consolidated Statements of Financial Position of Agricore CS Holdings have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and are not subject to any qualification, modification or disclaimer opinion.
- (c) The Pro Forma Consolidated Statements of Financial Position of Agricore CS Holdings have been compiled in a manner consistent with both the format of the financial statements and accounting policies of the Group.
- (d) Material and appropriate adjustments have been made in the preparation of Pro Forma Consolidated Statements of Financial Position of Agricore CS Holdings.

**2.3 Distribution of Dividends**

Prior to the listing, the Directors of ACS declared a single tier dividend of RM1,423,000 for the financial year ended 31 December 2022. The dividend was subsequently paid on 31 July 2023.

The payment of interim dividend is illustrated in the Pro Forma Consolidated Statements of Financial Position to show the effect of such dividend payment had it occurred on 31 December 2022.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)****APPENDIX A****AGRICORE CS HOLDINGS BERHAD****2. Group structure and basis of preparation (cont'd)****2.4 Listing Scheme**

As part of the Listing, Agricore CS Holdings shall undertake the following:-

**(i) Acquisition of ACS**

On 8 August 2023, Agricore CS Holdings entered into a conditional share sale agreement to acquire the entire issued share capital of ACS comprising 10,000,000 ACS Shares from the Vendors for a purchase consideration of RM23,357,895 via the issuance of 151,085,998 Agricore CS Holdings Shares.

The purchase consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the audited NA position of ACS as at 31 December 2022 and the declaration of a single tier interim dividend of RM1,423,000 in respect of financial year ended 31 December 2022. The Acquisition of ACS was completed on [•] and Agricore CS Holdings became a wholly-owned subsidiary of the Company.

**(ii) IPO**

Public issue of 51,714,000 Issue Shares, representing 25.50% of the enlarged share capital of Agricore CS Holdings, at the IPO Price, to be allocated in the following manner:-

- (a) 10,140,000 Issue Shares, representing 5.00% of the enlarged share capital, are made available for application by the Malaysian Public;
- (b) 10,140,000 Issue Shares, representing 5.00% of the enlarged share capital, are made available for application by the eligible Directors, employees and persons who have contributed to the success of Agricore CS Holdings Group;
- (c) 25,350,000 Issue Shares, representing 12.50% of the enlarged share capital, are made available for application by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry; and
- (d) 6,084,000 Issue Shares, representing 3.00% of the enlarged share capital, are made available for application by way of private placement to selected investors.

Upon completion of the Public Issue, the share capital of Agricore CS Holdings shall increase from RM23,357,897 comprising 151,086,000 shares to approximately RM[•] comprising 202,800,000 shares in Agricore CS Holdings.

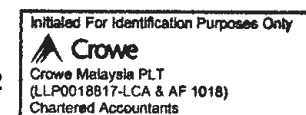
**(iii) Listing on Bursa Securities**

The admission of Agricore CS Holdings to the Official List of Bursa Securities, and the entire enlarged issued share capital of RM[•] comprising 202,800,000 Agricore CS Holdings Shares shall be listed on the ACE Market of Bursa Securities upon completion of the IPO.

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

APPENDIX A

**AGRICORE CS HOLDINGS BERHAD**



**3. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2022**

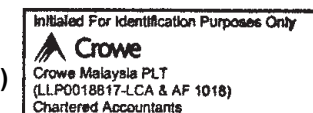
	Note	Date of incorporation RM'000	Acquisition of ACS RM'000	Significant Subsequent Transaction RM'000	Pro Forma I After Acquisition of ACS RM'000	Public Issue RM'000	Pro forma II After Pro Forma I and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>Non-current assets</b>									
Property, plant and equipment		-	11,899	-	11,899	-	11,899	-	11,899
Right-of-use assets		-	3,292	-	3,292	-	3,292	-	3,292
		-	15,191	-	15,191	-	15,191	-	15,191
<b>Current assets</b>									
Inventories		-	26,047	-	26,047	-	26,047	-	26,047
Receivables		-	15,245	-	15,245	-	15,245	-	15,245
Prepayments		-	312	-	312	-	312	-	312
Cash and cash equivalents	3.2	^	12,068	(1,423)	10,645	[•]	[•]	[•]	[•]
		^	53,672	(1,423)	52,249	[•]	[•]	[•]	[•]
<b>Current liabilities</b>									
Payables		-	17,547	-	17,547	-	17,547	-	17,547
Loans and borrowings		-	18,076	-	18,076	-	18,076	-	18,076
Lease liabilities		-	338	-	338	-	338	-	338
Contract liabilities		-	28	-	28	-	28	-	28
Current tax liabilities		-	798	-	798	-	798	-	798
		-	36,787	-	36,787	-	36,787	-	36,787
<b>Net current assets</b>		^	16,885	(1,423)	15,462	[•]	[•]	[•]	[•]
<b>Non-current liabilities</b>									
Loans and borrowings		-	6,092	-	6,092	-	6,092	-	6,092
Lease liabilities		-	770	-	770	-	770	-	770
Deferred tax liabilities		-	438	-	438	-	438	-	438
		-	7,300	-	7,300	-	7,300	-	7,300
<b>Net assets</b>		^	24,776	(1,423)	23,353	[•]	[•]	[•]	[•]

