

12. ACCOUNTANTS' REPORT



27 November 2023

The Board of Directors
Ocean Fresh Berhad
Lot 19869, Kampung Baru Peramu,
26060 Kuantan, Pahang

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowe.my

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANT'S REPORT OF OCEAN FRESH BERHAD ("THE COMPANY")

OPINION

We have audited the combined financial statements of Ocean Fresh Berhad and its subsidiaries (collectively referred to as the "Group") which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, 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 ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended ("FPE") 30 June 2023, and notes to the financial information, including a summary of significant accounting policies as set out on pages 4 to 100.

The historical financial information has been prepared for inclusion in the prospectus of the Group in connection with the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad. This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 Part II, Division 1: Equity of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and of their financial performance and their cash flows for the FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 and FPE 30 June 2023 in accordance with the Malaysian Financial Reporting Standards and 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 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.

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*.

12. ACCOUNTANTS' REPORT (CONT'D)**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The Directors of the Company ("Directors") are responsible for the preparation of financial information of the Group that gives 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 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 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 statements 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.
- 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.

12. ACCOUNTANTS' REPORT (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

- 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial information of the entities or business activities within the Group to express an opinion on the combined 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.

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Group for inclusion in the prospectus of the Group in relation to the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad. 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.

A handwritten signature in black ink, appearing to be the initials "Cue".

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

Kuala Lumpur

A handwritten signature in black ink, appearing to be "Choong Kok Keong".

Choong Kok Keong
03461/11/2025 J
Chartered Accountant

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	7,162,822	8,929,981	9,682,361	9,826,110
Right-of-use asset	5	-	25,582	14,206	8,518
Goodwill	6	-	-	50,055	50,055
		<u>7,162,822</u>	<u>8,955,563</u>	<u>9,746,622</u>	<u>9,884,683</u>

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
CURRENT ASSETS					
Inventories	7	13,877,197	16,722,706	10,268,732	19,909,954
Trade receivables	8	17,475,216	17,341,698	18,431,270	11,383,843
Other receivables, deposits and prepayments	9	5,085,655	2,930,045	8,717,902	6,527,980
Current tax assets		24,660	16,950	17,887	406,169
Fixed deposit with a licensed bank	10	279,683	283,637	288,276	291,644
Cash and bank balances		4,538,814	7,395,859	6,279,915	4,157,611
		<u>41,281,225</u>	<u>44,690,895</u>	<u>44,003,982</u>	<u>42,677,201</u>
Assets of disposal group classified as held for sale	11	-	-	-	15,234
		<u>41,281,225</u>	<u>44,690,895</u>	<u>44,003,982</u>	<u>42,692,435</u>
TOTAL ASSETS		<u>48,444,047</u>	<u>53,646,458</u>	<u>53,750,604</u>	<u>52,577,118</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12(a)	-	-	-	1
Invested share capital	12(b)	4,534,000	5,783,993	8,137,139	8,137,139
Reorganisation reserve		3,815,970	3,815,970	3,815,970	3,815,970
Retained profits		17,056,551	20,876,672	26,469,729	29,885,978
		<u>25,406,521</u>	<u>30,476,635</u>	<u>38,422,838</u>	<u>41,839,088</u>
NON-CONTROLLING INTERESTS		56,163	29,185	17,623	-
TOTAL EQUITY		<u>25,462,684</u>	<u>30,505,820</u>	<u>38,440,461</u>	<u>41,839,088</u>
NON-CURRENT LIABILITIES					
Hire purchase liabilities	13	45,669	649,663	816,370	589,005
Lease liabilities	14	-	14,653	2,982	-
Term loan	15	-	411,216	301,705	235,807
		<u>45,669</u>	<u>1,075,532</u>	<u>1,121,057</u>	<u>824,812</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
CURRENT LIABILITIES					
Trade payables	16	13,959,695	16,940,241	8,488,424	5,549,879
Other payables and accruals	17	4,724,594	1,354,958	4,193,068	3,653,192
Amount owing to related companies	18	578,267	394,495	-	-
Amount owing to a related party	19	31,547	-	6,068	-
Amount owing to directors	20	40,000	76,000	84,001	12,000
Hire purchase liabilities	13	95,196	220,827	224,593	319,762
Lease liabilities	14	-	11,268	11,671	8,869
Term loan	15	-	105,805	109,556	120,933
Bankers' acceptances	21	3,506,395	2,930,365	507,105	236,120
Current tax liabilities		-	31,147	564,600	-
		<u>22,935,694</u>	<u>22,065,106</u>	<u>14,189,086</u>	<u>9,900,755</u>
Liabilities of disposal group classified as held for sale	11	-	-	-	12,463
		<u>22,935,694</u>	<u>22,065,106</u>	<u>14,189,086</u>	<u>9,913,218</u>
TOTAL LIABILITIES		<u>22,981,363</u>	<u>23,140,638</u>	<u>15,310,143</u>	<u>10,738,030</u>
TOTAL EQUITY AND LIABILITIES		<u>48,444,047</u>	<u>53,646,458</u>	<u>53,750,604</u>	<u>52,577,118</u>

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 Jun 2022 RM	Audited 2023 RM
CONTINUING OPERATIONS						
REVENUE	22	94,054,943	158,468,802	156,329,720	64,107,448	80,417,989
COST OF SALES		(84,837,624)	(142,124,322)	(138,057,071)	(56,329,158)	(70,324,890)
GROSS PROFIT		9,217,319	16,344,480	18,272,649	7,778,290	10,093,099
OTHER INCOME		604,984	741,838	1,147,255	107,832	960,740
		9,822,303	17,086,318	19,419,904	7,886,122	11,053,839
ADMINISTRATIVE EXPENSES		(1,853,535)	(2,087,850)	(2,140,229)	(911,973)	(1,892,834)
SELLING AND DISTRIBUTION EXPENSES		(5,081,149)	(9,628,006)	(8,635,887)	(3,467,214)	(3,333,430)
OTHER EXPENSES		(237,809)	(682,799)	(1,596,747)	(24,229)	(313,883)
FINANCE COSTS		(88,273)	(161,557)	(88,520)	(42,066)	(47,593)
NET (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS	23	(122,233)	(163,638)	7,790	181,733	(2,420,602)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	24	2,439,304	4,362,468	6,966,311	3,622,373	3,045,497
INCOME TAX EXPENSE	25	(30,000)	(337,148)	(1,377,240)	45,692	385,985
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		2,409,304	4,025,320	5,589,071	3,668,065	3,431,482

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited Six-month Period FPE 30 June 2023 RM
DISCONTINUED OPERATIONS						
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	26	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
PROFIT AFTER TAXATION		2,402,607	4,019,843	5,581,495	3,663,546	3,424,183
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,402,607	4,019,843	5,581,495	3,663,546	3,424,183
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-						
Owners of the Company						
- continuing operations		2,486,059	4,052,298	5,600,633	3,672,064	3,423,548
- discontinued operations		(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Non-controlling interests						
- continuing operations		(76,755)	(26,978)	(11,562)	(3,999)	7,934
- discontinued operations		-	-	-	-	-
		2,402,607	4,019,843	5,581,495	3,663,546	3,424,183

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
TOTAL COMPREHENSIVE INCOME/(EXPENSES)						
ATTRIBUTABLE TO:-						
Owners of the Company						
- continuing operations		2,486,059	4,052,298	5,600,633	3,672,064	3,423,548
- discontinued operations		(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Non-controlling interests						
- continuing operations		(76,755)	(26,978)	(11,562)	(3,999)	7,934
- discontinued operations		-	-	-	-	-
		<u>2,402,607</u>	<u>4,019,843</u>	<u>5,581,495</u>	<u>3,663,546</u>	<u>3,424,183</u>
EARNINGS/(LOSS) PER SHARE (RM)						
Basic						
- continuing operations	27	0.55	0.89	1.17	0.77	0.65
- discontinued operations		(0.0015)	(0.0012)	(0.0016)	(0.0009)	(0.0014)
Diluted						
- continuing operations		0.55	0.89	1.17	0.77	0.65
- discontinued operations		(0.0015)	(0.0012)	(0.0016)	(0.0009)	(0.0014)

12. ACCOUNTANTS' REPORT (CONT'D)
OCEAN FRESH BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Invested Capital RM	Reorganisation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non- controlling Interest RM	Total Equity RM
Audited							
Balance at 1 January 2020		4,534,000	3,815,970	14,803,889	23,153,859	132,918	23,286,777
Profit after taxation/Total comprehensive income/(expenses) for the financial year		-	-	2,479,362	2,479,362	(76,755)	2,402,607
Dividend paid	28	-	-	(226,700)	(226,700)	-	(226,700)
Balance at 31 December 2020		4,534,000	3,815,970	17,056,551	25,406,521	56,163	25,462,684
Audited							
Balance at 1 January 2021		4,534,000	3,815,970	17,056,551	25,406,521	56,163	25,462,684
Profit after taxation/Total comprehensive income/(expenses) for the financial year		-	-	4,046,821	4,046,821	(26,978)	4,019,843
Issuance of shares		1,249,993	-	-	1,249,993	-	1,249,993
Dividend paid	28	-	-	(226,700)	(226,700)	-	(226,700)
Total contributions by and distributions to owners		1,249,993	-	(226,700)	1,023,293	-	1,023,293
Balance at 31 December 2021		5,783,993	3,815,970	20,876,672	30,476,635	29,185	30,505,820

12. ACCOUNTANTS' REPORT (CONT'D)
OCEAN FRESH BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Invested Capital RM	Reorganisation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non- controlling Interest RM	Total Equity RM
Audited						
Balance at 1 January 2022	5,783,993	3,815,970	20,876,672	30,476,635	29,185	30,505,820
Profit after taxation/Total comprehensive income/(expenses) for the financial year	-	-	5,593,057	5,593,057	(11,562)	5,581,495
Issuance of shares	2,353,146	-	-	2,353,146	-	2,353,146
Balance at 31 December 2022	8,137,139	3,815,970	26,469,729	38,422,838	17,623	38,440,461

	Note	Share Capital RM	Invested Capital RM	Reorganisation Reserve RM	Retained Profits RM	Attributable to Owners of the Company RM	Non- controlling Interest RM	Total Equity RM
Audited								
Balance at 1 January 2023		-	8,137,139	3,815,970	26,469,729	38,422,838	17,623	38,440,461
Profit after taxation/Total comprehensive income for the financial period		-	-	-	3,416,249	3,416,249	7,934	3,424,183
Acquisition of non-controlling interests	29.2	-	-	-	-	-	(25,557)	(25,557)
Issuance of shares		1	-	-	-	1	-	1
Balance at 30 June 2023		1	8,137,139	3,815,970	29,885,978	41,839,088	-	41,839,088

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF CASH FLOWS

	2020	Audited FYE 31 December 2021	2022	Unaudited Six-month Period FPE 30 June 2022	Audited 2023
	RM	RM	RM	RM	RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES					
Profit/(Loss) before taxation:					
- continuing operations	2,439,304	4,362,468	6,966,311	3,622,373	3,045,497
- discontinued operations	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Adjustments for:-					
Bad debts recovered	-	-	-	-	(23,976)
Bad debts written off	24,162	347,755	851,208	-	27,373
Depreciation:					
- property, plant and equipment	457,163	512,393	620,077	295,597	342,477
- right-of-use asset	-	8,532	11,376	5,688	5,688
Gain on bargain purchase	-	-	-	-	(1,941)
Inventories written down	-	-	-	-	243,604
Inventories written off	158,977	307,344	634,695	-	-
Net loss/(gain) on disposal of property, plant and equipment	4,250	(4,999)	(52,690)	(23,998)	(20,998)
Impairment/(Reversal) of loss on trade receivables	122,233	138,857	(7,790)	(181,733)	2,420,602
Property, plant and equipment written off	-	-	-	-	8,242
(Reversal)/Impairment of loss on advances to suppliers	(136)	(186,580)	(6,895)	(30,623)	(2,174)
Reversal of inventories previously written down	-	-	(200,698)	-	-
Reversal of commission payable	-	(14,299)	-	-	-
Interest expense	88,273	161,557	88,520	42,066	47,593
Interest income	(5,508)	(3,954)	(4,639)	(1,986)	(3,368)
Unrealised (gain)/loss on foreign exchange	-	(10,107)	5,188	-	(624,284)
Operating profit before working capital changes carrying forward	<u>3,282,021</u>	<u>5,613,490</u>	<u>8,897,087</u>	<u>3,722,865</u>	<u>5,457,036</u>

