

11. FINANCIAL INFORMATION**11.1 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Financial Years/Period Under Review has been prepared in accordance with MFRS and without any audit clarification. Our historical financial information presented in this section should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 11.3 of this Prospectus and the Accountants' Report included in Section 12 of this Prospectus.

11.1.1 Combined Statements of Profit or Loss and Other Comprehensive Income

The summary of our combined statements of profit or loss and other comprehensive income for the Financial Years/Period Under Review is as follows:-

| | Audited | | | Unaudited | Audited |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2022 RM'000 | FPE 2023 RM'000 |
| Continuing Operations | | | | | |
| Revenue | 94,055 | 158,469 | 156,330 | 64,107 | 80,418 |
| Cost of sales | (84,838) | (142,124) | (138,057) | (56,329) | (70,325) |
| GP | 9,217 | 16,345 | 18,273 | 7,778 | 10,093 |
| Other income | 605 | 742 | 1,147 | 108 | 961 |
| | 9,822 | 17,087 | 19,420 | 7,886 | 11,054 |
| Administrative expenses | (1,854) | (2,088) | (2,140) | (912) | (1,893) |
| Selling and distribution expenses | (5,081) | (9,628) | (8,636) | (3,467) | (3,333) |
| Other expenses | (238) | (683) | (1,597) | (24) | (314) |
| Finance costs | (88) | (162) | (89) | (42) | (48) |
| Net (impairment loss) / reversal of impairment loss on financial asset | (122) | (164) | 8 | 182 | (2,421) |
| PBT from continuing operations | 2,439 | 4,362 | 6,966 | 3,623 | 3,045 |
| Income tax expense | (30) | (337) | (1,377) | 46 | 386 |
| PAT from continuing operations | 2,409 | 4,025 | 5,589 | 3,669 | 3,431 |
| Discontinued Operations | | | | | |
| Loss after taxation from discontinued operations ⁽¹⁾ | (6) | (5) | (8) | (5) | (7) |
| PAT | 2,403 | 4,020 | 5,581 | 3,664 | 3,424 |
| PAT attributable to:- | | | | | |
| <u>Owners of the Company</u> | | | | | |
| - continuing operations | 2,486 | 4,052 | 5,601 | 3,672 | 3,424 |
| - discontinued operations | (6) | (5) | (8) | (5) | (7) |
| <u>Non-controlling interest</u> | | | | | |
| - continuing operations | (77) | (27) | (12) | (3) | 7 |
| - discontinued operations | - | - | - | - | - |
| | 2,403 | 4,020 | 5,581 | 3,664 | 3,424 |
| EBITDA ⁽²⁾ | 2,978 | 5,041 | 7,681 | 3,964 | 3,438 |
| GP margin (%) ⁽³⁾ | 9.80 | 10.31 | 11.69 | 12.13 | 12.55 |
| PBT margin (%) ⁽⁴⁾ | 2.59 | 2.75 | 4.46 | 5.65 | 3.79 |
| PAT margin (%) ⁽⁵⁾ | 2.64 | 2.56 | 3.58 | 5.73 | 4.26 |
| Basic EPS (sen) ⁽⁶⁾ | 1.55 | 2.53 | 3.50 | 2.29 | 2.14 |
| Diluted EPS (sen) ⁽⁷⁾ | 1.18 | 1.93 | 2.67 | 1.75 | 1.63 |
| Effective tax rate (%) ⁽⁸⁾ | 1.23 | 7.73 | 19.77 | -1.27 | -12.68 |

11. FINANCIAL INFORMATION (CONT'D)**Notes:-**

- (1) The loss after taxation from discontinued operations recorded for the Financial Years/Under Review was primarily attributed to the administrative expenses incurred by OFS Processing (which was previously a wholly-owned subsidiary of OFS Products and had been disposed of by OFS Product to a non-related party on 16 October 2023), such as licence and permit fees, professional fees, tax-related costs and office expenses.
- (2) The table below sets forth a reconciliation of our PBT from continuing operations to EBITDA:-

| | Audited | | | Unaudited | Audited |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2022 RM'000 | FPE 2023 RM'000 |
| PBT from continuing operations | 2,439 | 4,362 | 6,966 | 3,623 | 3,045 |
| Adjusted for:- | | | | | |
| - Finance cost | 88 | 162 | 89 | 42 | 48 |
| - Depreciation and amortisation | 457 | 521 | 631 | 301 | 348 |
| - Interest income | (6) | (4) | (5) | (2) | (3) |
| EBITDA | 2,978 | 5,041 | 7,681 | 3,964 | 3,438 |
| | | | | | |

- (3) Computed based on GP from continuing operations of our Group divided by revenue from continuing operations of our Group.
- (4) Computed based on PBT from continuing operations divided by revenue from continuing operations of our Group.
- (5) Computed based on PAT attributable to the owners of the Company from continuing operations of our Group divided by revenue from continuing operations of our Group.
- (6) Computed based on PAT attributable to the owners of the Company from continuing operations of our Group divided by the issued share capital of 160,096,000 Shares after the Acquisitions but before our IPO.
- (7) Computed based on PAT attributable to the owners of the Company from continuing operations of our Group divided by the enlarged issued share capital of 210,146,000 Shares after our IPO.
- (8) Effective tax rate is calculated based on income tax expense divided by PBT from continuing operations of our Group.

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11. FINANCIAL INFORMATION (CONT'D)**11.1.2 Combined Statements of Financial Position**

Our combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 are as follows:-

| | Audited | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2023 RM'000 |
| ASSETS | | | | |
| Non-Current Assets | | | | |
| Property, plant and equipment | 7,163 | 8,930 | 9,683 | 9,826 |
| Right-of-use asset | - | 25 | 14 | 9 |
| Goodwill | - | - | 50 | 50 |
| | 7,163 | 8,955 | 9,747 | 9,885 |
| Current Assets | | | | |
| Inventories | 13,877 | 16,723 | 10,269 | 19,910 |
| Trade receivables | 17,475 | 17,342 | 18,431 | 11,383 |
| Other receivables, deposits and prepayments | 5,086 | 2,930 | 8,718 | 6,528 |
| Current tax assets | 24 | 16 | 18 | 406 |
| Fixed deposits with licensed bank | 280 | 284 | 288 | 292 |
| Cash and bank balances | 4,539 | 7,396 | 6,280 | 4,158 |
| | 41,281 | 44,691 | 44,004 | 42,677 |
| Assets of disposal group classified as held for sale | - | - | - | 15 |
| | 41,281 | 44,691 | 44,004 | 42,692 |
| TOTAL ASSETS | 48,444 | 53,646 | 53,751 | 52,577 |
| EQUITY AND LIABILITIES | | | | |
| Share capital | - | - | - | (1)- |
| Invested share capital | 4,534 | 5,784 | 8,137 | 8,137 |
| Reorganisation reserve | 3,816 | 3,816 | 3,816 | 3,816 |
| Retained profits | 17,057 | 20,877 | 26,470 | 29,886 |
| Net assets | 25,407 | 30,477 | 38,423 | 41,839 |
| Non-controlling interests | 56 | 29 | 18 | - |
| TOTAL EQUITY | 25,463 | 30,506 | 38,441 | 41,839 |
| LIABILITIES | | | | |
| Non-Current Liabilities | | | | |
| Hire purchase liabilities | 46 | 650 | 816 | 589 |
| Lease liabilities | - | 15 | 3 | - |
| Term loan | - | 411 | 302 | 236 |
| | 46 | 1,076 | 1,121 | 825 |
| Current Liabilities | | | | |
| Trade payables | 13,960 | 16,940 | 8,488 | 5,550 |
| Other payables and accruals | 4,724 | 1,355 | 4,193 | 3,653 |
| Amount owing to related companies | 578 | 394 | - | - |
| Amount owing to a related party | 32 | - | 6 | - |
| Amount owing to directors ⁽²⁾ | 40 | 76 | 84 | 12 |
| Hire purchase liabilities | 95 | 221 | 225 | 320 |
| Lease liabilities | - | 11 | 12 | 9 |
| Term loan | - | 106 | 109 | 121 |
| Bankers' acceptances | 3,506 | 2,930 | 507 | 236 |
| Current tax liabilities | - | 31 | 565 | - |
| | 22,935 | 22,064 | 14,189 | 9,901 |
| Liabilities of disposal group classified as held for sale | - | - | - | 12 |
| | 22,935 | 22,064 | 14,189 | 9,913 |
| TOTAL LIABILITIES | 22,981 | 23,140 | 15,310 | 10,738 |
| TOTAL EQUITY AND LIABILITIES | 48,444 | 53,646 | 53,751 | 52,577 |

Note:-

- (1) Negligible.
- (2) As at the LPD, the amount owing to directors have been fully settled.

11. FINANCIAL INFORMATION (CONT'D)
11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness as at 31 October 2023 after taking into consideration the effects of the Acquisitions, our IPO and utilisation of proceeds from our Public Issue:-

| | Unaudited as at 31 October 2023 RM'000 | (I) | (II) | (III) |
|---|--|-------------------------------------|---|--|
| | | After the Acquisitions RM'000 | After (I) and the Public Issue RM'000 | After (II) and utilisation of proceeds RM'000 |
| Indebtedness: | | | | |
| CURRENT | | | | |
| <i>Secured and guaranteed</i> | | | | |
| Borrowings:- | | | | |
| Hire purchase liabilities | 329 | 329 | 329 | 329 |
| Banker's acceptances | 3,418 | 3,418 | 3,418 | 3,418 |
| Bank overdraft | 445 | 445 | 445 | 445 |
| <i>Unsecured and unguaranteed</i> | | | | |
| Lease liabilities | 5 | 5 | 5 | 5 |
| | 4,197 | 4,197 | 4,197 | 4,197 |
| NON-CURRENT | | | | |
| <i>Secured and guaranteed</i> | | | | |
| Borrowings:- | | | | |
| Hire purchase liabilities | 476 | 476 | 476 | 476 |
| <i>Unsecured and unguaranteed</i> | | | | |
| Lease liabilities | - | - | - | - |
| | 476 | 476 | 476 | 476 |
| Total indebtedness | 4,673 | 4,673 | 4,673 | 4,673 |
| Capitalisation:- | | | | |
| Share capital | # | 38,423 | [•] | [•] |
| Invested share capital | 8,137 | - | - | - |
| Reorganisation reserves | 3,816 | (26,470) | (26,470) | (26,470) |
| Retained profits | 34,817 | 34,817 | 34,817 | [•] |
| Equity attributable to the owners of the Company | 46,770 | 46,770 | [•] | [•] |
| Total capitalisation and indebtedness | 51,443 | 51,443 | [•] | [•] |
| Gearing ratio (times) ⁽¹⁾ | 0.10 | 0.10 | [•] | [•] |

Note:-

(1) Computed based on total indebtedness over our equity attributable to the owners of the Company.