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

**APPENDIX A**

**AGRICORE CS HOLDINGS BERHAD**

**3. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2022 (cont'd)**



	Note	Date of incorporation RM'000	Acquisition of ACS RM'000	Significant Subsequent Transaction RM'000	Pro Forma I After Acquisition of ACS RM'000	Public Issue RM'000	Pro forma II After Pro Forma I and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro forma III After Pro Forma II and Utilisation of Proceeds RM'000
<b>Equity</b>									
Share capital / Invested capital	3.3	^	23,358	-	23,358	[•]	[•]	[•]	[•]
Reorganisation reserve	3.4	-	(13,358)	-	(13,358)	-	(13,358)	-	(13,358)
Retained profits	3.5	-	14,776	(1,423)	13,353	-	13,353	[•]	[•]
<b>Total equity</b>		^	24,776	(1,423)	23,353	[•]	[•]	[•]	[•]
Number of ordinary shares ('000)		#	151,086		151,086		202,800		202,800
NA (RM'000)		^	24,776		23,353		[•]		[•]
NA (sen)		100	16		15		[•]		[•]
Gearing ratio (times)		-	1.0		1.1		[•]		[•]

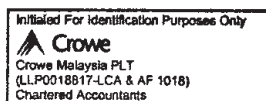
**Notes:**

\* There were no audited financial statements prepared for the year ended 31 December 2022 as ACH was only incorporated on 16 May 2023.

^ Represent RM2

# Represent 2 ordinary shares

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



APPENDIX A

**AGRICORE CS HOLDINGS BERHAD**

**3. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2022 (cont'd)**

**3.1 Notes to Pro Forma Combined Statements of Financial Position**

The Pro Forma Combined Statements of Financial Position as at 31 December 2022 have been prepared solely for illustration purposes only to show the effects of the following transactions based on the assumptions that they had been undertaken on 31 December 2022:-

**(a) Pro Forma I**

Pro Forma I incorporates the effects after the Acquisition of ACS as set out in Section 2.4(i) and after taking into account the significant subsequent transactions as set out in Section 2.3.

**(b) Pro Forma II**

Pro Forma II incorporates the effects of Pro Forma I and effect of the Public Issue as set out in Section 2.4 (ii) above.

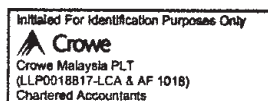
**(c) Pro Forma III**

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and effect of the utilisation of the proceeds from the Public Issue. The proceeds from Public Issue are intended to be used as follows:-

	RM'000
Setup of regional storage facility <sup>(1)</sup>	[•]
Purchase of inventories <sup>(1)</sup>	[•]
Recruitment of staff <sup>(1)</sup>	[•]
Estimated listing expenses <sup>(2)</sup>	[•]
	[•]

**Notes:**

- (1) These utilisation of proceeds are not adjusted in the Proforma III as they are not supported by any purchase order, sale and purchase agreement or any other contractual binding agreement, and hence, they remained in the cash and bank balances.
- (2) The estimated listing expenses to be borne by the Company is estimated to be RM[•] million comprising professional advisory fees, underwriting commission, brokerage fees and placement fees and miscellaneous expenses. A total of RM[•] million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against share capital. The remaining expenses of RM[•] million are assumed to be attributable to the listing and therefore charged to the statements of profit or loss and other comprehensive income.

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

APPENDIX A

**AGRICORE CS HOLDINGS BERHAD****3. Pro Forma Combined Statements of Financial Position of Agricore CS Holdings as at 31 December 2022 (cont'd)****3.2 Cash and bank balances**

	RM'000
Date of Incorporation	^
Pursuant to Acquisition of ACS	12,068
Distribution of dividends (Note 2.3)	(1,423)
As per Pro Forma I	<u>10,645</u>
Pursuant to Public Issue	[•]
As per Pro Forma II	<u>[•]</u>
Pursuant to utilisation of proceeds from IPO:-	
- Share capital (Note 3.3)	[•]
- Retained profits (Note 3.5)	[•]
As per Pro Forma III	<u>[•]</u>

**3.3 Share capital / Invested capital**

	Number of Ordinary Shares ( '000)	Amount of share capital RM'000
Date of Incorporation	#	^
Pursuant to Acquisition of ACS	151,086	23,358
As per Pro Forma I	151,086	23,358
Pursuant to Public Issue	51,714	[•]
As per Pro Forma II	202,800	[•]
Estimated listing expenses (Note 3.2)	-	[•]
As per Pro Forma III	<u>202,800</u>	<u>[•]</u>

# Represent 2 ordinary shares

^ Represent RM2

**3.4 Re-organisation reserve**

	RM'000
Date of Incorporation	-
Pursuant to Acquisition of ACS	(13,358)
As per Pro Forma I to III	<u>(13,358)</u>

**3.5 Retained profits**

	RM'000
Date of Incorporation	-
Dividend payment	(1,423)
Pursuant to Acquisition of ACS	14,776
As per Pro Forma I to II	<u>13,353</u>
Estimated listing expenses (Note 3.2)	[•]
As per Pro Forma III	<u>[•]</u>



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

**AGRICORE CS HOLDINGS BERHAD**

**APPROVAL BY THE BOARD OF DIRECTORS**



**APPENDIX A**

Approved and adopted by the Board of Directors in accordance with a resolution dated **20 SEP 2023**

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to be "Datuk Keh Chuan Seng".

**Datuk Keh Chuan Seng**

A handwritten signature in black ink, appearing to be "Oon Boon Khong".

**Oon Boon Khong**