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Operating profit before working capital changes bought forward		3,282,021	5,613,490	8,897,087	3,722,865	5,457,036
(Increase)/Decrease in inventories		(838,461)	(3,152,853)	6,019,977	4,951,162	(9,884,826)
(Increase)/Decrease in trade and other receivables		(11,528,484)	2,043,876	(5,008,290)	(1,248,684)	7,410,628
Increase/(Decrease) in trade and other payables		10,241,072	(416,535)	(6,222,085)	(6,042,743)	(3,436,928)
Decrease/(Increase) in amount owing by/to related party		31,547	(34,476)	6,068	(470,168)	(6,068)
Decrease in amount owing to related companies		(987,343)	(183,772)	(394,495)	(394,495)	-
Increase/(Decrease) in amount owing to directors		4,000	36,000	8,001	(76,000)	(72,001)
CASH FROM/(FOR) OPERATIONS		204,352	3,905,730	3,306,263	441,937	(532,159)
Interest paid		(29,277)	(11,075)	(6,734)	(4,090)	(4,182)
Income tax refund/(paid)		(1,083)	(298,291)	(844,724)	(231,128)	(566,897)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		173,992	3,596,364	2,454,805	206,719	(1,103,238)
CASH FLOWS FOR INVESTING ACTIVITIES						
Acquisition of a subsidiary	29.1	-	-	200,619	-	-
Interest income received		5,508	3,954	4,639	1,986	3,368
Increase in pledged fixed deposits with licensed banks		(5,508)	(3,954)	(4,639)	(1,986)	(3,368)
Proceeds from disposal of property, plant and equipment		10,000	5,000	61,500	24,000	21,000
Purchase of property, plant and equipment	30(a)	(122,975)	(1,319,553)	(989,967)	(370,647)	(494,470)
Issuance of share capital		-	-	-	-	1
NET CASH FOR INVESTING ACTIVITIES		(112,975)	(1,314,553)	(727,848)	(346,647)	(473,469)

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES						
Acquisition of non-controlling interests	29.2	-	-	-	-	(23,616)
Dividend paid		(226,700)	(226,700)	-	-	-
Interest paid	30(b)	(58,996)	(150,482)	(81,786)	(37,976)	(43,411)
Drawdown/(Repayment) of bankers' acceptances	30(b)	3,506,395	(576,030)	(2,423,260)	(1,078,853)	(270,985)
Drawdown/(Repayment) of term loans	30(b)	-	517,021	(105,760)	(52,666)	(54,521)
Repayment of hire purchase liabilities	30(b)	(115,541)	(230,375)	(220,827)	(110,797)	(132,196)
Proceeds from issuance of ordinary shares		-	1,249,993	-	-	-
Repayment of lease liability	30(b)	-	(8,193)	(11,268)	(5,585)	(5,784)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		3,105,158	575,234	(2,842,901)	(1,285,877)	(530,513)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,166,175	2,857,045	(1,115,944)	(1,425,805)	(2,107,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		1,372,639	4,538,814	7,395,859	7,395,859	6,279,915
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	30(d)	4,538,814	7,395,859	6,279,915	5,970,054	4,172,695

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****1. GENERAL INFORMATION**

The Company was incorporated on 22 May 2023 as a private limited company and domiciled in Malaysia. The Company is principally engaged in the business of investment holding.

On 29 August 2023, the Company converted from a private limited company to a public company limited by shares.

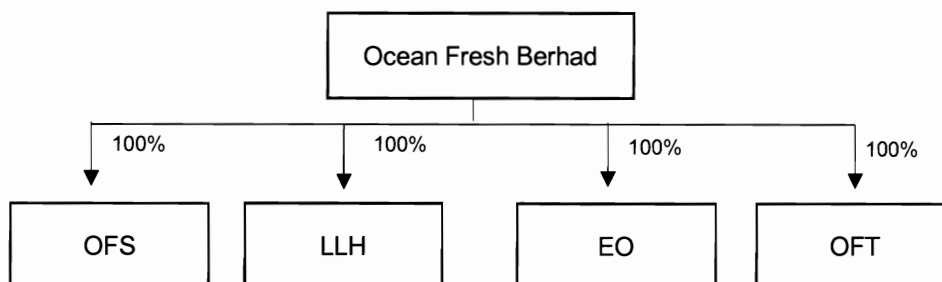
For the purpose of listing the Group on the ACE Market of Bursa Malaysia Securities Berhad, the Company has entered into a share sales agreement ("SSA") to undertake the acquisition of Ocean Fresh Seafood Products Sdn. Bhd. ("OFS") and its subsidiaries ("Ocean Fresh Group") as disclosed in Note 34 to the Accountants' Report.

The information of entities within the Ocean Fresh Group is as follows:-

- (a) Lianli Huat Seafood Products Sdn. Bhd. ("LLH") was incorporated on 28 January 2003 as a private limited company and domiciled in Malaysia and is principally engaged in the provision of trading of surimi and seafood products.
- (b) Ocean Fresh Seafood Processing Sdn. Bhd. ("OFP") was incorporated on 6 May 2013 as a private limited company and domiciled in Malaysia and is principally engaged in business operations as a wholesaler, retailer, processor and exporter of frozen seafood products. However is a dormant company during the financial years/periods under review. On 16 October 2023, the Group has disposed of its subsidiary as disclosed in Note 11 to the combined financial statement.
- (c) East Ocean Frozen Seafood Products (Sabah) Sdn. Bhd. ("EO") was incorporated on 27 March 2017 as a private limited company and domiciled in Malaysia and is principally engaged in the provision of wholesaler, retailer of and sourcing services for fish and other seafood products.
- (d) Ocean Fresh Trading Sdn. Bhd. ("OFT") was incorporated on 13 May 2009 as a private limited company and domiciled in Malaysia and principally engaged in the provision of trading seafood products and sourcing services for fish and all type of other seafood.

Subsequent to the acquisition, the Group has undertaken an internal restructuring by acquiring the entire issued share capital of OFS, LLH, EO and OFT, to be held directly by Ocean Fresh Berhad., for a total consideration of RM7,614,603.

Following the completion of the acquisition, disposal and restructuring, the group structure of the Group will be as follows:-



12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

The consolidated financial statements for the FYE 31 December 2020, 31 December 2021 and 31 December 2022 are prepared based on the financial statements of Ocean Fresh Group. While the combined financial statements for the FPE 30 June 2023 are prepared based on the financial statements of the Group.

The combined financial statements of the Group are the combination or aggregation of all the financial statements of the combining entities in the Group and have been prepared based on the financial statements for the relevant financial years/period as follows:-

Entities	FYE 2020	FYE 2021	FYE 2022	FPE 2023
The Company	*	*	*	√, #
OFS	√, @	√, #	√, #	√, #
OFP	√, @	√, #	√, #	√, #
LLH	√, @	√, #	√, #	√, #
OFT	α	α	^, #	√, #
EO	√, @	√, #	√, #	√, #

* No financial statements are available for Ocean Fresh Berhad as the Company was incorporated on 22 May 2023.

α No financial statements are available for OFT as OFT became a wholly-owned subsidiaries of OFS on 11 August 2022.

√ The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years/period.

^ During the FYE 2022, OFS acquired 100% equity interests in OFT and became a wholly-owned subsidiary of OFS. Hence, the consolidated financial statements of Ocean Fresh Group are prepared for the FYE 31 December 2022.

@ The combined financial statements of the Group for the respective financial years/periods have been prepared based on the audited financial statements which were re-audited by Crowe Malaysia PLT and in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, for the purpose of inclusion into the combined financial statements of the Group.

The financial statements have been prepared based on the audited financial statements which were audited by Crowe Malaysia PLT and in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Following the incorporation of the Company, the combined financial statements of the Group for the financial period ended 30 June 2023 is prepared based on the financial statements of the Company and entities within the Group as disclosed in Note 1 to the combined financial statements.

All the financial statements are audited and auditors' report expressed an unmodified opinion.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

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

The combined financial statements of the Group for the relevant period were prepared as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets 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 adopted by the Group.

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

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

- 2.1 During the current financial period the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the financial period ended 30 June 2023:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the combined financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(b) Goodwill**

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 6 to the combined financial statements.

(c) Impairment of Property, Plant and Equipment and Right-of-use Asset

The Group determines whether its property, plant and equipment and right-of-use asset are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment and right-of-use asset as at the reporting date are disclosed in Note 4 and Note 5 to the combined financial statements respectively.

(d) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 7 to the combined financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(e) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 8 to the combined financial statements.

(f) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking information. The carrying amounts of other receivables as at the reporting date is disclosed in Note 9 to the combined financial statements.

(g) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets of as at FPE 30 June 2023 is approximately RM406,169 (31.12.2022 - RM17,887, 31.12.2021 - RM16,950 and 31.12.2020 - RM24,660) and the carrying amount of current tax liabilities as at the reporting date is approximately Nil (31.12.2022 - RM564,600, 31.12.2021 - RM31,147 and 31.12.2020 - Nil).

(g) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidated. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Entities under Common Control

Acquisition of entity under a reorganisation scheme does not result in any change in economic substance. Accordingly, the combined financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:-

- (i) the results of entities are presented as if the reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (ii) the Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method; and
- (iii) no new goodwill is recognised as a result of the reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as reorganisation reserve or deficit.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(c) Non-controlling Interests**

Non-controlling interests are presented within equity in the combined statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in Ownership Interests in Subsidiaries Without Change of Control

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. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(e) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)****(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)***Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities**(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability, or, where appropriate, a shorter period (where applicable).