Negligible

11. FINANCIAL INFORMATION (CONT'D)**11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis on our Group's financial condition and results of operations for the Financial Years/Period Under Review should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report as set out in Section 12 of this Prospectus. There are no accounting policies which are peculiar to our Group because of the nature of the business or industry which we are involved in. Please refer to Note 3 of the Accountants' Report set out in Section 12 of this Prospectus for further details on the accounting policies of our Group.

The discussion and analysis contain data derived from our audited consolidated financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

11.3.1 Review of Our Operations

Our Group is principally involved in the processing and trading of frozen seafood products. In addition, we are also involved in the provision of frozen seafood processing services.

Please refer to Section 7 of this Prospectus for further information about our business activities and products.

11.3.1.1 Revenue

The revenue recognition for our business activities/services are as follows:-

(i) Processing and trading of frozen seafood products

Revenue from processing and trading of frozen seafood products is recognised when the goods have been delivered to the customer and upon its acceptance.

(ii) Provision of frozen seafood processing services

Revenue from provision of frozen seafood processing services is recognised at a point in time when the services have been rendered to the customers, which coincides with the delivery of the seafood processed to and acceptance by customers.

The revenue segmentation of our Group for the Financial Years/Period Under Review are set out below:-

(a) Revenue by business activities

| | Audited | | | | | | Unaudited | | Audited | |
|---|---------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Processing and trading of frozen seafood products | | | | | | | | | | |
| - Molluscs ⁽¹⁾ | 38,120 | 40.53 | 78,507 | 49.54 | 111,262 | 71.18 | 40,264 | 62.81 | 56,792 | 70.62 |
| - Fishes ⁽²⁾ | 49,162 | 52.27 | 72,505 | 45.75 | 32,317 | 20.67 | 16,733 | 26.10 | 12,992 | 16.16 |
| - Others ⁽³⁾ | 5,172 | 5.50 | 3,891 | 2.46 | 8,697 | 5.56 | 5,808 | 9.06 | 8,357 | 10.39 |
| | 92,454 | 98.30 | 154,903 | 97.75 | 152,276 | 97.41 | 62,805 | 97.97 | 78,141 | 97.17 |
| Provision of frozen seafood processing services | 1,601 | 1.70 | 3,566 | 2.25 | 4,054 | 2.59 | 1,302 | 2.03 | 2,277 | 2.83 |
| Total | 94,055 | 100.00 | 158,469 | 100.00 | 156,330 | 100.00 | 64,107 | 100.00 | 80,418 | 100.00 |

11. FINANCIAL INFORMATION (CONT'D)**Notes:-**

- (1) Mainly comprised cuttlefish, squid, octopus and ark shell meat.
- (2) Mainly comprised tuna, bonito, leatherjacket, mackerel, ribbonfish, pomfret and other types of fishes.
- (3) Mainly comprised sea cucumber, prawn and abalone.

Our revenue during the Financial Years/Period Under Review was mainly derived from the processing and trading of frozen seafood products segment, which accounted for more than 97.0% of our total revenue. Leveraging on our core business segment, we are able to generate additional revenue stream by providing frozen seafood processing services on an ad-hoc basis, from time to time upon the request of our customers.

(b) Revenue by geographical locations

| | Audited | | | | | | Unaudited | | Audited | |
|-----------------------|---------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Malaysia | 10,023 | 10.66 | 21,155 | 13.35 | 28,512 | 18.24 | 16,340 | 25.49 | 12,657 | 15.74 |
| Overseas | | | | | | | | | | |
| Turkey | 2,512 | 2.67 | 35,192 | 22.21 | 64,468 | 41.24 | 18,373 | 28.66 | 27,142 | 33.75 |
| China | 32,366 | 34.41 | 35,691 | 22.52 | 29,952 | 19.16 | 14,249 | 22.23 | 23,877 | 29.69 |
| Thailand | 27,310 | 29.04 | 50,439 | 31.83 | 12,134 | 7.76 | 5,901 | 9.20 | 2,932 | 3.65 |
| Vietnam | 5,546 | 5.90 | 2,018 | 1.27 | 5,378 | 3.44 | 754 | 1.18 | 6,544 | 8.14 |
| Japan | 5,150 | 5.48 | 4,915 | 3.10 | 5,566 | 3.56 | 3,206 | 5.00 | 2,313 | 2.88 |
| Others ⁽¹⁾ | 11,148 | 11.84 | 9,059 | 5.72 | 10,320 | 6.60 | 5,284 | 8.24 | 4,953 | 6.15 |
| | 84,032 | 89.34 | 137,314 | 86.65 | 127,818 | 81.76 | 47,767 | 74.51 | 67,761 | 84.26 |
| Total | 94,055 | 100.00 | 158,469 | 100.00 | 156,330 | 100.00 | 64,107 | 100.00 | 80,418 | 100.00 |

Note:-

- (1) Including Indonesia, Philippines, Singapore, Korea, Italy, Portugal, the US and Australia.

Commentaries:-Comparison between FYE 2020 and FYE 2021

Our revenue increased by 68.48% or RM64.41 million to RM158.47 million (FYE 2020: RM94.06 million), due mainly to the following:-

- (aa) higher export sales by 63.41% or RM53.28 million to RM137.31 million (FYE 2020: RM84.03 million), as a result of:-
 - higher export sales to Turkey by over 13 times or RM32.68 million to RM35.19 million (FYE 2020: RM2.51 million) due to higher demand for frozen molluscs from an existing major customer in Turkey coupled with orders secured from three (3) new customers in Turkey, one (1) of which had emerged as our major customer in FYE 2021;
 - higher export sales to Thailand by 84.69% or RM23.13 million to RM50.44 million (FYE 2020: RM27.31 million) due to the higher demand for frozen fishes from an existing major customer in Thailand; and

11. FINANCIAL INFORMATION (CONT'D)

- (bb) the local sales surged by 111.18% or RM11.14 million to RM21.16 million (FYE 2020: RM10.02 million) attributed to higher demand for frozen fishes and molluscs in the domestic market.

Comparison between FYE 2021 and FYE 2022

Our revenue decreased by 1.35% or RM2.14 million to RM156.33 million (FYE 2021: RM158.47 million), due mainly to the net effect of the following:-

- (aa) lower export sales by 6.91% or RM9.49 million to RM127.82 million (FYE 2021: RM137.31 million), where:-
- our export sales to Thailand had decreased by 75.95% or RM38.31 million to RM12.13 million (FYE 2021: RM50.44 million) as a result of lower supply of fresh fishes in the market and thus affecting our sales to the major customer in Thailand;

but had been partly supplemented by:-

- the higher export sales to Turkey by 83.21% or RM29.28 million to RM64.47 million (FYE 2021: RM35.19 million) mainly due to the higher orders placed by our two (2) major customers in Turkey as well as orders secured from four (4) new customers in Turkey; and
 - the higher export sales to Vietnam by 166.34% or RM3.36 million to RM5.38 million (FYE 2021: RM2.02 million). In light of the prolonged closure of the China's borders and increasingly stringent regulations on food imports due to the ongoing impact of COVID-19, our Group had been proactively seeking new market opportunities and secured four (4) new customers in Vietnam. Coupled with the above, the improvement of our export sales to Vietnam also driven by the higher orders placed by our existing customer in Vietnam.
- (bb) higher local sales by 34.74% or RM7.35 million to RM28.51 million (FYE 2021: RM21.16 million). The increase was particularly notable in the frozen fishes and molluscs. The lower supply of fresh wild-caught due to weather and seasonal factors contributed to the surge in local demand for frozen fishes. Our local sales also further strengthened by our consistent supply of high quality of frozen molluscs which has allowed us to establish a local customer base.

Comparison between FPE 2022 and FPE 2023

Our revenue increased by 25.44% or RM16.31 million to RM80.42 million (FPE 2022: RM64.11 million), due mainly to net effect of the following:-

- (aa) higher export sales by 41.85% or RM19.99 million to RM67.76 million (FPE 2022: RM47.77 million), where:-
- our export sales to Turkey had increased by 47.74% or RM8.77 million to RM27.14 million (FPE 2022: RM18.37 million) due to the higher orders and selling prices for frozen molluscs from our two (2) major customers in Turkey coupled with orders secured from two (2) new customers in Turkey;
 - our export sales to China had increased by 67.58% or RM9.63 million to RM23.88 million (FPE 2022: RM14.25 million) due to the new orders secured from ten (10) new customers in China, two (2) of which had emerged as our major customers in FPE 2023; and

11. FINANCIAL INFORMATION (CONT'D)

- our export sales to Vietnam had increased by over 7 times or RM5.79 million to RM6.54 million (FPE 2022: RM0.75 million) driven by higher selling prices for frozen molluscs in FPE 2023 due to lower global supply and higher orders for frozen fishes.
- (bb) lower local sales by 22.52% or RM3.68 million to RM12.66 million (FPE 2022: RM16.34 million) which was mainly affected by the higher supply in fresh wild-caught fishes in local market.

