

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

#### 12.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the FYEs Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus. The historical combined statements of profit or loss and other comprehensive income have been prepared in accordance with MFRS.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	42,574	59,742	78,236
Cost of sales	(37,142)	(51,751)	(66,251)
<b>GP</b>	<b>5,432</b>	<b>7,991</b>	<b>11,985</b>
Other income	654	371	665
Selling and distribution costs	(412)	(399)	(441)
Administrative expenses	(3,252)	(3,687)	(4,195)
<b>Profit from operations</b>	<b>2,422</b>	<b>4,276</b>	<b>8,014</b>
Finance costs	(5)	(15)	(9)
<b>PBT</b>	<b>2,417</b>	<b>4,261</b>	<b>8,005</b>
Income tax expense	(565)	(999)	(1,976)
<b>PAT / Total comprehensive income for the financial year</b>	<b>1,852</b>	<b>3,262</b>	<b>6,029</b>
PAT/ Total comprehensive income attributable to: - Owners of the Company	<b>1,852</b>	<b>3,262</b>	<b>6,029</b>
EBITDA <sup>(1)</sup>	3,025	5,024	8,645
GP margin (%) <sup>(2)</sup>	12.76	13.38	15.32
PBT margin (%) <sup>(3)</sup>	5.68	7.13	10.23
PAT margin (%) <sup>(4)</sup>	4.35	5.46	7.71
Number of Shares assumed in issue ('000) <sup>(5)</sup>	266,000	266,000	266,000
Basic EPS (sen) <sup>(6)</sup>	0.70	1.23	2.27
Diluted EPS (sen) <sup>(6)(7)</sup>	0.70	1.23	2.27

Notes:

(1) The table below sets forth a reconciliation of our PBT to EBITDA.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
<b>PBT</b>	2,417	4,261	8,005
<u>Add:</u>			
Finance costs	5	15	9
Depreciation	674	671	654
Amortisation	34	162	163
<u>Less:</u>			
Interest income	(105)	(85)	(186)
<b>EBITDA</b>	<b>3,025</b>	<b>5,024</b>	<b>8,645</b>

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**12. FINANCIAL INFORMATION (CONT'D)**

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- (2) GP margin is computed based on our GP over revenue.
- (3) PBT margin is computed based on our PBT over revenue.
- (4) PAT margin is computed based on our PAT over revenue.
- (5) Assumed number of ordinary shares in issue in Sik Cheong after our IPO.
- (6) Basic and diluted EPS is calculated based on PAT attributable to owners of the Company divided by 266,000,000 enlarged total number of Shares after our IPO.
- (7) Our Company does not have any outstanding convertible securities at the end of the financial years.

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**12. FINANCIAL INFORMATION (CONT'D)****12.1.2 Historical combined statements of financial position**

The following table sets out a summary of our combined statements of financial positions for the FYEs Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	<b>Audited</b>		
	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,366	1,768	1,759
Rights-of-use assets	474	312	161
Investment properties	1,849	1,817	1,840
<b>Total non-current assets</b>	<b>4,689</b>	<b>3,897</b>	<b>3,760</b>
<b>Current assets</b>			
Inventories	914	1,611	1,029
Trade receivables	4,384	4,947	4,931
Other receivables	1,117	3,254	1,763
Tax recoverable	88	22	80
Fixed deposits with licensed bank	1,283	1,300	1,325
Cash and bank balances	5,550	6,790	11,658
<b>Total current assets</b>	<b>13,336</b>	<b>17,924</b>	<b>20,786</b>
<b>TOTAL ASSETS</b>	<b>18,025</b>	<b>21,821</b>	<b>24,546</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Invested</b>			
Share capital	420	420	420
Retained profits	16,293	19,535	19,544
<b>TOTAL EQUITY</b>	<b>16,713</b>	<b>19,955</b>	<b>19,964</b>
<b>Non-current liabilities</b>			
Lease liabilities	319	156	28
Deferred tax liabilities	172	191	187
<b>Total non-current liabilities</b>	<b>491</b>	<b>347</b>	<b>215</b>
<b>Current liabilities</b>			
Trade payables	317	881	294
Other payables	307	449	540
Dividend payable	-	-	3,000
Lease liabilities	157	163	139
Provision for taxation	40	26	394
<b>Total current liabilities</b>	<b>821</b>	<b>1,519</b>	<b>4,367</b>
<b>TOTAL LIABILITIES</b>	<b>1,312</b>	<b>1,866</b>	<b>4,582</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,025</b>	<b>21,821</b>	<b>24,546</b>

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.1.3 Historical combined statements of cash flows

The following table sets out our combined statements of cash flows for the FYEs Under Review, which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and the Accountants' Report and accompanying notes set out in Section 13 of this Prospectus.