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory building	2%
Solar asset	4%
Plant and machineries	10%
Factory equipment, laboratory equipment and cold room	10%
Office equipment, furniture and fitting, renovation and signboard	10 – 20%
Jetty	10%
Motor vehicles	20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

3.7 LEASES

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use asset is determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.10 IMPAIRMENT**(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.10 IMPAIRMENT (CONT'D)****(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 EMPLOYEE BENEFITS**(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.13 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

3.14 EMPLOYEE BENEFITS**(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.15 BORROWING COSTS**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

3.16 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but not are fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.17 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following over time criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sales of Frozen Seafood Products

Revenue from sales of frozen seafood products is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of Processing Services

Revenue is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

[The rest of this page is intentionally left blank]

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT**

Audited	At 1.1.2020 RM	Additions (Note 30(a)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2020 RM
<i>Carrying Amount</i>					
Freehold land	992,718	-	-	-	992,718
Factory building	4,824,455	-	-	(119,713)	4,704,742
Plant and machineries	641,245	12,800	-	(102,794)	551,251
Factory equipment, laboratory equipment and cold room	647,333	-	-	(116,715)	530,618
Office equipment, furniture and fitting, renovation and signboard	327,136	55,175	-	(78,625)	303,686
Jetty	33	-	-	-	33
Motor vehicles	78,340	55,000	(14,250)	(39,316)	79,774
	7,511,260	122,975	(14,250)	(457,163)	7,162,822

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2021 RM	Additions (Note 30(a)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2021 RM
31.12.2021					
<i>Carrying Amount</i>					
Freehold land	992,718	-	-	-	992,718
Factory building	4,704,742	45,500	-	(120,245)	4,629,997
Solar asset	-	1,776,960	-	(49,846)	1,727,114
Plant and machineries	551,251	203,190	(1)	(107,844)	646,596
Factory equipment, laboratory equipment and cold room	530,618	52,600	-	(115,309)	467,909
Office equipment, furniture and fitting, renovation and signboard	303,686	61,303	-	(86,549)	278,440
Jetty	33	-	-	-	33
Motor vehicles	79,774	140,000	-	(32,600)	187,174
	7,162,822	2,279,553	(1)	(512,393)	8,929,981

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Audited	At 1.1.2022 RM	Additions (Note 30(a)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2022 RM
31.12.2022					
<i>Carrying Amount</i>					
Freehold land	992,718	-	-	-	992,718
Factory building	4,629,997	-	-	(120,624)	4,509,373
Solar asset	1,727,114	-	-	(71,078)	1,656,036
Plant and machineries	646,596	887,150	(6,494)	(132,894)	1,394,358
Factory equipment, laboratory equipment and cold room	467,909	176,060	-	(116,037)	527,932
Office equipment, furniture and fitting, renovation and signboard	278,440	31,357	(2,314)	(91,337)	216,146
Jetty	33	-	-	-	33
Motor vehicles	187,174	286,700	(2)	(88,107)	385,765
	8,929,981	1,381,267	(8,810)	(620,077)	9,682,361

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2023 RM	Additions (Note 30(a)) RM	Disposal RM	Written off RM	Depreciation Charges RM	At 30.6.2023 RM
30.6.2023						
<i>Carrying Amount</i>						
Freehold land	992,718	-	-	-	-	992,718
Factory building	4,509,373	-	-	-	(60,312)	4,449,061
Solar asset	1,656,036	-	-	-	(35,539)	1,620,497
Plant and machineries	1,394,358	-	-	(9)	(91,005)	1,303,344
Factory equipment, laboratory equipment and cold room	527,932	303,531	-	-	(59,663)	771,800
Office equipment, furniture and fitting, renovation and signboard	216,146	31,939	-	-	(34,554)	213,531
Jetty	33	-	-	-	-	33
Motor vehicles	385,765	159,000	(2)	(8,233)	(61,404)	475,126
	9,682,361	494,470	(2)	(8,242)	(342,477)	9,826,110

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2020			
Freehold land	992,718	-	992,718
Factory building	5,985,672	(1,280,930)	4,704,742
Plant and machineries	1,934,058	(1,382,807)	551,251
Factory equipment, laboratory equipment and cold room	2,705,210	(2,174,592)	530,618
Office equipment, furniture and fitting, renovation and signboard	1,182,265	(878,579)	303,686
Jetty	33	-	33
Motor vehicles	897,584	(817,810)	79,774
	13,697,540	(6,534,718)	7,162,822
31.12.2021			
Freehold land	992,718	-	992,718
Factory building	6,031,172	(1,401,175)	4,629,997
Solar asset	1,776,960	(49,846)	1,727,114
Plant and machineries	2,104,248	(1,457,652)	646,596
Factory equipment, laboratory equipment and cold room	2,757,810	(2,289,901)	467,909
Office equipment, furniture and fitting, renovation and signboard	1,243,567	(965,127)	278,440
Jetty	33	-	33
Motor vehicles	1,037,585	(850,411)	187,174
	15,944,093	(7,014,112)	8,929,981
31.12.2022			
Freehold land	992,718	-	992,718
Factory building	6,031,172	(1,521,799)	4,509,373
Solar asset	1,776,960	(120,924)	1,656,036
Plant and machineries	2,803,148	(1,408,790)	1,394,358
Factory equipment, laboratory equipment and cold room	2,933,870	(2,405,938)	527,932
Office equipment, furniture and fitting, renovation and signboard	1,270,585	(1,054,439)	216,146
Jetty	33	-	33
Motor vehicles	1,171,285	(785,520)	385,765
	16,979,771	(7,297,410)	9,682,361

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Audited			
30.6.2023			
Freehold land	992,178	-	992,718
Factory building	6,031,172	(1,582,111)	4,449,061
Solar asset	1,776,960	(156,463)	1,620,497
Plant and machineries	2,508,141	(1,204,797)	1,303,344
Factory equipment, laboratory equipment and cold room	3,237,401	(2,465,601)	771,800
Office equipment, furniture and fitting, renovation and signboard	1,302,524	(1,088,993)	213,531
Jetty	33	-	33
Motor vehicles	1,113,755	(638,629)	475,126
	16,962,704	(7,136,594)	9,826,110

- (a) The freehold land and building of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 21 to the combined financial statements.
- (b) Included in the property, plant and equipment of the Group were solar asset, plant and machineries and cold room with a total carrying amount of RM1,640,139 (30.6.2022 - RM1,257,242, 31.12.2022 - RM1,759,249, 31.12.2021 - RM1,289,842 and 31.12.2020 - RM282,375) held under hire purchase arrangements. These assets have had been pledged as security for the hire purchase payables of the Group as disclosed in Note 13 to the combined financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****5. RIGHT-OF-USE ASSET**

	At 1.1.2021 RM	Additions (Note 30(a)) RM	Depreciation Charges RM	At 31.12.2021 RM
Audited				
31.12.2021				
<i>Carrying Amount</i>				
Hostel	-	34,114	(8,532)	25,582

	At 1.1.2022 RM	Depreciation Charges RM	At 31.12.2022 RM
Audited			
31.12.2022			
<i>Carrying Amount</i>			
Hostel	25,582	(11,376)	14,206

	At 1.1.2023 RM	Depreciation Charges RM	At 30.6.2023 RM
Audited			
30.6.2023			
<i>Carrying Amount</i>			
Hostel	14,206	(5,688)	8,518

(a) The Group leases a hostel of which the leasing activity is summarised below:-

(i) **Hostel** The Group had leased a hostel which the Group has entered into a non-cancellable operating lease agreement for use of residential. The lease was for a period of 3 years operating lease agreements with an option to renew the lease after that date.

(b) The Group also has a lease with lease term of 12 months or less. The Group has applied the 'short-term lease' recognition exemptions for this leases.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****6. GOODWILL**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
At cost:-				
At 1 January	-	-	-	-
Acquisition of a subsidiary	-	-	50,055	50,055
	<u>-</u>	<u>-</u>	<u>50,055</u>	<u>50,055</u>

7. INVENTORIES

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
At cost:-				
Raw materials	195,965	206,694	388,493	437,831
Packaging material	220,983	150,029	260,363	40,309
Work-in-progress	32,493	19,641	29,727	40,171
Goods-in-transit	-	3,052,703	425,872	1,592,388
Finished goods	13,427,756	13,293,639	9,164,277	17,799,255
	<u>13,877,197</u>	<u>16,722,706</u>	<u>10,268,732</u>	<u>19,909,954</u>
At the end of the financial year/period				
Recognised in profit or loss:-				
Inventories recognised as cost of sales	72,751,314	134,038,565	129,915,647	66,187,360
Inventories written down to net realisable value	-	-	-	243,604
Inventories written off	158,977	307,344	634,695	-
Reversal of inventories previously written down	-	-	(200,698)	-
	<u>-</u>	<u>-</u>	<u>(200,698)</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****8. TRADE RECEIVABLES**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Trade receivables	17,736,483	17,741,822	18,823,636	14,196,811
Allowance for impairment losses	(261,267)	(400,124)	(392,366)	(2,812,968)
	<u>17,475,216</u>	<u>17,341,698</u>	<u>18,431,270</u>	<u>11,383,843</u>
Allowance for impairment losses:-				
At the beginning of the financial year/period	139,034	261,267	400,124	392,366
Acquisition of subsidiary	-	-	32	-
Additions for the financial year/period (Note 23)	122,399	138,857	118,391	2,449,308
Reversal during the financial year/period (Note 23)	(166)	-	(126,181)	(28,706)
At the end of the financial year/period	<u>261,267</u>	<u>400,124</u>	<u>392,366</u>	<u>2,812,968</u>

The Group's normal trade credit terms range from 30 to 60 (31.12.2022, 31.12.2021 and 31.12.2020 - 30 to 60) days.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Other receivables:-				
Third parties	380,331	526,583	1,203,086	247,310
Allowance for impairment losses	-	(24,781)	-	-
Deposits	380,331 178,985	501,802 179,235	1,203,086 180,085	247,310 179,935
Prepayments	4,718,761	2,254,850	7,352,375	6,116,205
Allowance for impairment losses	(192,422)	(5,842)	(17,644)	(15,470)
	4,526,339	2,249,008	7,334,731	6,100,735
	5,085,655	2,930,045	8,717,902	6,527,980
<u>Other receivables</u>				
Allowance for impairment losses:				
At 1 January	-	-	24,781	-
Addition during the financial year	-	24,781	-	-
Written off during the financial year/ period (Note 23)	-	-	(24,781)	-
At 31 December/30 June	-	24,781	-	-

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
<u>Prepayments</u>				
Allowance for impairment losses:				
At 1 January	192,558	192,422	5,842	17,644
Acquisition of a subsidiary	-	-	18,697	-
Addition during the financial year/period	-	34	1,185	39
Reversal during the financial year/period	(136)	(186,614)	(8,080)	(2,213)
At 31 December/ 30 June	<u>192,422</u>	<u>5,842</u>	<u>17,644</u>	<u>15,470</u>

Included in the Group's prepayments are advances to suppliers amounting to RM5,883,815 (31.12.2022 - RM7,065,513, 31.12.2021 - RM2,009,551 and 31.12.2020 - RM3,365,828). The advances to suppliers are unsecured and interest free. The amount owing will be offset against future purchases from the suppliers.

10. FIXED DEPOSIT WITH A LICENSED BANK

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates of 2.30% (31.12.2022 - 2.30%, 31.12.2021 - 1.40% and 31.12.2020 - 1.45%) per annum. The fixed deposits have maturity period of 1 month (30.6.2022 - 1 month, 31.12.2022 - 1 month, 31.12.2021 - 1 month and 31.12.2020 - 1 month).
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM291,644 (31.12.2022 - RM288,276, 31.12.2021 - RM283,637 and 31.12.2020 - RM279,683) which has been pledged to a licensed bank as security for banking facilities granted to the Group.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

At the end of the reporting period, the assets and liabilities of OFP have been presented in the combined statements of financial position as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale", following the commitment of the Group to dispose the entire equity interest of OFP for a total consideration of RM2,771. Its results have also been presented separately on the combined statement of profit or loss and other comprehensive income as "Loss after taxation from discontinued operations". The disposal was completed on 16 October 2023.

The assets and liabilities of OFP are as follows:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Assets				
Prepayment and deposits	-	-	-	150
Cash and bank balances	-	-	-	15,084
Assets of disposal group classified as held for sale	-	-	-	15,234
Liabilities				
Other payables and accruals	-	-	-	12,463
Liabilities of disposal group classified as held for sale	-	-	-	12,463

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

12. SHARE CAPITAL

(a) Share Capital

	Audited				Audited			
	2020	FYE 31 December 2021	2022	FPE 30 June 2023	2020 RM	FYE 31 December 2021 RM	2022 RM	FPE 30 June 2023 RM
Issued and Fully Paid-Up								
Ordinary Shares								
At beginning of the year/ period	-	-	-	-	-	-	-	-
Issuance of ordinary shares	-	-	-	1	-	-	-	1
At end of the year/ period	-	-	-	1	-	-	-	1

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

12. SHARE CAPITAL

(b) Invested Capital

	2020	Audited FYE 31 December		FPE 30 June 2023	2020 RM	Audited FYE 31 December		FPE 30 June 2023 RM
		2021	2022			2021	2022	
		Number of shares						
Issued and Fully Paid-Up								
Ordinary Shares								
At beginning of the year/ period	4,534,000	4,534,000	4,774,800	5,228,200	4,534,000	4,534,000	5,783,993	8,137,139
Issuance of ordinary shares	-	240,800	453,400	-	-	1,249,993	2,353,146	-
At end of the year/ period	<u>4,534,000</u>	<u>4,774,800</u>	<u>5,228,200</u>	<u>5,228,200</u>	<u>4,534,000</u>	<u>5,783,993</u>	<u>8,137,139</u>	<u>8,137,139</u>

During FYE 31 December 2022, OFS increased its issued and paid-up capital from RM5,783,993 to RM8,137,139 by way of issuance of 453,400 ordinary shares at RM5.19 each by way of capitalising and set off the amount owing to shareholders of RM2,353,146.