11.3.1.2 Cost of Sales

The breakdown of our Group's cost of sales by cost components is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|------------------------------|---------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Raw materials ⁽¹⁾ | 78,427 | 92.44 | 133,204 | 93.72 | 128,871 | 93.35 | 51,736 | 91.85 | 65,619 | 93.31 |
| Direct labour ⁽²⁾ | 2,439 | 2.88 | 2,806 | 1.98 | 3,132 | 2.26 | 1,447 | 2.56 | 1,660 | 2.36 |
| Overhead ⁽³⁾ | 3,972 | 4.68 | 6,114 | 4.30 | 6,054 | 4.39 | 3,146 | 5.59 | 3,046 | 4.33 |
| Total | 84,838 | 100.00 | 142,124 | 100.00 | 138,057 | 100.00 | 56,329 | 100.00 | 70,325 | 100.00 |
| | | | | | | | | | | |

Notes:-

- (1) Comprised mainly fresh and frozen seafood supplies procured from local and overseas suppliers. Raw materials were the largest component of our cost of sales, representing between 91.85% and 93.72% of our total cost of sales for the Financial Years/Period Under Review.

The fluctuations in our raw materials costs for the Financial Years/Period Under Review were in line with the increase/decrease in our total revenue for the corresponding Financial Years/Period Under Review.

- (2) Comprised salaries, wages and other emoluments for our production workers. Our direct labour costs represent between 1.98% and 2.88% of our total cost of sales for the Financial Years/Period Under Review. The change in our direct labour costs was in tandem with the change in our production team headcount.
- (3) Comprised amongst others, utilities, packaging cost, inward transportation cost, processing cost, rental of cold room, sourcing agent fees and other overhead costs. Our overhead costs represent between 4.30% and 5.59% of our total cost of sales for the Financial Years/Period Under Review.

We do not breakdown our cost of sales by business activities as our business operations are predominantly centred on the processing and trading of frozen seafood products, with less than 5.00% from the provision of frozen seafood processing services.

Commentaries:-Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by 67.52% or RM57.28 million to RM142.12 million (FYE 2020: RM84.84 million), mainly attributable to the following:-

- (a) increase in raw materials costs by 69.83% or RM54.77 million to RM133.20 million (FYE 2020: RM78.43 million) in tandem with the 68.48% higher revenue recorded during the financial year; and

11. FINANCIAL INFORMATION (CONT'D)

- (b) increase in overhead costs by 53.90% or RM2.14 million to RM6.11 million (FYE 2020: RM3.97 million) as a result of higher processing costs and sourcing agent fees in tandem with the 68.48% higher revenue recorded during the financial year.

Comparison between FYE 2021 and FYE 2022

Our cost of sales decreased marginally by 2.86% or RM4.06 million to RM138.06 million (FYE 2021: RM142.12 million) mainly attributable to the net effect of the following:-

- (a) decrease in the raw materials costs by 3.25% or RM4.33 million to RM128.87 million (FYE 2021: RM133.20 million) in tandem with the marginal decrease in revenue recorded during the financial year; and
- (b) increase in the direct labour costs by 11.39% or RM0.32 million to RM3.13 million (FYE 2021: RM2.81 million), due mainly to the recruitment of additional 16 production foreign workers.

Comparison between FPE 2022 and FPE 2023

Our cost of sales increased by 24.85% or RM14.00 million to RM70.33 million (FPE 2022: RM56.33 million) mainly attributable to the increase in the raw materials costs by RM13.88 million or 26.83% to RM65.62 million (FPE 2022: RM51.74 million) in tandem with the 25.44% higher revenue recorded during the financial period.

11.3.1.3 GP and GP Margin

Our Group's overall GP and GP margin is as follows:-

| | Audited | | | Unaudited | Audited |
|---------------|----------|----------|----------|-----------|----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| GP (RM'000) | 9,217 | 16,345 | 18,273 | 7,778 | 10,093 |
| GP margin (%) | 9.80 | 10.31 | 11.69 | 12.13 | 12.55 |

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, our GP increased by 77.33% or RM7.13 million to RM16.35 million (FYE 2020: RM9.22 million) due to the following:-

- (a) in tandem with our higher revenue recorded during the financial year mainly contributed to our processing and trading of frozen seafood products business; and
- (b) higher GP margin of 10.31% (FYE 2020: 9.80%) due to the increase in our overall selling prices of our frozen seafood products in a greater proportion to the rise in raw material costs and overhead costs, particularly higher processing costs and sourcing agent fees.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our GP increased by 11.74% or RM1.92 million to RM18.27 million (FYE 2021: RM16.35 million) despite a marginally lower revenue. This improvement is primarily attributed to the:-

- (a) higher overall selling prices of our frozen seafood products; and
- (b) our effort in stabilising the raw material costs as evident in the lower raw material costs vis-à-vis revenue of 82.44% (FYE 2021: 84.06%). As a consequence, this has also led to an improvement in our GP margin from 10.31% for the FYE 2021 to 11.69% for the FYE 2022.

11. FINANCIAL INFORMATION (CONT'D)Comparison between FPE 2022 and FPE 2023

For FPE 2023, our GP increased by 29.69% or RM2.31 million to RM10.09 million (FPE 2022: RM7.78 million) due to the following:-

- (a) in tandem with our higher revenue recorded during the financial period mainly contributed to our processing and trading of frozen seafood products business; and
- (b) higher GP margin of 12.55% (FPE 2022: 12.13%) due to the increase in our overall selling prices of our export sales.

11.3.1.4 Other Income

The detailed breakdown of our other income for the Financial Years/Period Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---|------------|---------------|------------|---------------|--------------|---------------|------------|---------------|------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Gain on foreign exchange | | | | | | | | | | |
| - realised | 596 | 98.51 | 616 | 83.02 | 859 | 74.89 | 82 | 75.93 | 282 | 29.34 |
| - unrealised | - | - | 10 | 1.35 | - | - | - | - | 624 | 64.93 |
| Gain on disposal of property, plant and equipment | - | - | 5 | 0.67 | 56 | 4.88 | 24 | 22.22 | 21 | 2.19 |
| Interest income | 6 | 0.99 | 4 | 0.54 | 5 | 0.44 | 2 | 1.85 | 3 | 0.31 |
| Miscellaneous ⁽¹⁾ | 3 | 0.50 | 107 | 14.42 | 227 | 19.79 | - | - | 31 | 3.23 |
| Total | 605 | 100.00 | 742 | 100.00 | 1,147 | 100.00 | 108 | 100.00 | 961 | 100.00 |

Note:-

- (1) Mainly comprised rental income, reversal of inventories previously written down, reversal of sales commission payable, bad debts recovered, gain on bargain purchase and reversal of impairment losses on advances to suppliers.

For clarity, we will make advances to our suppliers upon the suppliers' request in order for us to secure a consistent supply of raw materials for our frozen seafood products due to the seasonal availability of seafood supplies.

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, our other income increased by 21.31% or RM0.13 million to RM0.74 million (FYE 2020: RM0.61 million), due mainly to higher overall gain on foreign exchange by 5.00% or RM0.03 million to RM0.63 million (FYE 2020: RM0.60 million) due to the preservation of USD for future purchases in the corresponding financial year and the rental income for cold room facilities of RM0.05 million.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our other income increased by 55.41% or RM0.41 million to RM1.15 million (FYE 2021: RM0.74 million), due mainly to higher overall gain on foreign exchange by 36.51% or RM0.23 million to RM0.86 million (FYE 2021: RM0.63 million) due to the overall strengthening of USD against RM during the year and the reversal of inventory previously written down of RM0.20 million through subsequent sales.

11. FINANCIAL INFORMATION (CONT'D)Comparison between FPE 2022 and FPE 2023

For FPE 2023, our other income increased by over 8 times or RM0.85 million to RM0.96 million (FPE 2022: RM0.11 million), due mainly to the increase in overall gain on foreign exchange by over 10 times or RM0.83 million to RM0.91 million (FPE 2022: RM0.08 million) as a result of the continued strengthening of USD against RM during FPE 2023.

11.3.1.5 Administrative Expenses

The detailed breakdown of our administrative expenses for the Financial Years/Period Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---------------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|------------|---------------|--------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Staff costs and remuneration | 1,367 | 73.73 | 1,194 | 57.18 | 1,393 | 65.09 | 576 | 63.16 | 771 | 40.73 |
| Travelling and accommodation expenses | 91 | 4.91 | 134 | 6.42 | 158 | 7.38 | 79 | 8.66 | 127 | 6.71 |
| Office expenses | 76 | 4.10 | 105 | 5.03 | 122 | 5.70 | 45 | 4.93 | 149 | 7.87 |
| Professional fees | 32 | 1.73 | 64 | 3.07 | 85 | 3.97 | 45 | 4.93 | 611 | 32.28 |
| Gift and entertainment | 52 | 2.80 | 73 | 3.50 | 86 | 4.02 | 43 | 4.71 | 60 | 3.17 |
| Bank charges | 37 | 2.00 | 76 | 3.64 | 75 | 3.50 | 31 | 3.40 | 33 | 1.74 |
| Insurance | 66 | 3.56 | 66 | 3.16 | 69 | 3.22 | 33 | 3.62 | 44 | 2.32 |
| Tax-related costs | 16 | 0.86 | 85 | 4.07 | 66 | 3.09 | 17 | 1.86 | 48 | 2.54 |
| Licence and permit fees | 44 | 2.37 | 41 | 1.96 | 42 | 1.96 | 22 | 2.41 | 34 | 1.80 |
| Telecommunication expenses | 29 | 1.57 | 21 | 1.01 | 20 | 0.94 | 10 | 1.10 | 11 | 0.58 |
| Security fees | 30 | 1.62 | 180 | 8.62 | - | - | - | - | - | - |
| Miscellaneous ⁽¹⁾ | 14 | 0.75 | 49 | 2.34 | 24 | 1.13 | 11 | 1.22 | 5 | 0.26 |
| Total | 1,854 | 100.00 | 2,088 | 100.00 | 2,140 | 100.00 | 912 | 100.00 | 1,893 | 100.00 |

Note:-

- (1) Comprised advertisement, penalties, subscription/membership fees, stamping fees, exhibition expenses and custom duty charges.