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
PBT	2,417	4,261	8,005
Adjustments for:			
Amortisation of right-of-use assets	34	162	163
Bad debts written off	7	14	5
Depreciation of investment properties	32	32	33
Depreciation of property, plant and equipment	642	639	621
Gain on disposal of property, plant and equipment	(395)	(96)	(176)
Interest expense	5	15	9
Interest income	(105)	(85)	(186)
Property, plant and equipment written off	8	-	10
Operating profit before working capital changes	2,645	4,942	8,484
(Increase)/Decrease in inventories	(133)	(697)	581
(Increase)/Decrease in trade receivables	(720)	(577)	11
Decrease/(Increase) in other receivables	303	(2,137)	1,521
(Decrease)/Increase in trade payables	(79)	564	(587)
(Increase in other payables	20	141	88
<b>Cash from operations</b>	<b>2,036</b>	<b>2,236</b>	<b>10,098</b>
Interest paid	(5)	(15)	(9)
Tax paid	(337)	(927)	(1,670)
Tax refunded	99	-	-
<b>Net cash from operating activities</b>	<b>1,793</b>	<b>1,294</b>	<b>8,419</b>
<b>CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(1,744)	(44)	(679)
Increase in amount owing by a related party	-	-	(30)
Interest received	105	85	186
Proceeds from disposal of property, plant and equipment	529	100	176
<b>Net cash (used in)/ from investing activities</b>	<b>(1,110)</b>	<b>141</b>	<b>(347)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Repayment to Directors	(155)	-	-
Increase in amount owing to a related party	-	-	4
Dividend paid	(3,000)	(20)	(3,020)
Increase in fixed deposits pledged	(58)	(18)	(24)
Issuance of shares	20	-	-
Repayment of lease liabilities	(32)	(157)	(164)

**12. FINANCIAL INFORMATION (CONT'D)**

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Net cash used in financing activities</b>	(3,225)	(195)	(3,204)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(2,542)	1,240	4,868
<b>Cash and cash equivalents at beginning of the financial year</b>	8,092	5,550	6,790
<b>Cash and cash equivalents at end of the financial year</b>	5,550	6,790	11,658

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**12. FINANCIAL INFORMATION (CONT'D)****12.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness based on our unaudited financial information as at 30 November 2023 and after adjusting for the effects of the Acquisitions, our Public Issue and utilisation of proceeds from our Public Issue.

	Unaudited as at 30 November 2023 RM'000	(I)	(II)
		After the Acquisitions RM'000	After (I), Public Issue and utilisation of proceeds RM'000
<b>Capitalisation</b>			
Shareholders' equity	24,143	43,683	[●]
<b>Total capitalisation</b>	<b>24,143</b>	<b>43,683</b>	[●]
<b>Indebtedness</b>			
<b>Current</b>			
<b><u>Unsecured and unguaranteed</u></b>			
- Lease liabilities (rentals) <sup>(1)</sup>	45	45	[●]
<b>Non-current</b>			
<b><u>Unsecured and unguaranteed</u></b>			
- Lease liabilities (rentals) <sup>(1)</sup>	6	6	[●]
<b>Total indebtedness</b>	<b>51</b>	<b>51</b>	[●]
<b>Total capitalisation and indebtedness</b>	<b>24,194</b>	<b>43,734</b>	[●]
Gearing ratio (times) <sup>(2)</sup>	0.0021	0.0012	[●]

Notes:

(1) Lease liabilities (rentals) represent the present value of the remaining rental payments over the rental period for our rented properties.

(2) Computed based on total indebtedness divided by total capitalisation.

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group which may have a substantial impact on the financial position of our Group.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis of our Group's financial condition and results of operations for the FYEs Under Review should be read in conjunction with our Accountants' Report and accompanying notes presented in Section 13 of this Prospectus.

This discussion and analysis contains data derived from our financial statements as well as forward-looking statements that reflect our views with respect to future events and our future financial performance. Actual events and results may differ materially from those anticipated in these forward-looking statements. Factors that may cause future events and results to differ significantly from those described in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

**12.3.1 Overview of business operations**

We are principally involved in the following business activities:

**(i) Repackaging, marketing and distribution of RBD palm olein oil products**

Our Group is principally involved in the repackaging, marketing and distribution of RBD palm olein oil products, wherein the products are mainly sold under our in-house brands, i.e. "Sawit Emas", "Vitamas" and "Pingat Emas".

Our main products are RBD palm olein cooking oil, which are sold under our in-house brands, "Sawit Emas" and "Vitamas", or sold unbranded. We also sell RBD palm olein lamp oil under our in-house brand, "Pingat Emas".

Our Group's customer base mainly comprises retailers, wholesalers, hotel, restaurant and catering operators, and food manufacturers.

**(ii) Trading of third-party products**

Upon request from our customers, we also source third-party branded products (such as margarine) for our customers in the retail, wholesale, hospitality and food industries. As at the LPD, we sourced and distributed "Adela", "Pelangi" and "Bunga Emas" margarine.