During FYE 31 December 2021, the OFS increased its issued and paid-up capital from RM4,534,000 to RM5,783,993 by way of issuance of 240,800 ordinary shares at RM5.19 each for a cash consideration of RM1,249,993.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

Reorganisation Reserve

The reorganisation reserve arise from the difference between the carrying value of the investment and the nominal value of shares of a direct subsidiaries upon consolidated under the pooling-of-interest method of accounting.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****13. HIRE PURCHASE LIABILITIES (SECURED)**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Minimum hire purchase payments:				
- not later than 1 year	100,745	331,629	349,566	373,788
- later than 1 year and not later than 5 years	46,710	723,520	809,862	622,980
	<u>147,455</u>	<u>1,055,149</u>	<u>1,159,428</u>	<u>996,768</u>
Less: Future finance charges	(6,590)	(184,659)	(118,465)	(88,001)
Present value of hire purchase liabilities	<u>140,865</u>	<u>870,490</u>	<u>1,040,963</u>	<u>908,767</u>
Analysed by:-				
Current liabilities	95,196	220,827	224,593	319,762
Non-current liabilities	45,669	649,663	816,370	589,005
	<u>140,865</u>	<u>870,490</u>	<u>1,040,963</u>	<u>908,767</u>

- (a) The hire purchase liabilities of the Group are secured by the Group's solar asset, plant and machineries and cold room held under hire purchase arrangements as disclosed in Note 4 to the combined financial statements.
- (b) The hire purchase payables of the Group at the end of the financial year/period bore effective interest rates ranging from 7.07% to 7.15% (31.12.2022 - 7.07% to 7.15%, 31.12.2021 - 6.24% to 7.07% and 31.12.2020 - 6.24%) per annum. The interest rates are fixed at inception of the hire purchase arrangements.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****14. LEASE LIABILITIES**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
At 1 January	-	-	25,921	14,653
Addition	-	34,114	-	-
Interest expense recognise in profit or loss	-	807	732	216
Repayment of principal	-	(8,193)	(11,268)	(5,784)
Repayment of interest expense	-	(807)	(732)	(216)
	<u>-</u>	<u>25,921</u>	<u>14,653</u>	<u>8,869</u>
Analysed by:-				
Current liabilities	-	11,268	11,671	8,869
Non-current liabilities	-	14,653	2,982	-
	<u>-</u>	<u>25,921</u>	<u>14,653</u>	<u>8,869</u>

15. TERM LOAN (SECURED)

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Current liabilities	-	105,805	109,556	120,933
Non-current liabilities	-	411,216	301,705	235,807
	<u>-</u>	<u>517,021</u>	<u>411,261</u>	<u>356,740</u>

(a) The term loans are secured by:-

- (i) guarantee cover from The Government of Malaysia under Special Relief Facility Scheme administered by Syarikat Jaminan Pembiayaan Perniagaan Berhad; and
- (ii) joint and several guarantee by directors of the Company.

(b) The term loan bore fixed interest rate of 3.50% (31.12.2022 - 3.50%, 31.12.2021 - 3.50% and 31.12.2020 - 3.50%) per annum at the end of reporting period.

(c) The term loan is repayable in monthly instalments of RM10,181 (31.12.2022 - RM10,181, 31.12.2021 - RM10,181 and 31.12.2020 - RM10,181) and will be fully settled in 2026 (31.12.2022 - 2026, 31.12.2021 - 2026 and 31.12.2020 - 2026).

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****16. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 60 (31.12.2022, 31.12.2021 and 31.12.2020 - 30 to 60) days.

17. OTHER PAYABLES AND ACCRUALS

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Other payables	4,249,828	834,613	3,371,604	3,379,061
Accruals	472,656	518,235	819,354	272,021
Deposits received	2,110	2,110	2,110	2,110
	<u>4,724,594</u>	<u>1,354,958</u>	<u>4,193,068</u>	<u>3,653,192</u>

- (a) The other payables included an amount of RM2,425,609 (31.12.2022 - RM1,886,619, 31.12.2021 - RM623,479 and 31.12.2020 - RM2,071,113) representing unsecured and interest-free advances from customers. The amount owing will be offset against future sales from customers.
- (b) The other payables included an amount owing to a shareholder of the holding company amounting to Nil (31.12.2022 - Nil, 31.12.2021 - Nil, and 31.12.2020 - RM1,300,000). The amount owing is unsecured, interest-free, and repayable on demand. The amount owing was settled in cash.

18. AMOUNT OWING (FROM)/TO RELATED COMPANIES

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Trade balances	664,546	275,246	-	-
Non-trade balances	(86,279)	119,249	-	-
	<u>578,267</u>	<u>394,495</u>	<u>-</u>	<u>-</u>

- (a) The trade balances were subject to the normal trade credit terms range from 30 to 45 (31.12.2022 - 30 to 45, 31.12.2021 - 30 to 45, and 31.12.2020 - 30 to 45) days.
- (b) The non-trade balances represent unsecured, interest-free, payment on behalf and was repayable on demand. The amount owing was settled in cash.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. AMOUNT OWING TO A RELATED PARTY

The amount owing to a related party represents unsecured interest-free advances which is repayable on demand. The amount owing is to be settled in cash.

20. AMOUNT OWING TO DIRECTORS

The amount owing to directors represents unsecured interest-free advances which is repayable on demand. The amount owing is to be settled in cash.

21. BANKERS' ACCEPTANCES (SECURED)

- (a) The bankers' acceptances bore effective interest rates of 4.55% (31.12.2022 - 4.55%, 31.12.2021 - 3.55% and 31.12.2020 - 3.55%) per annum at the end of the reporting period.
- (b) The bankers' acceptances are secured by:-
 - (i) freehold land and building of the Group as disclosed in Note 4 to the combined financial statements;
 - (ii) debenture over fixed and floating, present and future assets of the Group;
 - (iii) corporate guarantee by the holding company; and
 - (iv) joint and several guarantee by certain directors of the Group.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****22. REVENUE**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Revenue from Contracts with Customers					
<u>Recognised at a point in time</u>					
Sales of frozen seafood products	92,453,843	154,902,654	152,276,216	62,805,452	78,141,421
Processing services	1,601,100	3,566,148	4,053,504	1,301,996	2,276,568
	<u>94,054,943</u>	<u>158,468,802</u>	<u>156,329,720</u>	<u>64,107,448</u>	<u>80,417,989</u>
<u>Represented by geographical market:-</u>					
Malaysia	10,023,031	21,155,168	28,512,232	16,340,105	12,657,410
Outside Malaysia	84,031,912	137,313,634	127,817,488	47,767,343	67,760,579
	<u>94,054,943</u>	<u>158,468,802</u>	<u>156,329,720</u>	<u>64,107,448</u>	<u>80,417,989</u>

23. NET (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Impairment losses on trade receivables (Note 8)	(122,399)	(138,857)	(118,391)	(21,213)	(2,449,308)
Impairment losses on other receivables (Note 9)	-	(24,781)	-	-	-
Reversal of impairment losses on trade receivables (Note 8)	166	-	126,181	202,946	28,706
	<u>(122,233)</u>	<u>(163,638)</u>	<u>7,790</u>	<u>181,733</u>	<u>(2,420,602)</u>

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

24. PROFIT BEFORE TAXATION

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Profit before taxation is arrived at after charging/(crediting):-					
Auditors' remuneration:					
- current financial year/period	21,000	44,000	50,000	22,000	75,000
- underprovision in the prior financial year	-	-	1,700	1,400	39,057
Directors' remuneration (Note 31)	594,169	349,083	285,578	102,752	284,567
Material Expenses/ (Income)					
Bad debts written off	24,162	347,755	851,208	-	27,373
Depreciation:					
- property, plant and equipment	457,163	512,393	620,077	295,597	342,477
- right-of-use asset	-	8,532	11,376	5,688	5,688
Inventories written off	158,977	307,344	634,695	-	-
Inventories written down	-	-	-	-	243,604
Interest expense:					
- bankers' acceptances	46,317	70,982	10,703	(250)	(471)
- hire purchase liabilities	12,679	60,770	54,363	29,393	30,480
- term loan	-	17,923	15,988	8,418	6,562
- overdraft	-	-	-	-	6,624
- others	29,277	11,075	6,734	4,090	4,182
Interest expense on lease liabilities	-	807	732	415	216
Lease expense:					
- short-term lease	25,200	12,200	12,500	12,000	6,600
Net loss/(gain) on disposal of property, plant and equipment	4,250	(4,999)	(52,690)	(23,998)	(20,998)
Property, plant and equipment written off	-	-	-	-	8,242
Staff costs:					
- short-term employee benefits	2,956,942	3,324,920	3,729,938	1,688,810	2,018,239
- defined contribution benefits	180,078	211,038	251,450	114,879	35,801

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****24. PROFIT BEFORE TAXATION (CONT'D)**

	2020	Audited FYE 31 December 2021	2022	Unaudited Six-month Period FPE 30 June 2022	Audited Six-month Period FPE 30 June 2023
	RM	RM	RM	RM	RM
Bad debts recovered	-	-	-	-	(23,976)
Gain on bargain purchase	-	-	-	-	(1,941)
Interest income	(5,508)	(3,954)	(4,639)	(1,986)	(3,368)
Net (gain)/loss on foreign exchange:					
- realised	(596,018)	(616,063)	(811,910)	(81,848)	(281,764)
- unrealised	-	(10,107)	5,188	-	(624,284)
Net reversal of impairment losses on advances to suppliers	(136)	(186,580)	(6,895)	(30,623)	(2,174)
Reversal of commission payables	-	(14,299)	-	-	-
Reversal of inventories previously written down	-	-	(200,698)	-	-
	_____	_____	_____	_____	_____

25. INCOME TAX EXPENSE

	2020	Audited FYE 31 December 2021	2022	Unaudited Six-month Period FPE 30 June 2022	Audited Six-month Period FPE 30 June 2023
	RM	RM	RM	RM	RM
Current tax expense:-					
Malaysia:					
- for the financial year	30,000	335,776	1,422,932	-	470,616
- under/(over)provision in the previous financial year	-	1,372	(45,692)	(45,692)	(856,601)
	_____	_____	_____	_____	_____
	30,000	337,148	1,377,240	(45,692)	(385,985)

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****25. INCOME TAX EXPENSE (CONT'D)**

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited Six-month Period FPE 30 June 2023 RM
Profit after taxation	2,402,607	4,019,843	5,581,495	3,663,546	3,424,183
Total income tax expenses	30,000	337,148	1,377,240	(45,692)	(385,985)
Results from continuing and discontinued operations before income tax expenses	2,432,607	4,356,991	6,958,735	3,617,854	3,038,198
Tax at the statutory tax rate of 24%	583,826	1,045,678	1,670,096	868,285	729,167
Tax effects of:-					
Non-deductible expenses	59,902	144,686	909,127	227,199	640,104
Non-taxable income	(40)	-	-	-	-
Tax incentives	(298,907)	(747,576)	(1,016,729)	(971,037)	(894,238)
Deferred tax assets not recognised during the financial year	40,644	11,127	6,154	2,145	27,371
Utilisation of deferred tax assets previously not recognised	(355,425)	(118,139)	(145,716)	(126,592)	(31,788)
Under/(Over)provision of current tax in the previous financial year	-	1,372	(45,692)	(45,692)	(856,601)
Income tax expense for the financial year/period	30,000	337,148	1,377,240	(45,692)	(385,985)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (30.6.2022, 31.12.2022, 31.12.2021 and 31.12.2020 - 24%) of the estimated assessable profit for the financial year.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****25. INCOME TAX EXPENSE (CONT'D)**

At the end of the reporting period, the amounts of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Unused tax losses	1,716,197	1,547,697	1,058,697	741,697	1,083,697
Other deductible temporary differences	5,000	126,000	34,000	30,000	-
	<u>1,721,197</u>	<u>1,673,697</u>	<u>1,092,697</u>	<u>771,697</u>	<u>1,083,697</u>

Based on the current legislation, the unused tax losses up to the year of assessment 2018 can be carried forward until the year of assessment 2028 and the unused tax losses for 2019 onwards are allowed to be utilised for 10 consecutive years of assessment immediately following that year of assessment.