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, our administrative expenses increased by 12.97% or RM0.24 million to RM2.09 million (FYE 2020: RM1.85 million), due mainly to the net effect of the following:-

- (a) increase in travelling and accommodation expenses by RM0.04 million to RM0.13 million (FYE 2020: RM0.09 million) due to the expenses incurred by our marketing personnel in exploring potential business opportunities in China while being stranded in China during the lockdown;
- (b) increase in payment for professional fees by RM0.03 million to RM0.06 million (FYE 2020: RM0.03 million) due to higher audit fees and the professional fees incidental to the capital repayment;
- (c) increase in payment for bank charges by RM0.04 million to RM0.08 million (FYE 2020: RM0.04 million) due to higher banking transactions in tandem with higher business activities during the financial year;

11. FINANCIAL INFORMATION (CONT'D)

(d) increase in tax-related costs by RM0.07 million to RM0.09 million (FYE 2020: RM0.02 million) due to the higher service tax resulting from the increase in purchasing of raw materials during the financial year; and

(e) increase in security fees by RM0.15 million due to the additional charges by the security service provider for additional two (2) security guards,

which had been partially set-off by,

(f) the decrease in the staff costs and remuneration by RM0.18 million to RM1.19 million (FYE 2020: RM1.37 million) following the retirement and passing of two (2) directors.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our administrative expenses increased by 2.39% or RM0.05 million to RM2.14 million (FYE 2021: RM2.09 million), due mainly to the net effect of following:-

(a) increase in staff costs and remuneration by RM0.20 million to RM1.39 million (FYE 2021: RM1.19 million) due to salary increment during the financial year and the increase in national minimum wage of employees from RM1,200 to RM1,500 effective from 1 May 2022; and

(b) increase in travelling and accommodation expenses by RM0.03 million to RM0.16 million (FYE 2021: RM0.13 million) pursuant to our participation in the Vietnam Fisheries International Exhibition 2022 in Ho-Chi-Minh, Vietnam,

which had been partially set-off by,

(c) the decrease in security fees by RM0.18 million due to the discontinued engagement with the security service provider. For clarity, we have subsequently hired our own team of security guards.

Comparison between FPE 2022 and FPE 2023

For FPE 2023, our administrative expenses nearly doubled by RM0.98 million to RM1.89 million (FPE 2022: RM0.91 million), due mainly to the following:-

(a) increase in staff costs and remuneration by RM0.19 million to RM0.77 million (FPE 2022: RM0.58 million) due to the recruitment of our Accountant, Chong Der Woei and the salary drawdown to Teo Chee Han as director of OFS Products only commenced in FPE 2023; and

(b) increase in professional fees by RM0.56 million to RM0.61 million (FPE 2022: RM0.05 million) in relation to the professional fees incurred for the Listing undertaken by our Company.

11.3.1.6 Selling and distribution expenses

The detailed breakdown of our selling and distribution expenses for the Financial Years/Period Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Forwarding and handling charges | 4,776 | 94.00 | 8,993 | 93.41 | 8,224 | 95.23 | 3,275 | 94.46 | 3,110 | 93.31 |
| Outward transportation charges | 107 | 2.11 | 187 | 1.94 | 377 | 4.37 | 182 | 5.25 | 121 | 3.63 |
| Certificate fees | 31 | 0.60 | 50 | 0.52 | 34 | 0.39 | 9 | 0.26 | 23 | 0.69 |
| Sales commission | 167 | 3.29 | 398 | 4.13 | 1 | 0.01 | 1 | 0.03 | 79 | 2.37 |
| Total | 5,081 | 100.00 | 9,628 | 100.00 | 8,636 | 100.00 | 3,467 | 100.00 | 3,333 | 100.00 |

11. FINANCIAL INFORMATION (CONT'D)**Commentaries:-**Comparison between FYE 2020 and FYE 2021

For FYE 2021, our selling and distribution expenses increased by 89.57% or RM4.55 million to RM9.63 million (FYE 2020: RM5.08 million), due mainly to increase in forwarding and handling charges in tandem with the higher export sales during the financial year.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our selling and distribution expenses decreased by 10.28% or RM0.99 million to RM8.64 million (FYE 2021: RM9.63 million), which was mainly due to decrease in forwarding and handling charges as a result of lower export sales for FYE 2022 and lower sales commission paid to external sales agent due to reduced export sales to our major customer in Thailand.

Comparison between FPE 2022 and FPE 2023

For FPE 2023, our selling and distribution expenses decreased slightly by 4.03% or RM0.14 million to RM3.33 million (FPE 2022: RM3.47 million) due to lower forwarding and handling charges despite of the increased in our export sales recorded in FPE 2023 pursuant to the lower global logistic costs in the post-pandemic period. The global recovery from the pandemic facilitated more efficient and cost-effective logistics solutions, thereby contributing to the overall reduction in forwarding and handling charges.

11.3.1.7 Other expenses

The detailed breakdown of our other expenses for the Financial Years/Period Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|------------------------------|------------|---------------|------------|---------------|--------------|---------------|-----------|---------------|------------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Depreciation | 34 | 14.28 | 53 | 7.76 | 60 | 3.76 | 30 | 125.00 | 36 | 11.46 |
| Bad debts written off | - | - | 348 | 50.95 | 851 | 53.29 | - | - | 27 | 8.60 |
| Inventories written off | 159 | 66.81 | 307 | 44.95 | 635 | 39.76 | - | - | - | - |
| Inventories written down | - | - | - | - | - | - | - | - | 244 | 77.71 |
| Miscellaneous ⁽¹⁾ | 45 | 18.91 | (25) | (3.66) | 51 | 3.19 | (6) | (25.00) | 7 | 2.23 |
| Total | 238 | 100.00 | 683 | 100.00 | 1,597 | 100.00 | 24 | 100.00 | 314 | 100.00 |
| | | | | | | | | | | |

Note:-

- (1) Comprised net (reversal)/impairment loss on advances to suppliers, loss on disposal of property, plant and equipment, realised and unrealised loss on foreign exchange, property, plant and equipment written off as well as deposit written off.

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, our other expenses increased by 183.33% or RM0.44 million to RM0.68 million (FYE 2020: RM0.24 million) mainly due to the following:-

- (a) bad debts written off of RM0.35 million; and
 (b) increase in written off of obsolete inventories by RM0.15 million.

11. FINANCIAL INFORMATION (CONT'D)Comparison between FYE 2021 and FYE 2022

For FYE 2022, our other expenses increased by 135.29% or RM0.92 million to RM1.60 million (FYE 2021: RM0.68 million) mainly due to the following:-

- (a) increase in bad debts written off by RM0.50 million; and
- (b) increase in written off of obsolete inventories by RM0.33 million.

Comparison between FPE 2022 and FPE 2023

For FPE 2023, our other expenses increased over 14 times or RM0.29 million to RM0.31 million (FPE 2022: RM0.02 million) mainly due to the following:-

- (a) bad debts written off of RM0.04 million during the financial period; and
- (b) write down of inventories of RM0.24 million to net realisable value during the financial period.

11.3.1.8 Finance Cost

The detailed breakdown of our finance cost for the Financial Years/Period Under Review is as follows:-

| | Audited | | | | | | Unaudited | | Audited | |
|---------------------------|-----------|---------------|------------|---------------|-----------|---------------|-----------|---------------|-----------|---------------|
| | FYE 2020 | | FYE 2021 | | FYE 2022 | | FPE 2022 | | FPE 2023 | |
| | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % | RM'000 | % |
| Bankers' acceptances | 46 | 52.27 | 71 | 43.83 | 11 | 12.36 | * | - | * | - |
| Hire purchase liabilities | 13 | 14.78 | 61 | 37.65 | 54 | 60.67 | 29 | 69.05 | 30 | 62.50 |
| Term loan | - | - | 18 | 11.11 | 16 | 17.98 | 9 | 21.43 | 7 | 14.58 |
| Overdraft | - | - | - | - | - | - | - | - | 7 | 14.58 |
| Letter of credit | 29 | 32.95 | 11 | 6.79 | 7 | 7.87 | 4 | 9.52 | 4 | 8.34 |
| Lease liabilities | - | - | 1 | 0.62 | 1 | 1.12 | * | - | * | - |
| Total | 88 | 100.00 | 162 | 100.00 | 89 | 100.00 | 42 | 100.00 | 48 | 100.00 |

Note:- * Negligible

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, our finance cost increased by 77.78% or RM0.07 million to RM0.16 million (FYE 2020: RM0.09 million), which was mainly due to the increase in interest expenses on hire purchase liabilities as a result of the purchase of solar asset, forklift and semi-contact blast freezer during FYE 2021.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our finance cost decreased by 43.75% or RM0.07 million to RM0.09 million (FYE 2021: RM0.16 million), which was mainly due to the decrease in charges on bankers' acceptances as a result of lower utilisation of the facility following lower purchase of raw materials in FYE 2022.

Comparison between FPE 2022 and FPE 2023

For FPE 2023, our finance cost increased by 14.29% to RM0.01 million as compared with FPE 2022, which was mainly due to the interest expense on overdraft.

11. FINANCIAL INFORMATION (CONT'D)**11.3.1.9 Net (impairment loss) / reversal of impairment loss on financial assets**

The breakdown of our net (impairment loss) / reversal of impairment loss on financial assets for the Financial Years/Period Under Review is as follows:-

| | Audited | | | Unaudited | Audited |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2022 RM'000 | FPE 2023 RM'000 |
| Impairment loss on trade receivables | (122) | (139) | (118) | (21) | (2,449) |
| Impairment loss on other receivables | - | (25) | - | - | - |
| Reversal of impairment loss on trade receivables | * | - | 126 | 203 | 28 |
| Total | (122) | (164) | 8 | 182 | (2,421) |

Note:- * Negligible

Commentaries:-Comparison between FYE 2020 and FYE 2021

For FYE 2021, we recorded net impairment loss on financial assets of RM0.16 million (FYE 2020: RM0.12 million) mainly due to higher general allowance made for expected credit loss in accordance with MFRS 9 after taking into consideration the expected loss rates.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, we recorded net reversal of impairment loss on financial assets of RM0.01 million (FYE 2021: net impairment loss on financial assets of RM0.16 million) mainly due to the recovery of trade receivables previously impaired in accordance with MFRS 9.

Comparison between FPE 2022 and FPE 2023

For FPE 2023, we recorded net impairment loss on financial assets of RM2.42 million (FPE 2022: net reversal of impairment loss on financial assets of RM0.18 million) mainly due to higher general allowance made for expected credit loss in accordance with MFRS 9 adopted by our Group during FPE 2023 of 50% for trade receivables with more than 120 days past due as opposed to 5% for FYE 2020 to FYE 2022 after taking into consideration the increase in the trade receivables with more than 120 days past due.

11.3.1.10 Income tax expenses

| | Audited | | | Unaudited | Audited |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2022 RM'000 | FPE 2023 RM'000 |
| Income tax expenses/(credit) | 30 | 337 | 1,377 | (46) | (386) |
| Effective tax rate (%) | 1.23 | 7.73 | 19.77 | -1.27 | -12.68 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 | 24.00 |

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

Subject to the requirements sets out in the Income Tax (Exemption) (No.5) Order, PU(A) 161/2019 (“**Order**”), we will be eligible for income tax exemption of up to 70% of the statutory income for that year of assessment if we recorded at least 50% increase in our export sales, in the basis period for a year of assessment (“**Export Sales Tax Exemption**”). For clarity, the unutilised Export Sales Tax Exemption in the year of assessment can be brought forward to the next year of assessment subject to the requirements sets out in the Order.

11. FINANCIAL INFORMATION (CONT'D)**Commentaries:-**FYE 2020

For FYE 2020, our income tax expenses stood at RM0.03 million. Our effective tax rate of 1.23% was lower than the statutory tax rate of 24% due mainly to the overprovision of income tax expenses in the previous financial year and the Export Sales Tax Exemption during the financial year.

FYE 2021

For FYE 2021, our income tax expenses stood at RM0.34 million. Our effective tax rate of 7.73% was lower than the statutory tax rate of 24% due mainly to the Export Sales Tax Exemption during the financial year.

FYE 2022

For FYE 2022, our income tax expenses stood at RM1.38 million. Our effective tax rate of 19.77% was lower than the statutory tax rate of 24% due mainly to the tax allowance for the purchase of solar asset. Our effective tax rate in FYE 2022 increased by 12.04% due to the absence of the Export Sales Tax Exemption.

FPE 2023

For FPE 2023, we recorded income tax credit of RM0.39 million, which resulted in our effective tax rate of -12.68% due mainly to the Export Sales Tax Exemption and the overprovision of tax expenses in the previous financial year. The overprovision arose due to the difference in tax computation between the audited financial statements for FYE 2022 and the subsequent tax filings for FYE 2022, which the tax computation of the tax filings for FYE 2022 has included the brought forward balance of Export Sales Tax Exemption claimed from prior financial years. This has resulted in the actual tax paid for FYE 2022 is lower than the tax expense stated in the audited financial statements for FYE 2022.

11.3.1.11 PBT and PAT from continuing operations

| | Audited | | | Unaudited | Audited |
|---|----------|----------|----------|-----------|----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| From continuing operations | | | | | |
| PBT | 2,439 | 4,362 | 6,966 | 3,623 | 3,045 |
| PBT Margin (%) | 2.59 | 2.75 | 4.46 | 5.65 | 3.79 |
| PAT attributable to owners of the Company | 2,486 | 4,052 | 5,601 | 3,672 | 3,424 |
| PAT Margin (%) | 2.64 | 2.56 | 3.58 | 5.73 | 4.26 |

Commentaries:-Comparison between FYE 2020 and FYE 2021

Our PBT from continuing operations increased by 78.69% or RM1.92 million to RM4.36 million (FYE 2020: RM2.44 million) due mainly to the higher GP by RM7.13 million as disclosed in Section 11.3.1.3 above, which had been partially set-off by the corresponding higher expenses as follows:-

- higher administrative expenses by RM0.24 million as disclosed in Section 11.3.1.5 above;
- higher selling and distribution expenses by RM4.55 million as disclosed in Section 11.3.1.6 above;
- higher other expenses by RM0.44 million as disclosed in Section 11.3.1.7 above; and
- higher finance costs by RM0.07 million as disclosed in Section 11.3.1.8 above.

11. FINANCIAL INFORMATION (CONT'D)

In line with the increase in our revenue, our PBT margin increased slightly to 2.75% (FYE 2020: 2.59%).

In tandem, our Group recorded a higher PAT attributable to owners of the Company from continuing operations by 62.65% or RM1.56 million to RM4.05 million (FYE 2021: RM2.49 million). Nonetheless, our PAT margin had decreased to 2.56% (FYE 2020: 2.64%) due to the higher income tax expenses for FYE 2021 as compared with FYE 2020.

Comparison between FYE 2021 and FYE 2022

Despite a lower revenue recorded during the year, our PBT from continuing operations increased by 59.86% or RM2.61 million to RM6.97 million (FYE 2021: RM4.36 million) due mainly to the following:-

- (a) higher GP by RM1.92 million as disclosed in Section 11.3.1.3 above;
- (b) higher other income by RM0.41 million as disclosed in Section 11.3.1.4 above;
- (c) lower selling and distribution expenses by RM0.99 million as disclosed in Section 11.3.1.6 above; and
- (d) net reversal of impairment loss on financial assets of RM0.01 million as disclosed in Section 11.3.1.9 above,

which had been partially set-off by the higher other expenses by RM0.92 million as disclosed in Section 11.3.1.7 above. As a result of our lower revenue during the financial year vis-à-vis an improved PBT, our PBT margin increased to 4.46% (FYE 2021: 2.75%).

In tandem, our Group recorded a higher PAT attributable to owners of the Company from continuing operations by 38.27% or RM1.55 million to RM5.60 million (FYE 2021: RM4.05 million). Similarly, our PAT margin had also improved to 3.58% for the FYE 2022 (FYE 2021: 2.56%).

Comparison between FPE 2022 and FPE 2023

Despite a higher revenue and GP recorded during the financial period, our PBT from continuing operations decreased by 15.75% or RM0.57 million to RM3.05 million (FPE 2022: RM3.62 million), due mainly to the following:-

- (a) higher administrative expenses by RM0.98 million as disclosed in Section 11.3.1.5 above; and
- (b) the net impairment loss on financial assets of RM2.42 million as disclosed in Section 11.3.1.9 above.

As a consequence, our PBT margin decreased to 3.79% (FPE 2022: 5.65%).

In tandem, our Group recorded a lower PAT attributable to owners of the Company from continuing operations by 6.81% or RM0.25 million to RM3.42 million (FPE 2022: RM3.67 million) and a lower PAT margin of 4.26% (FPE 2022: 5.73%).

11.3.2 Significant Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and are expected to be affected by, amongst others, the following factors:-

(i) Impact of foreign exchange

Some of our overseas revenue and/or purchases are denominated in USD and RMB. In this regard, we are exposed to the risk of foreign currency exchange risk arising from the fluctuations in the exchange rate of USD and RMB against RM. Such impact on our Group's revenue and purchases during the Financial Years/Period Under Review are summarised as follows:-

11. FINANCIAL INFORMATION (CONT'D)

| | Audited | | | Unaudited | Audited |
|------------------------|----------|----------|----------|-----------|----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total revenue in USD | 60,114 | 89,502 | 112,720 | 40,668 | 62,013 |
| % of total revenue | 63.91 | 56.48 | 72.10 | 63.44 | 77.11 |
| Total revenue in RMB | 4,774 | 5,915 | 5,461 | 2,824 | 3,528 |
| % of total revenue | 5.08 | 3.73 | 3.49 | 4.41 | 4.39 |
| Total purchases in USD | 16,741 | 42,294 | 75,232 | 26,102 | 45,586 |
| % of total purchases | 21.14 | 31.00 | 61.08 | 55.01 | 59.91 |

The impacts of foreign currency exchange on our earnings during the Financial Years/Period Under Review are summarised as follows:-

| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
|--|------------|------------|------------|-----------|------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net unrealised (loss)/gain on foreign exchange | - | 10 | (5) | - | 624 |
| Net realised gain on foreign exchange | 596 | 616 | 812 | 82 | 282 |
| Total | 596 | 626 | 807 | 82 | 906 |

We maintain foreign currency accounts, namely USD and RMB for payments of our foreign sales and purchases. We also entered foreign currency forward contracts to hedge our exposure to the USD exchange fluctuations. In this regard, our Group's exposure to foreign currency risk is mainly on the revenue denominated in RMB.

While we practice hedging using foreign exchange forward contracts and maintaining foreign currency bank accounts, there can be no assurance that we will be able to completely eliminate our exposure to adverse foreign currency fluctuations in the future. Any material adverse movement in foreign currency exchange rates may have a material adverse impact on our Group's revenue and financial performance.

We will monitor closely the movement of the foreign exchange to manage our foreign exchange risks.

(ii) Disruptions in business operations due to COVID-19 pandemic

Despite the MCOs, our processing and trading activities were allowed to continue as our business was recognised as an essential service. We received MITI's approval on 21 March 2020 indicating that we were allowed to operate our processing activities during the MCO. In accordance with the SOPs set out by the Malaysian Government at the time, we were also allowed to operate our Processing Facility at lower capacity and/or shorter operating hours throughout different phases of the MCOs. Thus, this has reduced the impact of the COVID-19 pandemic on our Group's financial performance during FYE 2020 and FYE 2021.

However, we experienced longer delivery time for imported seafood supplies as well as for our frozen seafood products exported to our international customers mainly as a result of shortage of shipping containers and implementation of additional SOPs at the ports. This has resulted in an increase in shipping costs which we were generally able to pass on to our customers.

Subsequently, a national lockdown policy was implemented from 1 June 2021 to 14 June 2021 throughout Malaysia and Phase 1 of the National Recovery Plan was implemented on 15 June 2021. Throughout this period, most economic sectors were not allowed to operate with the exception of essential economic and service sectors. However, our Group is able to operate as usual subject to SOPs imposed by the Malaysian Government as we are operating in one of

11. FINANCIAL INFORMATION (CONT'D)

the essential service sectors. All the states in Malaysia entered into Phase 4 of the National Recovery Plan by 3 January 2022, where public and private sector workplaces were allowed to operate at full capacity and physical meetings and gatherings were allowed with physical distancing.