[The rest of this page is intentionally left blank]

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****26. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS**

As disclosed in Note 11 to the combined financial statements, the Group has announced the disposal of its subsidiary, OFP is completed on 16 October 2023.

An analysis of the results of the discontinued operations is as follows:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Profit or Loss					
Revenue	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit	-	-	-	-	-
Administrative expenses	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Loss before taxation from discontinued operations	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Income tax expenses	-	-	-	-	-
Loss after taxation from discontinued operations	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)

The cash flows attributable to the discontinued operations are the following:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Net cash for operation activities	(6,697)	(7,177)	(2,423)	(1,388)	(3,414)
Net cash for discontinued operations	(6,697)	(7,177)	(2,423)	(1,388)	(3,414)

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****27. EARNINGS PER SHARE**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
Continuing operations					
Profit attributable to owners of the Company	2,486,059	4,052,298	5,600,633	3,672,064	3,423,548
Weighted average number of ordinary shares in issue	4,534,000	4,535,979	4,785,980	4,774,800	5,228,201
Basic earnings per shares (RM)	0.55	0.89	1.17	0.77	0.65
Discontinuing operations					
Loss attributable to owners of the Company (RM)	(6,697)	(5,477)	(7,576)	(4,519)	(7,299)
Weighted average number of ordinary shares in issue	4,534,000	4,535,979	4,785,980	4,774,800	5,228,201
Basic earnings per shares (RM)	(0.0015)	(0.0012)	(0.0016)	(0.0009)	(0.0014)

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

*- For the purpose of this report, the total number of shares represents the aggregate number of issued and fully paid-up shares of the Group.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****28. DIVIDENDS**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Unaudited Six-month Period FPE 30 June 2022 RM	Audited 2023 RM
In respect of the FYE 31 December 2020:					
- Interim dividend of RM0.05 per ordinary share, paid on 19 September 2020	226,700	-	-	-	-
In respect of the FYE 31 December 2021:					
- Interim dividend of RM0.05 per ordinary share, paid on 23 November 2021	-	226,700	-	-	-
	<u>226,700</u>	<u>226,700</u>	<u>-</u>	<u>-</u>	<u>-</u>

The dividend was declared and paid by OFS.

29. ACQUISITION OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS**29.1 ACQUISITION OF A SUBSIDIARY**

On 11 August 2022, the Company acquired 100% equity interests in OFT representing 3,400,000 ordinary shares in OFT for a total purchase consideration of RM2,353,146, which was settled by issuance of the OFS's share capital.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

	The Group 31.12.2022 RM
Trade and other receivables	2,708,937
Cash and cash equivalent	200,619
Other creditors and accruals	(606,465)
Net identifiable assets acquired	<u>2,303,091</u>
Add: Goodwill	50,055
	<u>2,353,146</u>
Less: Total purchase consideration, settled by capitalise of share capital	(2,353,146)
Less: Cash and bank balances of subsidiary acquired	(200,619)
Net cash inflow from the acquisition of a subsidiary	<u>(200,619)</u>

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

29. ACQUISITION OF A SUBSIDIARY AND NON-CONTROLLING INTERESTS (CONT'D)

29.1 ACQUISITION OF A SUBSIDIARY (CONT'D)

The subsidiary has contributed revenue of RM172,632 and profit after taxation of RM35,414 to the Group since the date of acquisition.

If the acquisition of OFT was effective at the beginning of the FYE 31 December 2022, the Group's revenue and profit after taxation for the FYE 31 December 2022 would have been RM156,934,954 and RM5,616,753 respectively.

29.2 ACQUISITION OF NON-CONTROLLING INTERESTS

On 9 March 2023, the Company acquired the remaining 40% equity interest representing 200,000 ordinary shares in a subsidiary, EO for a total cash consideration of RM23,616 from a director of the subsidiary. The carrying amount of EO's net assets in the Group's financial statements on 9 March 2023 was RM63,893. The Group recognised a decrease in non-controlling interests of RM25,557.

The following summarises the effect of bargain purchase in EO that is attributable to the owners of the Company:-

	The Group 30.06.2023 RM
Net identifiable assets acquired	25,557
Total purchase consideration	23,616
	<hr/>
Gain on bargain purchase	1,941
	<hr/>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION**

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use asset is as follows:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2022 RM	2023 RM
Continuing operations					
Property, plant and equipment					
Cost of property, plant and equipment purchased (Note 4)	122,975	2,279,553	1,381,267	370,647	494,470
Less: Acquired through hire purchase arrangement	-	(960,000)	(391,300)	-	-
	<u>122,975</u>	<u>1,319,553</u>	<u>989,967</u>	<u>370,647</u>	<u>494,470</u>
Continuing operations					
Right-of-use asset					
Cost of right-of-use asset acquired (Note 5)	-	34,114	-	-	-
Less: Addition of new lease liability (Note 14)	-	(34,114)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Audited	Bankers' Acceptances RM	Hire Purchase Liabilities RM	Total RM
Continuing operations			
The Group			
31.12.2020			
At 1 January	-	256,406	256,406
<u>Changes in Financing Cash Flows</u>			
Proceeds from drawdown	6,191,970	-	6,191,970
Repayment of principal	(2,685,575)	(115,541)	(2,801,116)
Repayment of interests	(46,317)	(12,679)	(58,996)
	3,460,078	(128,220)	3,331,858
<u>Non-cash Changes</u>			
Interest expense recognised in profit or loss	46,317	12,679	58,996
	46,317	12,679	58,996
At 31 December	3,506,395	140,865	3,647,260

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Bankers' Acceptances RM	Hire Purchase Liabilities RM	Lease Liability RM	Term Loan RM	Total RM
Continuing operations					
The Group					
31.12.2021					
At 1 January	3,506,395	140,865	-	-	3,647,260
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	18,869,268	-	-	567,924	19,437,192
Repayment of principal	(19,445,298)	(230,375)	(8,193)	(50,903)	(19,734,769)
Repayment of interests	(70,982)	(60,770)	(807)	(17,923)	(150,482)
	(647,012)	(291,145)	(9,000)	499,098	(448,059)
<u>Non-cash Changes</u>					
Acquisition of new lease	-	-	34,114	-	34,114
Addition of hire purchase	-	960,000	-	-	960,000
Interest expense recognised in profit or loss	70,982	60,770	807	17,923	150,482
	70,982	1,020,770	34,921	17,923	1,144,596
At 31 December	2,930,365	870,490	25,921	517,021	4,343,797

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Bankers' Acceptances RM	Hire Purchase Liabilities RM	Lease Liability RM	Term Loan RM	Total RM
Continuing operations					
The Group					
31.12.2022					
At 1 January	2,930,365	870,490	25,921	517,021	4,343,797
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	6,156,082	-	-	-	6,156,082
Repayment of principal	(8,579,342)	(220,827)	(11,268)	(105,760)	(8,917,197)
Repayment of interests	(10,703)	(54,363)	(732)	(15,988)	(81,786)
	(2,433,963)	(275,190)	(12,000)	(121,748)	(2,842,901)
<u>Non-cash Changes</u>					
Addition of hire purchase	-	391,300	-	-	391,300
Interest expense recognised in profit or loss	10,703	54,363	732	15,988	81,786
	10,703	445,663	732	15,988	473,086
At 31 December	507,105	1,040,963	14,653	411,261	1,973,982

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Unaudited	Bankers' Acceptances RM	Hire Purchase Liabilities RM	Lease Liability RM	Term Loan RM	Total RM
Continuing operations					
The Group					
30.6.2022					
At 1 January	2,930,365	870,490	25,921	517,021	4,343,797
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	2,648,411	-	-	-	2,648,411
Repayment of principal	(3,727,264)	(110,797)	(5,585)	(52,666)	(3,896,312)
Repayment of interests	250	(29,393)	(415)	(8,418)	(37,976)
	(1,078,603)	(140,190)	(6,000)	(61,084)	(1,285,877)
<u>Non-cash Changes</u>					
Addition of hire purchase	-	-	-	-	-
Interest expense recognised in profit or loss	(250)	29,393	415	8,418	37,976
	(250)	29,393	415	8,418	37,976
At 30 June	1,851,512	759,693	20,336	464,355	3,095,896

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Bankers' Acceptances RM	Hire Purchase Liabilities RM	Lease Liability RM	Term Loan RM	Overdraft RM	Total RM
Continuing operations						
The Group						
30.6.2023						
At 1 January	507,105	1,040,963	14,653	411,261	-	1,973,982
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	236,120	-	-	-	1,171,730	1,407,850
Repayment of principal	(507,105)	(132,196)	(5,784)	(54,521)	(1,171,730)	(1,871,336)
Repayment of interests	471	(30,480)	(216)	(6,562)	(6,624)	(43,411)
	(270,514)	(162,676)	(6,000)	(61,083)	(6,624)	(506,897)
<u>Non-cash Changes</u>						
Addition of hire purchase	-	-	-	-	-	-
Interest expense recognised in profit or loss	(471)	30,480	216	6,562	6,624	43,411
	(471)	30,480	216	6,562	6,624	43,411
At 30 June	236,120	908,767	8,869	356,740	-	1,510,496

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	2020 RM	Audited FYE 31 December		Unaudited	Audited
		2021 RM	2022 RM	Six-month Period FPE 30 June 2022 RM	2023 RM
Continuing operations					
Payment of short-term leases	25,200	12,200	12,500	12,000	6,600
Interest paid on lease liability	-	807	732	415	216
Payment of lease liability	-	8,193	11,268	5,585	5,784
	<u>25,200</u>	<u>21,200</u>	<u>24,500</u>	<u>18,000</u>	<u>12,600</u>

(d) The cash and cash equivalents comprise the following:-

	2020 RM	Audited FYE 31 December		Unaudited	Audited
		2021 RM	2022 RM	Six-month Period FPE 30 June 2022 RM	2023 RM
Continuing operations					
Fixed deposit with licensed banks	279,683	283,637	288,276	285,623	291,644
Cash and bank balances	4,538,814	7,395,859	6,279,915	5,970,054	4,157,611
	<u>4,818,497</u>	<u>7,679,496</u>	<u>6,568,191</u>	<u>6,255,677</u>	<u>4,449,255</u>
Less: Fixed deposit pledged to licensed banks	(279,683)	(283,637)	(288,276)	(285,623)	(291,644)
	<u>4,538,814</u>	<u>7,395,859</u>	<u>6,279,915</u>	<u>5,970,054</u>	<u>4,157,611</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****30. CASH FLOW INFORMATION (CONT'D)**

(d) The cash and cash equivalents comprise the following:-

	Audited FYE 31 December			Unaudited Six-month Period FPE 30 June	Audited
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Discontinued operations					
Cash and bank balances	-	-	-	-	15,084
	<u>4,538,814</u>	<u>7,395,859</u>	<u>6,279,915</u>	<u>5,970,054</u>	<u>4,172,695</u>

[The rest of this page is intentionally left blank]

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****31. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel of the Group and of the Company include directors of the Company.