Malaysia has entered into the “Transition to Endemic” phase since 1 April 2022, and “Endemic” phase since 1 May 2022. Since then, all restrictions limiting business operating hours and number of employees in a workplace have been uplifted.

COVID-19 will continue to have an impact on our everyday lives and businesses in general, and may create challenges to our Group’s operations.

Whilst our Board is unable to accurately quantify the magnitude and duration of such impact as the pandemic continues to progress and the conditions are unpredictable, all reasonable steps will be taken to mitigate potential challenges that may arise, in order to minimise any disruption to our business operations.

In the event that any of our employees are infected with COVID-19 or any contagious or virulent diseases, they will be required to quarantine themselves.

Impact on our financial performance

Seafood is an essential product and thus, there was continuous demand for seafood despite the implementation of the MCOs and any resulting impact on the economy.

Our Group has not suffered any material interruptions to our business operations throughout the MCOs that have been implemented thus far. In addition, the COVID-19 pandemic did not have a significant adverse impact on our overall financial performance for the Financial Years/Period Under Review as evident by the growth of our revenue from RM94.06 million for the FYE 2020 to RM156.33 million for the FYE 2022 and RM80.42 million for FPE 2023.

(iii) Impact of interest rate fluctuations

There was no material impact arising from the fluctuations of interest rates on our Group’s operational and financial results for the Financial Years/Period Under Review given our low gearing ratio as at 30 June 2023. Nevertheless, any hike in the interest rates would raise the cost of borrowings and our finance costs which may have an adverse effect on our financial performance.

(iv) Impact of inflation

Our financial performance during the Financial Years/Period Under Review were not materially affected by the inflation. However, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(v) Changes in political, economic, fiscal or monetary policies and regulatory risk as well as occurrence of force majeure events

Our business is subject to risks relating to political, economic, fiscal or monetary policies and regulatory risks, geopolitical events as well as occurrence of force majeure events in Malaysia. Any unfavourable changes in such political, economic, fiscal or monetary policies may materially affect our operations in Malaysia.

Please refer to Section 9.2.3 of this Prospectus for further details on this risk.

11. FINANCIAL INFORMATION (CONT'D)

11.3.3 Significant Changes on the Financial Position and Results

Save as disclosed in this Prospectus, there is no significant change that has occurred which may have a material effect on the financial position and results of our Group subsequent to the FPE 2023 and up to the LPD.

11.4 LIQUIDITY AND CAPITAL RESOURCES

11.4.1 Working Capital

Our business has been financed by both internal and external sources of funds. Our internal sources of funds comprise our cash deposited with licensed banks and cash generated from our business operations, while our external sources of funds were mainly through banking facilities from financial institutions and lease liabilities.

As at 30 June 2023, we have cash and bank balances of RM4.45 million, RM6.76 million unutilised banking facilities and working capital of RM28.33 million, being the difference between the current assets of RM38.23 million (excluding cash and bank balances as well as fixed deposits with licensed banks) and current liabilities of RM9.90 million.

As at the LPD, we have cash and bank balances of RM2.03 million, RM5.14 million unutilised banking facilities and working capital of RM35.21 million, being the difference between the current assets of RM42.72 million (excluding cash and bank balances) and current liabilities of RM7.51 million.

Based on the above sources of funds, the expected cash flow to be generated from our operations as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable future working capital requirements for a period of 12 months from the date of this Prospectus.

11.4.2 Cash Flow

The table below sets out the summary of our cash flow for the Financial Years/Period Under Review and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus:-

| | Audited | | | Unaudited | Audited |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | FYE 2020 RM'000 | FYE 2021 RM'000 | FYE 2022 RM'000 | FPE 2022 RM'000 | FPE 2023 RM'000 |
| Net cash from/(for) operating activities | 174 | 3,596 | 2,455 | 207 | (1,103) |
| Net cash for investing activities | (113) | (1,315) | (728) | (347) | (473) |
| Net cash from/(for) financing activities | 3,105 | 576 | (2,843) | (1,286) | (531) |
| Net increase/(decrease) in cash and cash equivalents | 3,166 | 2,857 | (1,116) | (1,426) | (2,107) |
| Cash and cash equivalents at beginning of the financial year | 1,373 | 4,539 | 7,396 | 7,396 | 6,280 |
| Cash and cash equivalents at end of the financial year | 4,539 | 7,396 | 6,280 | 5,970 | 4,173 |
| Details of the cash and cash equivalents:- | | | | | |
| Continuing operations | | | | | |
| Fixed deposits with a licensed bank | 280 | 284 | 288 | 286 | 292 |
| Cash and bank balances | 4,539 | 7,396 | 6,280 | 5,970 | 4,158 |
| | 4,819 | 7,680 | 6,568 | 6,256 | 4,450 |
| Less: Fixed deposits with a licensed bank | (280) | (284) | (288) | (286) | (292) |
| | 4,539 | 7,396 | 6,280 | 5,970 | 4,158 |
| Discontinued operations | | | | | |
| Cash and bank balances | - | - | - | - | 15 |
| | 4,539 | 7,396 | 6,280 | 5,970 | 4,173 |

11. FINANCIAL INFORMATION (CONT'D)**Commentaries:-****(i) Net cash from/(for) operating activities****FYE 2020**

Net cash from operating activities for the FYE 2020 was RM0.17 million, which comprised:-

- (a) PBT from continuing operations of RM2.44 million;
- (b) adjusted upward for non-cash and other non-operating items totalling RM0.84 million, which mainly consists of:-
 - (aa) depreciation of property, plant and equipment of RM0.46 million;
 - (bb) inventories written off of RM0.16 million;
 - (cc) impairment of loss on trade and receivables of RM0.12 million; and
 - (dd) interest expense of RM0.09 million,
- (c) adjusted downward for working capital changes totalling RM3.08 million. The working capital changes were mainly due to:-
 - (aa) increase in inventories by RM0.84 million mainly attributable to a slightly higher retention of inventories as a consequence of higher purchases during the year, in light of the 47.95% higher revenue recorded for the FYE 2020;
 - (bb) increase in trade and other receivables by RM11.53 million in tandem with the higher revenue recorded for the FYE 2020; and
 - (cc) decrease in amount owing to related companies by RM0.99 million which was non-trade in nature as a result of the repayment made during the financial year,

which was partly set-off by an increase in trade and other payables by RM10.24 million mainly attributable to the higher purchases made during the financial year in tandem with the higher revenue recorded for the FYE 2020 and the advance payments received from overseas customers for the purchase of frozen seafood products.

FYE 2021

Net cash from operating activities for the FYE 2021 was RM3.60 million, which comprised:-

- (a) PBT from continuing operations of RM4.36 million;
- (b) adjusted upward for non-cash and other non-operating items totalling RM1.25 million, which mainly consists of:-
 - (aa) bad debts written off of RM0.35 million;
 - (bb) depreciation of property, plant and equipment of RM0.51 million;
 - (cc) inventories written off of RM0.31 million;
 - (dd) impairment of loss on trade and receivables of RM0.14 million; and
 - (ee) interest expense of RM0.16 million,

11. FINANCIAL INFORMATION (CONT'D)

which was partly set-off by the reversal of loss on advances to suppliers of RM0.19 million,

(c) adjusted downward for working capital changes totalling RM1.71 million and net of tax payment of RM0.30 million. The working capital changes were mainly due to:-

- (aa) increase in inventories by RM3.15 million mainly attributable to a higher retention of inventories as a consequence of higher purchases during the year, in light of the higher 68.48% revenue recorded for the FYE 2021;
- (bb) decrease in trade and other payables by RM0.42 million mainly attributable to higher utilisation of bankers' acceptance to finance purchases of raw materials from suppliers; and
- (cc) decrease in amount owing to related companies by RM0.18 million which was non-trade in nature as a result of the repayment made during the financial year,

which was partly set-off by a decrease in trade and other receivables by RM2.04 million mainly attributable to higher collections in line with the recovery of business activities from the impact of COVID-19 as well as our Group's efforts in managing collections from customers as evident by the reduction in the trade receivables turnover period from 51 days for FYE 2020 to 40 days for FYE 2021.

FYE 2022

Net cash from operating activities for the FYE 2022 was RM2.46 million, which comprised:-

- (a) the PBT from continuing operations of RM6.97 million;
- (b) adjusted upward for non-cash and other non-operating items totalling RM1.93 million, which mainly consists of:-
 - (aa) bad debts written off of RM0.85 million;
 - (bb) depreciation of property, plant and equipment of RM0.62 million;
 - (cc) inventories written off of RM0.63 million; and
 - (dd) interest expense of RM0.09 million,

which was partly set-off by the reversal of inventories previously written down of RM0.20 million and net gain on disposal of property, plant and equipment of RM0.05 million,

(c) adjusted downward for working capital changes totalling RM5.60 million and net of tax payment of RM0.84 million. The working capital changes were mainly due to:-

- (aa) increase in trade and other receivables by RM5.01 million mainly attributable to the increase in advance payments made to suppliers for the purchase of raw materials during the financial year;
- (bb) decrease in trade and other payables by RM6.22 million mainly attributable to lower purchases during FYE 2022; and
- (cc) decrease in amount owing to related companies by RM0.39 million as it had been fully settled during the previous financial year,

which was partly set-off by a decrease in inventories by RM6.02 million mainly attributable to lower purchases during FYE 2022 upon our Group's enhanced inventory planning and management practices.