The key management personnel compensation during the financial year are as follows:-

	Audited FYE 31 December			Unaudited Six-month Period FPE 30 June	Audited
	2020 RM	2021 RM	2022 RM	2022 RM	2023 RM
Directors					
<u>Directors of the Company</u>					
Short-term employee benefits:					
- fees	95,000	45,000	30,000	-	-
- salaries, bonuses and other benefits	453,209	264,225	232,698	96,352	268,268
	<u>548,209</u>	<u>309,225</u>	<u>262,698</u>	<u>96,352</u>	<u>268,268</u>
Defined contribution benefits	45,960	27,858	10,880	6,400	16,299
	<u>594,169</u>	<u>337,083</u>	<u>273,578</u>	<u>102,752</u>	<u>284,567</u>
<u>Directors of the Subsidiaries</u>					
Short-term employee benefits:					
- salaries, bonuses and other benefits	-	12,000	12,000	-	-
Total directors' remuneration	<u>594,169</u>	<u>349,083</u>	<u>285,578</u>	<u>102,752</u>	<u>284,567</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****32. RELATED PARTY DISCLOSURES****(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the combined financial statements, the Group has related party relationships with its directors and key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the combined financial statements, the Group carried out the following significant transactions with the related parties during the financial year/period:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited Six-month Period FPE 30 June 2023 RM
Fees paid to: - a related company	-	597,633	266,061	-
Purchase from a related company	2,300,344	-	-	-
Processing fee from related parties	41,734	144,464	152,674	66,786
Rental income from a related party	-	45,263	32,897	3,381
Sales to related parties	1,089,151	5,290,185	6,229,005	2,890,730
Purchases from related parties	2,200,079	3,299,918	3,021,551	2,270,870

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the combined financial statements.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

[The rest of this page is intentionally left blank]

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than the respective functional currency of entities within the Group. The currencies giving rise to this risk is primarily United States Dollar ("USD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

Foreign Currency Exposure

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2020				
<u>Financial Assets</u>				
Trade receivables	8,356,110	709,361	8,409,745	17,475,216
Other receivables	-	-	380,331	380,331
Fixed deposit with a licensed bank	-	-	279,683	279,683
Cash and bank balances	994,782	49,321	3,494,711	4,538,814
	9,350,892	758,682	12,564,470	22,674,044

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

The Group's policies in respect of major areas of treasury activity are as follows (cont'd):

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2020				
<u>Financial Liabilities</u>				
Trade payables	829,836	-	13,129,859	13,959,695
Other payables and accruals	-	-	2,651,371	2,651,371
Amount owing to related companies	-	-	578,267	578,267
Amount owing to a related party	-	-	31,547	31,547
Amount owing to directors	-	-	40,000	40,000
Hire purchases liabilities	-	-	140,865	140,865
Bankers' acceptances	-	-	3,506,395	3,506,395
	829,836	-	20,078,304	20,908,140
Net financial (liabilities)/assets	8,521,056	758,682	(7,513,984)	1,765,754
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	7,513,984	7,513,984
Currency exposure	8,521,056	758,682	-	9,279,738

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2021				
<u>Financial Assets</u>				
Trade receivables	12,203,215	-	5,138,483	17,341,698
Other receivables	-	-	501,802	501,802
Fixed deposit with a licensed bank	-	-	283,637	283,637
Cash and bank balances	614,842	27,468	6,753,549	7,395,859
	12,818,057	27,468	12,677,471	25,522,996

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2021				
<u>Financial Liabilities</u>				
Trade payables	4,632,450	-	12,307,791	16,940,241
Other payables and accruals	-	-	729,369	729,369
Amount owing to related companies	-	-	394,495	394,495
Amount owing to directors	-	-	76,000	76,000
Hire purchases liabilities	-	-	870,490	870,490
Bankers' acceptances	-	-	2,930,365	2,930,365
Term loan	-	-	517,021	517,021
	4,632,450	-	17,825,531	23,457,981
Net financial (liabilities)/assets	8,185,607	27,468	(5,148,060)	3,065,015
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	5,148,060	5,148,060
Currency exposure	8,185,607	27,468	-	8,213,075

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2022				
<u>Financial Assets</u>				
Trade receivables	12,344,578	-	6,086,692	18,431,270
Other receivables	-	-	1,203,086	1,203,086
Fixed deposit with a licensed bank	-	-	288,276	288,276
Cash and bank balances	3,726,763	44,045	2,509,107	6,279,915
	16,071,341	44,045	10,087,161	26,202,547

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
31.12.2022				
<u>Financial Liabilities</u>				
Trade payables	3,908,429	-	4,579,995	8,488,424
Other payables and accruals	-	-	2,304,339	2,304,339
Amount owing to a related party	-	-	6,068	6,068
Amount owing to directors	-	-	84,001	84,001
Hire purchases liabilities	-	-	1,040,963	1,040,963
Bankers' acceptances	-	-	507,105	507,105
Term loans	-	-	411,261	411,261
	3,908,429	-	8,933,732	12,842,161
Net financial (liabilities)/assets	12,162,912	44,045	1,153,429	13,360,386
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	(1,153,429)	(1,153,429)
Currency exposure	12,162,912	44,045	-	12,206,957

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
30.6.2023				
<u>Financial Assets</u>				
Trade receivables	8,370,690	164,463	2,848,690	11,383,843
Other receivables	-	-	247,310	247,310
Fixed deposit with a licensed bank	-	-	291,644	291,644
Cash and bank balances	1,735,162	39,209	2,383,240	4,157,611
	10,105,852	203,672	5,770,884	16,080,408

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM	Other RM	Ringgit Malaysia RM	Total RM
30.6.2023				
<u>Financial Liabilities</u>				
Trade payables	1,901,432	-	3,648,447	5,549,879
Other payables and accruals	-	-	1,225,473	1,225,473
Amount owing to directors	-	-	12,000	12,000
Hire purchases payables	-	-	908,767	908,767
Bankers' acceptances	-	-	236,120	236,120
Term loan	-	-	356,740	356,740
	1,901,432	-	6,387,547	8,288,979
Net financial (liabilities)/assets	8,204,420	203,672	(616,663)	7,791,429
Less: Net financial assets denominated in the respective entities' functional currencies	-	-	616,663	616,663
Currency exposure	8,204,420	203,672	-	8,408,092

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Effect on profit after taxation				
USD/RM				
- strengthened by 5%	323,800	311,053	462,191	311,768
- weakened by 5%	(323,800)	(311,053)	(462,191)	(311,768)
OTHER/RM				
- strengthened by 5%	28,830	1,044	1,674	7,740
- weakened by 5%	(28,830)	(1,044)	(1,674)	(7,740)

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables, borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amount of the financial instrument at the end of the reporting period is disclosed in Note 21 to the combined financial statements respectively.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence it is not exposed to equity price risk.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to ultimate holding company and subsidiaries for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses**

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 365 days past due.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables (including amount owing by related parties) has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over 12 months (30.6.2023, 31.12.2022, 31.12.2021 and 31.12.2020 - 12 months) from the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial years.

Sales made are generally accompanies by letters of credit or advance payments and therefore, there is minimal exposure to credit risk. Furthermore, outstanding trade receivables are largely collected within the credit term.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses*

Audited	Gross Amount RM	Collective Impairment RM	Carrying Amount RM
31.12.2020			
Current (not past due)	8,379,128	-	8,379,128
1 to 30 days past due	5,328,372	-	5,328,372
31 to 60 days past due	1,206,141	-	1,206,141
61 to 90 days past due	69,844	-	69,844
More than 90 days past due	2,752,998	(261,267)	2,491,731
	<u>17,736,483</u>	<u>(261,267)</u>	<u>17,475,216</u>
31.12.2021			
Current (not past due)	3,690,216	-	3,690,216
1 to 30 days past due	5,901,235	-	5,901,235
31 to 60 days past due	1,911,044	-	1,911,044
61 to 90 days past due	2,953,957	-	2,953,957
More than 90 days past due	3,285,370	(400,124)	2,885,246
	<u>17,741,822</u>	<u>(400,124)</u>	<u>17,341,698</u>
31.12.2022			
Current (not past due)	7,155,578	(35,635)	7,119,943
1 to 30 days past due	2,923,852	(29,238)	2,894,614
31 to 60 days past due	2,170,459	(43,409)	2,127,050
61 to 90 days past due	3,097,513	(108,528)	2,988,985
More than 90 days past due	3,476,234	(175,556)	3,300,678
	<u>18,823,636</u>	<u>(392,366)</u>	<u>18,431,270</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses (Cont'd)*

Audited	Gross Amount RM	Individual Impairment RM	Collective Impairment RM'	Carrying Amount RM
30.6.2023				
Current (not past due)	4,324,643	-	(19,066)	4,305,577
1 to 30 days past due	1,737,196	-	(17,372)	1,719,824
31 to 60 days past due	1,399,098	-	(27,982)	1,371,116
61 to 90 days past due	1,055,222	-	(36,822)	1,018,400
More than 90 days past due	5,680,652	-	(2,711,726)	2,968,926
	14,196,811	-	(2,812,968)	11,383,843

The movements in the loss allowances in respect of trade receivables is disclosed in Note 8 to the combined financial statements.

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible other than those which had already impaired.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Fixed Deposit with a Licensed Bank, Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

[The rest of this page is intentionally left blank]

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Audited	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
31.12.2020					
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	13,959,695	13,959,695	13,959,695	-
Other payables and accruals	-	2,651,371	2,651,371	2,651,371	-
Amount owing to related companies	-	578,267	578,267	578,267	-
Amount owing to a related party	-	31,547	31,547	31,547	-
Amount owing to directors	-	40,000	40,000	40,000	-
Hire purchase liabilities	6.24	140,865	147,455	100,745	46,710
Bankers' acceptance	3.55	3,506,395	3,506,395	3,506,395	-
		20,908,140	20,914,730	20,868,020	46,710

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
31.12.2021					
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	16,940,241	16,940,241	16,940,241	-
Other payables and accruals	-	729,369	729,369	729,369	-
Amount owing to related companies	-	394,495	394,495	394,495	-
Amount owing to directors	-	76,000	76,000	76,000	-
Hire purchase liabilities	6.24 – 7.07	870,490	1,055,149	331,629	723,520
Term loan	3.50	517,021	560,270	122,167	438,103
Bankers' acceptance	3.55	2,930,365	2,930,365	2,930,365	-
		23,457,981	22,685,889	21,524,266	1,161,623
<u>Other Liability</u>					
Lease liabilities	3.53	25,921	27,000	12,000	15,000
		23,483,902	22,712,889	21,536,266	1,176,623

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
31.12.2022					
<u>Non-derivative Financial Liabilities</u>					
Trade payables	-	8,488,424	8,488,424	8,488,424	-
Other payables and accruals	-	2,304,339	2,304,339	2,304,339	-
Amount owing to a related party	-	6,068	6,068	6,068	-
Amount owing to directors	-	84,001	84,001	84,001	-
Hire purchase liabilities	7.07 – 7.15	1,040,963	1,159,428	349,566	809,862
Term loan	3.50	411,261	438,155	122,167	315,988
Bankers' acceptance	4.55	507,105	507,105	507,105	-
		12,842,161	12,987,520	11,861,670	1,125,850
<u>Other Liability</u>					
Lease liabilities	3.53	14,653	15,000	12,000	3,000
		12,856,814	13,002,520	11,873,670	1,128,850

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)**

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
30.6.2023					
Trade payables	-	5,549,879	5,549,879	5,549,879	-
Other payables and accruals	-	1,225,473	1,225,473	1,225,473	-
Amount owing to directors	-	12,000	12,000	12,000	-
Hire purchase payables	7.07 – 7.15	908,767	1,159,428	349,566	809,862
Term loan	3.50	356,740	376,845	122,167	254,678
Bankers' acceptance	4.55	236,120	236,120	236,120	-
		8,288,979	8,559,745	7,495,205	1,064,540
<u>Other Liability</u>					
Lease liabilities	3.53	8,869	9,000	9,000	-
		8,297,848	8,568,745	7,504,205	1,064,540

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	2020	Audited FYE 31 December 2021	2022	Audited FPE 30 June 2023
	RM	RM	RM	RM
Hire purchase liabilities	140,865	870,490	1,040,963	908,767
Term loan	-	517,021	411,261	356,740
Bankers' acceptance	3,506,395	2,930,365	507,105	236,120
	<u>3,647,260</u>	<u>4,317,876</u>	<u>1,959,329</u>	<u>1,501,627</u>
Less: Cash and cash equivalents (Note 30(d))	(4,583,814)	(7,395,859)	(6,279,915)	(4,172,694)
Net debt	<u>(936,554)</u>	<u>(3,077,983)</u>	<u>(4,320,586)</u>	<u>(2,671,067)</u>
Total equity	<u>25,462,684</u>	<u>30,505,820</u>	<u>38,440,461</u>	<u>41,839,088</u>
Debt-to-equity ratio	<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

There was no changes in the Group's approach to capital management during the financial year.