11. FINANCIAL INFORMATION (CONT'D)**FPE 2023**

For the FPE 2023, our Group recorded a net cash for operating activities of RM1.10 million, which comprised PBT from continuing operations of RM3.05 million, adjusted upward for non-cash and other non-operating items totalling RM2.41 million, adjusted downward for working capital changes totalling RM5.99 million and net of tax payment of RM0.57 million. The working capital changes were mainly due to:-

- (a) increase in inventories by RM9.88 million. The higher purchases during FPE 2023 had resulted a higher retention of inventories. This was mainly to replenish our inventories to meet the higher customers demand in light of the 25.44% higher revenue recorded for the FPE 2023; and
- (b) decrease in trade and other payables by RM3.44 million mainly attributable to higher cash-term purchases and lower advances received from customers during FPE 2023 which will be offset against future sales. For clarity, these advances received from our customers were in line with our internal control practices,

which was partly set-off by a decrease in trade and other receivables by RM7.41 million as a result of better collections from customers as evident by the reduction in trade receivables turnover period from 42 days for FYE 2022 to 34 days for FPE 2023 as well as lower advance payments made to suppliers for the purchase of raw materials during the financial period.

(ii) Net cash for investing activities**FYE 2020**

Net cash for investing activities was RM0.11 million which was mainly attributed to the purchase of property, plant and equipment of RM0.12 million, comprising forklifts (RM0.06 million) and office equipment (RM0.06 million) such as accounting software, laptops and mobile devices.

FYE 2021

Net cash for investing activities was RM1.32 million which was in relation to the purchase of solar asset for the Factory A and Factory B.

FYE 2022

Net cash from investing activities was RM0.73 million which was mainly attributed to the purchase of property, plant and equipment of RM0.99 million, mainly comprising of semi-contact blast freezers and the relevant spare parts for production, which was partly set-off by the acquisition of a subsidiary of RM0.20 million.

FPE 2023

Net cash for investing activities was RM0.47 million which was mainly attributed to the purchase of property, plant and equipment of RM0.49 million, mainly comprising factory equipment and cold room spare parts for RM0.30 million.

(iii) Net cash from/(for) financing activities**FYE 2020**

Net cash from financing activities was RM3.11 million which was mainly attributed to the following:-

- (a) the drawdown of banker's acceptance of RM3.51 million,

which was partly set-off by the following:-

11. FINANCIAL INFORMATION (CONT'D)

- (b) the dividend paid of RM0.23 million; and
(c) the repayment of hire purchase liabilities of RM0.12 million.

FYE 2021

Net cash from financing activities was RM0.58 million which was mainly attributed to the following:-

- (a) the drawdown of term loans of RM0.52 million; and
(b) the proceeds from the issuance of 240,800 ordinary shares for RM1.25 million,

which was partly off-set with the following:-

- (c) the dividend paid of RM0.23 million;
(d) the interest paid of RM0.15 million;
(e) the repayment of banker's acceptance of RM0.58 million; and
(f) the repayment of hire purchase liabilities of RM0.23 million.

FYE 2022

Net cash for financing activities was RM2.84 million which was mainly attributed to the following:-

- (a) the repayment of bankers' acceptances of RM2.42 million;
(b) the repayment of term loans of RM0.11 million; and
(c) the repayment of hire purchase liabilities of RM0.22 million.

FPE 2023

Net cash for financing activities was RM0.53 million which was mainly attributed to the following:-

- (a) the repayment of bankers' acceptances of RM0.27 million; and
(b) the repayment of hire purchase liabilities of RM0.13 million.

11.4.3 Borrowings

Our Group's total outstanding bank borrowings as at 30 June 2023 stood at RM1.50 million as set out below:-

| Type | Purpose | Tenure | Interest rate per annum (%) | As at 30 June 2023 | | |
|---------------------------|--|-------------|-----------------------------|--------------------------|-------------------------|--------------|
| | | | | Payable within 12 months | Payable after 12 months | Total |
| | | | | RM'000 | RM'000 | RM'000 |
| Hire purchase liabilities | To part finance solar asset as well as plant and machineries | 1 - 5 years | 7.07 – 7.15 | 320 | 589 | 909 |
| Term loan | For working capital purposes | 5 years | 3.50 | 121 | 236 | 357 |
| Bankers' acceptances | For working capital purposes | 120 days | 4.55 | 236 | - | 236 |
| Total | | | | 677 | 825 | 1,502 |

11. FINANCIAL INFORMATION (CONT'D)

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group including lease liabilities of our Group throughout the Financial Years/Period Under Review and the subsequent financial period up to the LPD.

As at the LPD, neither our Company nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement of our bank borrowings and lease liabilities which can materially affect our financial position and results or business operations or the investments by holders of our Shares.

11.4.4 Financial Instruments, Treasury Policies and Objectives

For the Financial Years/Period Under Review and up to the LPD, save for our borrowings as disclosed in Section 11.4.3 of this Prospectus as well as the foreign exchange forward contracts as disclosed in Section 11.3.2 of this Prospectus, we do not utilise any other financial instruments. We maintain foreign currency bank accounts to receive proceeds of our sales and payments for our purchases denominated in USD and RMB.

Our main treasury policy is to maintain sufficient working capital to finance our business and operations, coupled with adequate banking facilities to meet our commitments for operating and capital expenditure. Our combination of internal and external sources of funds include cash in hand, cash generated from operations, bank borrowings and lease liabilities. The primary objective is to have sustainable shareholders' equity and working capital to ensure we have the ability to continue as a going concern and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

11.4.5 Material Capital Commitment

As at the LPD, we do not have any material capital commitments for capital expenditure contracted or known to be contracted, which may have a material effect on the financial position of our Group.

11.4.6 Material Litigation, Claims or Arbitration

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation or arbitration, either as plaintiff or defendant, which has a material effect on our financial position or business and our Directors do not know of any proceeding pending and threatened, and of any fact likely to give rise to any proceeding which might materially and adversely affect our business and financial position.

11.4.7 Contingent Liabilities

As at the LPD, we do not have any contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position of our Group.

11.4.8 Key Financial Ratios

Our key financial ratios are as follows:-

| | Audited | | | |
|---|----------|----------|----------|----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Trade receivables turnover period (days) ⁽¹⁾ | 51 | 40 | 42 | 34 |
| Trade payables turnover period (days) ⁽²⁾ | 43 | 40 | 34 | 18 |
| Inventories turnover period (days) ⁽³⁾ | 58 | 39 | 36 | 39 |
| Current ratio (times) ⁽⁴⁾ | 1.80 | 2.03 | 3.10 | 4.31 |
| Gearing ratio (times) ⁽⁵⁾ | 0.14 | 0.14 | 0.05 | 0.04 |

11. FINANCIAL INFORMATION (CONT'D)**Notes:-**

- (1) Computed based on the average trade receivables divided by the revenue from continuing operations of our Group of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2023.
- (2) Computed based on the average trade payables divided by the cost of sales of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2023.
- (3) Computed based on the average inventories divided by the cost of sales of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2023.
- (4) Computed based on the current assets over current liabilities of the respective financial years/period.
- (5) Computed based on total interest-bearing borrowings divided by the total equity attributable to the owner of the Group as at the end of the respective financial years/period.

Commentaries:-**(i) Trade receivables turnover period**

A summary of our trade receivables for the Financial Years/Period Under Review are set out as below:-

| | Audited | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Opening trade receivables (RM'000) | 8,927 | 17,475 | 17,342 | 18,431 |
| Closing trade receivables (RM'000) | 17,475 | 17,342 | 18,431 | 11,384 |
| Average trade receivables (RM'000) ⁽¹⁾ | 13,201 | 17,409 | 17,887 | 14,908 |
| Revenue continuing operations of our Group (RM'000) | 94,055 | 158,469 | 156,330 | 80,418 |
| Trade receivables turnover period (days) ⁽²⁾ | 51 | 40 | 42 | 34 |

Notes:-

- (1) Computed based on the average sum of the opening trade receivables and closing trade receivables of the respective financial years/period.
- (2) Computed based on the average trade receivables divided by the revenue from continuing operations of our Group of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2023.

The credit terms granted to our customers ranging from 30 to 60 days from the date of invoice which are assessed and approved on a case-to-case basis after taking into consideration various factors such as their creditworthiness, payment history, quantum of amount owing to us, market reputation and length of relationship with us.

Our trade receivables turnover period for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were 51 days, 40 days, 42 days and 34 days respectively, which fell within our normal credit term granted to our customers.

For the FYE 2021, our trade receivables turnover period decreased to 40 days (FYE 2020: 51 days). This was mainly due to better collections from our customers in line with the recovery of business activities from the impact of COVID-19 as well as our efforts in managing collections from our customers.

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 2022, our trade receivables turnover period slightly increased to 42 days (FYE 2021: 40 days) mainly due to the request by China customers for a longer settlement period as they have a tight cashflow pursuant to longer timeframe required to sell different grades of frozen seafood products.

For the FPE 2023, our trade receivables turnover period improved to 34 days (FYE 2022: 42 days) due mainly to better collections from our customers.

The ageing analysis of our trade receivables as at 30 June 2023 is as follows:-

| | Within Credit Period | Exceeded Credit Period | | | | Total |
|--|----------------------------|------------------------|---------------|---------------|------------------------|---------|
| | | 1-30 days | 31-60 days | 61-90 days | More than 90 days | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | |
| Trade receivables | 4,325 | 1,737 | 1,399 | 1,055 | 5,681 | 14,197 |
| Less: Impairment loss | (19) | (17) | (28) | (37) | (2,712) | (2,813) |
| Net trade receivables | 4,306 | 1,720 | 1,371 | 1,018 | 2,969 | 11,384 |
| % of total net trade receivables (%) | 37.83 | 15.11 | 12.04 | 8.94 | 26.08 | 100.00 |
| Subsequent collection up to the LPD | 3,801 | 1,644 | 1,206 | 257 | 4,887 | 11,795 |
| % of total net trade receivables (%) | 33.39 | 14.44 | 10.59 | 2.26 | 42.93 | 103.61 |
| Trade receivables outstanding as at the LPD | 505 | 76 | 165 | 761 | ⁽¹⁾ (1,918) | (411) |
| % of total net trade receivables (%) | 4.44 | 0.67 | 1.45 | 6.68 | ⁽¹⁾ (16.85) | (3.61) |

Note:-

- (1) The negative outstanding net trade receivables balance is arising from the allowance for impairment loss in FPE 2023.