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)**

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Financial Assets				
<u>Amortised Cost</u>				
Trade receivables (Note 8)	17,475,216	17,341,698	18,431,270	11,383,843
Other receivables	380,331	501,802	1,203,086	247,310
Fixed deposit with a licensed bank	279,683	283,637	288,276	291,644
Cash and bank balances	4,538,814	7,395,859	6,279,915	4,157,611
	<u>22,647,044</u>	<u>25,522,996</u>	<u>26,202,547</u>	<u>16,080,408</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Financial Liabilities				
<u>Amortised Cost</u>				
Trade payables	13,959,695	16,940,241	8,488,424	5,549,879
Other payables and accruals	2,651,371	729,369	2,304,339	1,225,473
Amount owing to related companies (Note 18)	578,267	394,495	-	-
Amount owing to a related party	31,547	-	6,068	-
Amount owing to directors	40,000	76,000	84,001	12,000
Hire purchase liabilities (Note 13)	140,865	870,490	1,040,963	908,767
Term loan (Note 15)	-	517,021	411,261	356,740
Bankers' acceptances	3,506,395	2,930,365	507,105	236,120
	<u>20,908,140</u>	<u>23,457,981</u>	<u>12,842,161</u>	<u>8,288,979</u>

12. ACCOUNTANTS' REPORT (CONT'D)**OCEAN FRESH BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****33. FINANCIAL INSTRUMENTS (CONT'D)****33.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS**

	2020 RM	Audited FYE 31 December 2021 RM	2022 RM	Audited FPE 30 June 2023 RM
Financial Assets				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(116,725)	(482,658)	(838,779)	(2,420,631)
Financial Liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(58,996)	(149,675)	(81,054)	(43,195)

33.5 FAIR VALUE INFORMATION

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of term loans that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments is 3.50% and the fair value is within level 2 of the fair value hierarchy.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

34. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

In conjunction with, and as an integral part of the Listing, the Company has undertaken the acquisition of Ocean Fresh Seafood Products Sdn. Bhd. and its subsidiaries ("Proposed Acquisition"). On 9 October 2023, the Company had entered into a share sale agreement in relations to the Proposed Acquisition for a total consideration of RM38,423,040.

Subsequent to the acquisition, the Group has undertaken an internal restructuring by acquiring the entire issued share capital of OFS, LLH, EO and OFT, to be held directly by Ocean Fresh Berhad., for a total consideration of RM7,614,603.

12. ACCOUNTANTS' REPORT (CONT'D)

OCEAN FRESH BERHAD

STATEMENT BY DIRECTORS

We, Siang Hai Yong and Kee Wan Chum, being two of the directors of Ocean Fresh Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as of 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and of their financial performance and cash flows for the FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 and FPE 30 June 2023.

Signed in accordance with a resolution of the directors dated **27 NOV 2023**



Siang Hai Yong



Kee Wan Chum

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowe.my

27 November 2023

The Board of Directors
Ocean Fresh Berhad
Lot 19869, Kampung Baru Peramu,
26060 Kuantan, Pahang,
Malaysia.

Dear Sirs/Madams,

**OCEAN FRESH BERHAD (“OFB” OR “THE COMPANY”)
REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Position of OFB and its subsidiaries (hereinafter referred to as the “the Group”) as at 30 June 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the proposed listing of and quotation for the entire issued share capital of OFB on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are described in the notes thereon to the Pro Forma Statements of Financial Position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions set out in the notes thereon to the Pro Forma Statements of Financial Position as if the transactions have been implemented and completed on 30 June 2023 on the Group’s financial position as at that date.

As part of this process, information about the Group’s financial position as at 30 June 2023 has been extracted by the Board of Directors of the Company from the Accountant’s Report of the Group for the 6-month financial period ended 30 June 2023, which are audited by us.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* 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 issued by the Securities Commission Malaysia, about whether the Pro Forma Statements of Financial Position have been complied, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements 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 financial information on the basis of the applicable criteria.

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 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 the Pro Forma Statements of Financial Position.

The purpose of Pro Forma Statements of Financial Position included in a 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.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines, 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 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 Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the Pro Forma 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 Statements of Financial Position of the Group as at 30 June 2023 have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

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

Yours faithfully,

A handwritten signature in black ink, appearing to be "Cui".

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

Kuala Lumpur

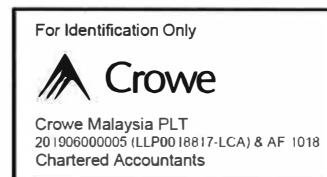
A handwritten signature in black ink, appearing to be "Choong Kok Keong".

Choong Kok Keong
03461/11/2025 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

OCEAN FRESH BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023



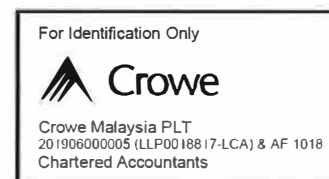
Appendix A

	Note	As at 30 June 2023 RM'000	Adjustment for Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Proposed Acquisition RM'000	Pro Forma II After Pro Forma I and Proposed Acquisition RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
ASSETS										
NON-CURRENT ASSETS										
Property, plant and equipment		9,826		9,826		9,826		9,826		9,826
Right-of-use asset		9		9		9		9		9
Goodwill		50		50		50		50		50
		<u>9,885</u>		<u>9,885</u>		<u>9,885</u>		<u>9,885</u>		<u>9,885</u>
CURRENT ASSETS										
Inventories		19,910		19,910		19,910		19,910		19,910
Trade receivables		11,383		11,383		11,383		11,383		11,383
Other receivables, deposits and prepayments		6,528		6,528		6,528		6,528		6,528
Current tax assets		406		406		406		406		406
Fixed deposits with a licensed banks		292		292		292		292		292
Cash and bank balances	7.1	4,158		4,158		4,158	[•]	[•]	[•]	[•]
		<u>42,677</u>		<u>42,677</u>		<u>42,677</u>		[•]		[•]
Asset of disposal group classified as held for sale		15	(15)	-		-		[•]		[•]
TOTAL ASSETS		<u>52,577</u>		<u>52,561</u>		<u>52,561</u>		[•]		[•]

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

OCEAN FRESH BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



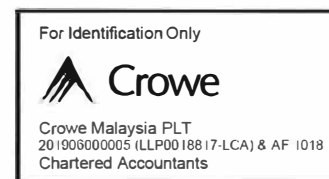
Appendix A

	Note	As at 30 June 2023 RM'000	Adjustment for Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Proposed Acquisition RM'000	Pro Forma II After Pro Forma I and Proposed Acquisition RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	7.2	#		#	38,423	38,423	[•]	[•]	[•]	[•]
Invested share capital	7.2	8,137		8,137	(8,137)	-		-		-
Reserves	7.3	33,702	(3)	33,699	(30,286)	3,413		3,413	[•]	[•]
		41,839		41,836		41,836		[•]		[•]
NON-CONTROLLING INTERESTS										
		-		-		-		-		-
TOTAL EQUITY		41,839		41,836		41,836		[•]		[•]
NON-CURRENT LIABILITIES										
Borrowings		825		825		825		825		825
		825		825		825		825		825

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

OCEAN FRESH BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

	Note	As at 30 June 2023 * RM'000	Adjustment for Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Proposed Acquisition RM'000	Pro Forma II After Pro Forma I and Proposed Acquisition RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
CURRENT LIABILITIES										
Trade payables		5,550		5,550		5,550		5,550		5,550
Other payables and accruals		3,653		3,653		3,653		3,653		3,653
Amount owing to directors		12		12		12		12		12
Lease liabilities		9		9		9		9		9
Borrowings		677		677		677		677		677
		<u>9,901</u>		<u>9,901</u>		<u>9,901</u>		<u>9,901</u>		<u>9,901</u>
Liabilities of disposal group classified as held for sale		12	(12)	-		-		-		-
TOTAL LIABILITIES		<u>10,738</u>		<u>10,725</u>		<u>10,725</u>		<u>10,725</u>		<u>10,725</u>
TOTAL EQUITY AND LIABILITIES		<u>52,577</u>		<u>52,562</u>		<u>52,562</u>		<u>[●]</u>		<u>[●]</u>
Number of ordinary shares		5,228,201		5,228,201		160,096,001		210,146,001		210,146,001
Net assets ("NA") @ (RM'000)		41,839		41,836		41,836		[●]		[●]
NA per ordinary share (RM)		<u>8.00</u>		<u>8.00</u>		<u>0.26</u>		<u>[●]</u>		<u>[●]</u>

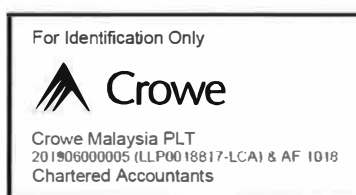
Notes:-

* - Extracted from the Accountant's Report as at 30 June 2023.

@ - represents net assets attributable to owners of the Company, which is also known as shareholders' equity.

- Amount less than RM1,000

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

OCEAN FRESH BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

1. ABBREVIATIONS

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

Abbreviations

EO	:	East Ocean Frozen Seafood Products (Sabah) Sdn. Bhd.
IPO	:	Initial public offering.
Listing	:	Proposed listing of and quotation for the entire issued share capital of OFB on the ACE Market of Bursa Malaysia Securities Berhad.
LLH	:	Lianli Huat Seafood Products Sdn. Bhd.
Ocean Fresh Acquisition	:	The acquisition by the Company of the entire issued share capital of OFS from Vendors for a total purchase consideration of RM38,423,040 which will be satisfied entirely by issuance of 160,095,999 new Shares.
OFB or the Company	:	Ocean Fresh Berhad Registration No.: 202301019041 (1512963A).
OFB Shares or Shares	:	Ordinary shares in OFB.
OFP	:	Ocean Fresh Seafood Processing Sdn. Bhd.
OFS	:	Ocean Fresh Seafood Products Sdn. Bhd.
OFT	:	Ocean Fresh Trading Sdn. Bhd.
RM and sen	:	Ringgit Malaysia and sen, respectively.
The Group	:	Ocean Fresh Berhad, Ocean Fresh Seafood Products Sdn. Bhd. Registration No.: 200201001773 (569436W); Lianli Huat Seafood Products Sdn. Bhd. Registration No.: 200301002588 (605008T); East Ocean Frozen Seafood Products (Sabah) Sdn. Bhd. Registration No.: 201701010036 (1224201A); and Ocean Fresh Trading Sdn. Bhd. Registration No.: 200901013688 (856748D).

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

OCEAN FRESH BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

1. ABBREVIATIONS (CONT'D)

Vendors	:	Untung Besar Sdn. Bhd. Registration No.: 200701036541(794570-W); Treasure Gain Sdn. Bhd. Registration No.: 200701032836 (790864-D); Sierra Mode Sdn. Bhd. Registration No.: 202101044051 (1444351-W); Chia Hooi Huak; Heah Theare Haw; Law Chee Kheong; Yau Ming Teck; Kee Yow Lee; Eng Chai Hee; and Siang Hai Yong;
---------	---	---

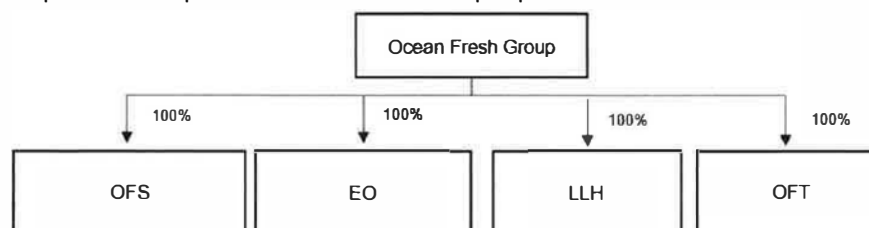
2. INTRODUCTION

The Pro Forma Statements of Financial Position of the Group as at 30 June 2023 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purpose only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

3.1 Group Structure

The pro forma corporate structure of the Group is presented as follows:-



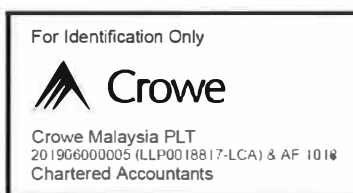
OFB was incorporated on 22 May 2023 as a private limited company under the name of Ocean Fresh Sdn. Bhd. Subsequently, the Company was converted into a public limited company and assumed its present name on 29 August 2023.

3.2 Accountant's Report

The Pro Forma Statements of Financial Position of the Group as at 30 June 2023 are prepared based on the Accountant's Report of the Group for the 6-month financial period ended 30 June 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The Accountant's Report used in the preparation of these Pro Forma Statements of Financial Position were not subject to any audit qualification, modification or disclaimer of opinion.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

OCEAN FRESH BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.3 Business Combinations

The business combinations of the Group involving the formation of a new holding company, namely OFB, to undertake a restructuring exercise through the Ocean Fresh Acquisition as follows:-

- (a) To formalise the listing group in preparation for the Listing, OFB has entered into a share sale agreement on 9 October 2023 with the Vendors to acquire the entire equity interest of OFS for a total consideration of RM38,423,040, which will be fully satisfied by the issuance of 160,095,999 new Shares at an issue price of RM0.24 each. The total purchase consideration was arrived at after taking into consideration the audited consolidated net assets of OFS as at 31 December 2022.

The Ocean Fresh Acquisition represents an internal restructuring whereby it is a continuation of the acquired entity and the assets and liabilities of the acquired entity are stated at their existing carrying amounts. The difference between the consideration paid and share capital of the acquired entity is accounted for as reorganisation reserve or deficit as applicable.

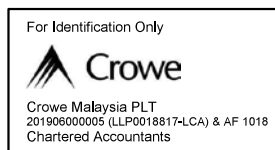
- (b) Internal reorganisation upon completion of the acquisition of the entire issued share capital of OFS whereby the Company had acquired the entire issued share capital of LLH, EO and OFT for a total cash consideration of RM7,614,603 from OFS. The said consideration was arrived at after taking into account the aggregate audited net assets of LLH, EO and OFT as at 31 December 2022.

3.4 Applicable Criteria

- (a) The Pro Forma Statements of Financial Position of OFB together with the accompanying notes thereon, have been prepared solely to illustrate the effect on the financial position of OFB as at 30 June 2023 as if events and transactions as set out in Note 4 and Note 5 herein been implemented on 30 June 2023.
- (b) The Pro Forma Statements of Financial Position of OFB have been prepared for illustration purposes using the Accountant's Report as set out in Note 3.2 above which are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and are not subject to any qualification, modification or disclaimer.
- (c) The Pro Forma Statements of Financial Position of OFB have also been compiled in a manner consistent with the format of the audited financial statements and accounting policies of the Group.
- (d) Material and appropriate adjustments have been made in the preparation of Pro Forma Statements of Financial Position of OFB.

The Pro Forma Statements of Financial Position as at 30 June 2023 are not necessarily indicative of the financial position that would have been attained as if events and transactions actually occurred on 30 June 2023. The Pro Forma Statements of Financial Position have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual effects of the transactions on the Group's future financial position.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

OCEAN FRESH BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)****4. SUBSEQUENT EVENT OCCURRING AFTER 30 JUNE 2023****Disposal of OFP**

On 16 October 2023, the board of directors of OFS has disposed its subsidiary, OFP as it has been underperforming for the past few financial years and had ceased its operations since the financial year ended 31 December 2018.

5. LISTING SCHEME

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:-

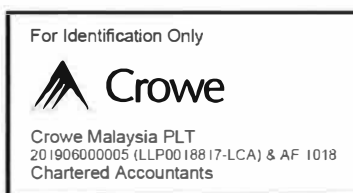
5.1 Proposed Acquisition**Ocean Fresh Acquisition**

OFB has entered into a share sale agreement on 9 October 2023 to acquire the entire issued share capital of OFS and its subsidiaries. The details are as follows:-

Company name	Equity Interest (%)	Purchase consideration RM	No. of shares issued by OFB
OFS	100	38,423,040	160,095,999
			RM
Purchase consideration			38,423,040
Less:- Share capital of OFS			(8,137,139)
Reorganisation reserve			30,285,901

The purchase consideration of OFS was arrived on a willing-buyer willing-seller basis, after taking into consideration the adjusted audited combined net assets of OFS as at 31 December 2022.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)



Appendix A

OCEAN FRESH BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

5. LISTING SCHEME (CONT'D)

The following proposals were undertaken in conjunction with, and as an integral part of the Listing (Cont'd):-

5.2 Proposed Public Issue

The Proposed Public Issue of 50,050,000 new Shares, representing approximately 23.81% of the enlarged issued share capital of the Group at an issue price of [●] per Share allocated in the following manner:-

- 10,510,000 Public Issue Shares will be made available for application by the Malaysian Public by way of balloting;
- 1,710,000 Shares will be made available for application by the eligible directors and employees; and
- 37,830,000 Shares will be made available for application by way of private placement to selected investors.

5.3 Proposed Listing

The admission of OFB to the Official List of Bursa Malaysia Securities Berhad as well as the listing of and quotation for the entire issued and share capital of the Group of [●] comprising 210,146,000 Shares on the ACE Market of Bursa Malaysia Securities Berhad will be sought.

6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

6.1 Pro Forma I

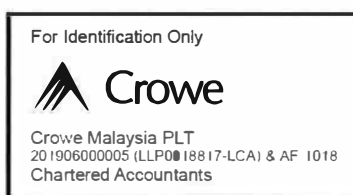
Pro Forma I incorporates the effects of the Subsequent Event as set out in Note 4 above.

6.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and Proposed Acquisition as set out in Note 5.1 to the Pro Forma Statements of Financial Position.

6.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and Public Issue as set out in Note 5.2 to the Pro Forma Statements of Financial Position.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)


Appendix A

OCEAN FRESH BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)****6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.4 Pro Forma IV**

Pro Forma IV incorporates the effects of Pro Forma III and the utilisation of proceeds from the Proposed Public Issue. The proceeds from the Proposed Public Issue will be utilised as follows:-

Purposes	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM	%	
Capital expenditure for a new cold storage facility ⁽¹⁾	[●]	[●]	Within 24 months
Working capital requirements ⁽²⁾	[●]	[●]	Within 24 months
Estimated listing expenses ^{(3),(4)}	[●]	[●]	Immediate
	[●]	[●]	

Notes to the utilisation of proceeds:-

- (1) As at the latest practicable date of the prospectus, the Group has yet to enter into any contractual binding arrangements or issue any purchase orders in relation to the capital expenditure for a new cold storage facility. Accordingly, the utilisation of proceeds for aforesaid capital expenditure is not reflected in the pro forma statements of financial position.
- (2) As at the latest practicable date of the prospectus, the Group has yet to issue any purchase orders for the working capital requirements. Accordingly, the utilisation of proceeds is not reflected in the Pro Forma Statements of Financial Position.
- (3) If the actual listing expenses are higher than budgeted, the shortfall will be funded from the portion allocated for working capital purposes. Conversely, if the actual listing expenses are lower than amount budgeted, the excess will be utilised for the working capital purposes requirements.
- (4) The estimated listing expenses of [●] directly attributable to the listing expenses will be set off against share capital and the remaining estimated listing expenses of [●] that is attributable to the Proposed Listing will be charged to the statements of profit or loss and other comprehensive income. In the financial period ended 30 June 2023, the Company had recognised the listing expenses of [●] in profit of loss.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)


Appendix A

OCEAN FRESH BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)****7. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION****7.1 Cash and bank balances**

	Note	RM'000
As at 30 June 2023 and as per Pro Forma I and II		4,158
Pursuant to Proposed Public Issue	5.2	[•]
As per Pro Forma III		[•]
Pursuant to utilisation of proceeds:		
- Estimated listing expenses	6.4	[•]
As per Pro Forma IV		[•]

7.2 Share capital & Invested share capital**(a) Share capital**

	Note	Number of Shares '000	Share Capital RM'000
As at 30 June 2023 and as per Pro Forma I		#	#
Add: Ordinary shares issued pursuant to the Ocean Fresh Acquisition	5.1	160,096	38,423
As per Pro Forma II		160,096	38,423
Pursuant to Proposed Public Issue	5.2	50,050	[•]
As per Pro Forma III		210,146	[•]
Pursuant to utilisation of proceeds:			
- Estimated listing expenses	6.4	-	[•]
As per Pro Forma IV		210,146	[•]

(b) Invested share capital

	Note	Number of Shares '000	Share Capital RM'000
As at 30 June 2023 and as per Pro Forma I		5,228	8,137
Less: Ocean Fresh Acquisition	5.1	(5,228)	(8,137)
As per Pro Forma II, III and IV		-	-

Notes:-

- Amount less than RM1,000

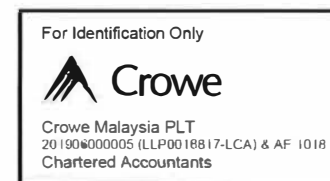
13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

OCEAN FRESH BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)

7. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

7.3 Reserves



	Note	Retained profits RM'000	Reorganisation reserves/(deficit) RM'000	Total reserves RM'000
As at 30 June 2023		29,886	3,816	33,702
Disposal of OFP	4	(3)	-	(3)
As per Pro Forma I		29,883	3,816	33,699
Pursuant to Ocean Fresh Acquisition	5.1	-	(30,286)	(30,286)
As per Pro Forma II and III		29,883	(26,470)	3,413
Pursuant to utilisation of proceeds: - Estimated listing expenses	6.4	[•]	[•]	[•]
As per Pro Forma IV		[•]	[•]	[•]

**13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA
COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)**

Appendix A

OCEAN FRESH BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated **27 NOV 2023**

On behalf of the Board of Directors,



Siang Hai Yong



Kee Wan Chum