As at 30 June 2023, our Group's trade receivables stood at RM11.38 million, of which approximately RM7.08 million or 62.17% had exceed our normal credit periods granted to our customers.

As at the LPD, RM11.80 million or 103.61% of our total net trade receivables outstanding as at 30 June 2023 have been collected. For avoidance of doubt, the negative outstanding net trade receivables balance of RM0.41 million is arising from the allowance for impairment loss in FPE 2023.

Our Group's management is of the opinion that the total outstanding amount of RM2.05 million is collectable and no further impairment of trade receivables is required after taking into consideration the relationship with these customers and that they have been making progressive payments for such amount owing to our Group.

Our Group assesses the collectability of trade receivables on an individual customer basis as well as provide impairment loss using simplified approach based on provision matrix in accordance with MFRS 9. Our allowances for impairment loss on trade receivables as at the end of each respective Financial Years/Period Under Review are as follows:-

| | Audited | | | |
|--|------------|------------|------------|--------------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| At the beginning of the financial year/period | 139 | 261 | 400 | 392 |
| Acquisition of subsidiary | - | - | * | - |
| Additions for the financial year/period | 122 | 139 | 118 | 2,449 |
| Reversal for the financial year/period | * | - | (126) | (28) |
| At the end of the financial year/period | 261 | 400 | 392 | 2,813 |

Note:- *Negligible

11. FINANCIAL INFORMATION (CONT'D)**(ii) Trade payables turnover period**

A summary of our trade payables for the Financial Years/Period Under Review are set out as below:-

| | Audited | | | |
|---|-----------|-----------|-----------|-----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Opening trade payables (RM'000) | 6,203 | 13,960 | 16,940 | 8,488 |
| Closing trade payables (RM'000) | 13,960 | 16,940 | 8,488 | 5,550 |
| Average trade payables (RM'000) ⁽¹⁾ | 10,082 | 15,450 | 12,714 | 7,019 |
| Cost of sales (RM'000) | 84,838 | 142,124 | 138,057 | 70,325 |
| Trade payables turnover period (days) ⁽²⁾ | 43 | 40 | 34 | 18 |

Notes:-

- Computed based on the average sum of the opening trade payables and closing trade payables of the respective financial years/period.
- Computed based on the average trade payable divided by the cost of sales of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2022 and FPE 2023.

The credit terms granted to our Group by our suppliers ranging from 30 to 60 days from the date of invoice. Our trade payables turnover period for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were 43 days, 40 days, 34 days and 18 days respectively, which fell within the normal credit term granted by our suppliers.

For FYE 2021, our trade payables turnover period improved slightly to 40 days (FYE 2020: 43 days), which reflects our commitment to pay our suppliers on a timely basis.

For the FYE 2022, our trade payables turnover period further improved to 34 days (FYE 2021: 40 days) pursuant to early payments to some suppliers in order to secure priority supply.

In FPE 2023, our trade payables turnover period improved to 18 days (FYE 2022: 34 days) due to lower trade payables in FPE 2023 which resulted from higher cash-term purchases in FPE 2023.

As at 30 June 2023, our Group's trade payables stood at RM5.55 million, the ageing of which is analysed as follows:-

| | Within Credit Period | Exceeded Credit Period | | | | Total |
|--|----------------------------|------------------------|---------------|---------------|----------------------|--------|
| | | 1-30 days | 31-60 days | 61-90 days | More than 90 days | |
| | | RM'000 | RM'000 | RM'000 | RM'000 | |
| Trade payables | 4,586 | 483 | 244 | 122 | 115 | 5,550 |
| % of total trade payables | 82.63 | 8.70 | 4.40 | 2.20 | 2.07 | 100.00 |
| Subsequent payment up to the LPD | 4,586 | 483 | 244 | 122 | 115 | 5,550 |
| % of total trade payables | 82.63 | 8.70 | 4.40 | 2.20 | 2.07 | 100.00 |
| Trade payables outstanding as at the LPD | - | - | - | - | - | - |
| % of total trade payables | - | - | - | - | - | - |

As at the LPD, we have settled all the outstanding trade payables as at 30 June 2023. There have been no major disputes in respect of the trade payables and no legal action has been initiated by the suppliers to demand for payment during the Financial Years/Period Under Review.

11. FINANCIAL INFORMATION (CONT'D)**(iii) Inventories turnover period**

A summary of our inventories for the Financial Years/Period Under Review are set out as below:-

| | Audited | | | |
|---|-----------|-----------|-----------|-----------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Opening inventories (RM'000) | 13,198 | 13,877 | 16,723 | 10,269 |
| Closing inventories (RM'000) | 13,877 | 16,723 | 10,269 | 19,910 |
| Average inventories (RM'000) ⁽¹⁾ | 13,538 | 15,300 | 13,496 | 15,090 |
| Cost of sales (RM'000) | 84,838 | 142,124 | 138,057 | 70,325 |
| Inventories turnover period (days)⁽²⁾ | 58 | 39 | 36 | 39 |

Notes:-

- (1) Computed based on the average sum of the opening inventories and closing inventories of the respective financial years/period.
- (2) Computed based on the average inventories divided by the cost of sales of the respective financial years/period, then multiplied by 365 days for each financial year or by 181 days for FPE 2022 and FPE 2023.

Our inventory mainly comprises the following:-

- (a) goods-in-transit where the processed frozen seafood products are in the delivery process to customer;
- (b) finished goods where the processed frozen seafood products are stored in cold rooms pending delivery to the customer; and
- (c) others which include ingredients, such as chemical and food additives as well as packing materials.

For the FYE 2021, our inventory turnover period decreased to 39 days (FYE 2020: 58 days) to cater for higher sales of our frozen seafood products.

For the FYE 2022, our inventory turnover period further decreased to 36 days (FYE 2021: 39 days) due to the improvement of the shipments availability throughout FYE 2022 which resulted in our Group managed to deliver higher volume of our frozen seafood products to our overseas customers.

In FPE 2023, our inventory turnover period increased to 39 days (FYE 2022: 36 days) to cater for higher sales of our frozen seafood products.

(iv) Current ratio

A summary of our current ratio for the Financial Years/Period Under Review are set out as below:-

| | Audited | | | |
|--|-------------|-------------|-------------|-------------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Current assets (RM'000) | 41,281 | 44,691 | 44,004 | 42,677 |
| Current liabilities (RM'000) | 22,935 | 22,064 | 14,189 | 9,901 |
| Current ratio (times)⁽¹⁾ | 1.80 | 2.03 | 3.10 | 4.31 |

Note:-

- (1) Computed based on the current assets over current liabilities of the respective financial years/period.

11. FINANCIAL INFORMATION (CONT'D)

As at 31 December 2021, our current ratio increased to 2.03 times (31 December 2020: 1.80 times), which was mainly due to the increase in the inventories by RM2.84 million and the increase in the cash and bank balances by RM2.86 million.

As at 31 December 2022, our current ratio increased to 3.10 times (31 December 2021: 2.03 times). This was mainly due to the decrease in the trade payables by RM8.45 million, which primarily attributable to lower purchases during FYE 2022 upon our Group's enhanced inventory planning and management practices.

As at 30 June 2023, our current ratio increased to 4.31 times (31 December 2022: 3.10 times), which was mainly due to the following

- (a) decrease in trade payables mainly due to higher cash-term purchases;
- (b) decrease in other payables and accruals mainly due to lower advances received from our customers during the FPE 2023 which will be offset against our future sales; and
- (c) lower utilisation of bankers' acceptances.

(v) Gearing ratio

A summary of our gearing ratio for the Financial Years/Period Under Review are set out as below:-

| | Audited | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2023 |
| Total borrowings (RM'000) | 3,647 | 4,318 | 1,959 | 1,502 |
| Total equity (RM'000) | 25,463 | 30,506 | 38,441 | 41,839 |
| Gearing ratio (times) ⁽¹⁾ | 0.14 | 0.14 | 0.05 | 0.04 |

Note:-

- (1) Computed based on total interest-bearing borrowings divided by the total equity as at the end of the respective financial years/period.

Our gearing ratio remained relatively low throughout the Financial Years/Period Under Review, ranging from 0.04 times to 0.14 times. Our Group is not heavily reliance on borrowings as we maintained a net cash position throughout the Financial Years/Period Under Review.

11.5 TREND INFORMATION

As at the LPD, our Board confirms that there are no:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, other than those discussed in Sections 6, 9 and 11 of this Prospectus;
- (ii) material commitments for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, other than those discussed in Sections 6, 9 and 11 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue and/or profits, other than those disclosed in this Section 11, the information on our Group as set out in Sections 6 and 7 of this Prospectus and our future plans and strategies as set out in Section 7.20 of this Prospectus;

11. FINANCIAL INFORMATION (CONT'D)

- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position; and
- (vi) known trends, demand, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources.

11.6 ORDER BOOK

As at the LPD, we do not have an order book as we generate our revenue as and when our products are delivered based on purchase orders received from customers.

11.7 DIVIDEND POLICY

Our Group currently does not have a fixed dividend policy. Nonetheless, it is our intention to pay dividends to our shareholders in the future to allow them to participate in our profits. The declaration of dividends is subject to the discretion of our Board. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group.

As we are an investment holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable reserves, future financial performance and cash flow requirements for operations and capital expenditures as well as other factors that their respective boards of Directors deem relevant.

The dividends declared and paid during the Financial Years/Period Under Review are as follows:-

| | FYE 2020 | FYE 2021 | FYE 2022 | FPE 2022 | FPE 2023 |
|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (RM) | (RM) | (RM) | (RM) | (RM) |
| Dividend paid/declared | (1) 226,700 | (1) 226,700 | - | - | - |

Note:-

- (1) Dividends declared by OFS Products in respect of FYE 2020 and FYE 2021, of which RM0.23 million were paid out in 2020 and 2021 respectively.

The dividends paid were funded entirely via our Company's internally generated funds. Save as disclosed above, our Group has no intention to declare or pay any dividend prior to the completion of our Listing. No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

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