Our Group recognises revenue at the point of delivery of products. All of our Group's revenue are generated in Malaysia and denominated in RM. We typically deliver our products to our customers' manufacturing facility, warehouse or distribution centres or retail locations.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3.2 Revenue****(i) Revenue by business activities**

The table below presents the breakdown of our total revenue by business activities:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<b><u>Subsidised RBD palm olein oil products</u></b>						
Sawit Emas						
- COSS	18,853	44.29	20,205	33.82	20,218	25.84
- MKHMM	-	-	8,869	14.85	5,109	6.53
Vitamas	-	-	803	1.34	374	0.48
- MKHMM	-	-	803	1.34	374	0.48
	<b>18,853</b>	<b>44.29</b>	<b>29,877</b>	<b>50.01</b>	<b>25,701</b>	<b>32.85</b>
<b><u>Non-subsidised RBD palm olein oil products</u></b>						
Sawit Emas	18,627	43.75	23,807	39.85	44,183	56.48
Vitamas	1,406	3.30	1,143	1.91	2,902	3.71
Pingat Emas	2,738	6.43	3,899	6.53	3,802	4.86
Unbranded (IBC)	549	1.29	659	1.10	1,270	1.62
	<b>23,320</b>	<b>54.77</b>	<b>29,508</b>	<b>49.39</b>	<b>52,157</b>	<b>66.67</b>
<b>Repackaging, marketing and distribution of RBD palm olein oil products</b>	<b>42,173</b>	<b>99.06</b>	<b>59,385</b>	<b>99.40</b>	<b>77,858</b>	<b>99.52</b>
<b>Trading of third-party products</b>	<b>401</b>	<b>0.94</b>	<b>357</b>	<b>0.60</b>	<b>378</b>	<b>0.48</b>
<b>Total revenue</b>	<b>42,574</b>	<b>100.00</b>	<b>59,742</b>	<b>100.00</b>	<b>78,236</b>	<b>100.00</b>

As seen from the table above, majority of the revenue generated by our Group was from repackaging, marketing and distribution of RBD palm olein oil products.

**(ii) Revenue by geographical location in Malaysia**

The table below presents the breakdown of our total revenue by states where our customers are based for the FYEs Under Review:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Selangor	24,997	58.71	31,940	53.46	41,839	53.48
Kuala Lumpur	15,487	36.38	25,120	42.05	34,064	43.54
Other remaining states	2,090	4.91	2,682	4.49	2,333	2.98
<b>Total revenue</b>	<b>42,574</b>	<b>100.00</b>	<b>59,742</b>	<b>100.00</b>	<b>78,236</b>	<b>100.00</b>



**12. FINANCIAL INFORMATION (CONT'D)****(iii) Revenue by customer segment**

The table below presents the breakdown of our total revenue by customer segment:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Wholesalers	15,416	36.21	23,840	39.90	31,585	40.37
Retailers	15,969	37.51	19,197	32.14	25,385	32.45
Food manufacturers	9,207	21.63	13,399	22.43	14,750	18.85
Hotel, restaurant and catering operators	1,982	4.65	3,306	5.53	6,516	8.33
<b>Total revenue</b>	<b>42,574</b>	<b>100.00</b>	<b>59,742</b>	<b>100.00</b>	<b>78,236</b>	<b>100.00</b>

As seen from the table above, majority of the revenue generated by our Group were from wholesalers, retailers and food manufacturers.

**(iv) Average revenue per kg of our RBD palm olein oil products**

The average revenue per kg for each of the product under the repackaging, marketing and distribution of RBD palm olein oil products segment for the FYEs Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	kg	Average selling price per kg (RM)	kg	Average selling price per kg (RM)	kg	Average selling price per kg (RM)
<b><u>Subsidised RBD palm olein oil</u></b>						
Sawit Emas						
- COSS	7,892,930	2.39	8,395,688	2.41	8,401,283	2.41
- MKHMM	-	-	1,561,371	5.68	903,288	5.66
Vitamas (MKHMM)	-	-	143,272	5.60	66,554	5.62
<b><u>Non-subsidised RBD palm olein oil</u></b>						
Sawit Emas	4,897,912	3.80	4,288,118	5.55	7,395,506	5.97
Vitamas	364,580	3.86	208,658	5.48	500,233	5.80
Pingat Emas	603,452	4.54	610,845	6.38	535,081	7.11
Unbranded (IBC tank)	160,200	3.43	119,700	5.51	238,500	5.32

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## 12. FINANCIAL INFORMATION (CONT'D)

### (v) Commentary on revenue

#### FYE 2022 compared to FYE 2021

Our total revenue recorded an increase of RM17.17 million or 40.33%, from RM42.57 million in FYE 2021 to RM59.74 million in FYE 2022 due to an increase in revenue generated from repackaging, marketing and distribution of RBD palm olein oil products.

In terms of geographical location, Selangor and Kuala Lumpur were our largest markets, collectively representing 95.09% and 95.51% of total revenue in FYE 2021 and FYE 2022, respectively.

In terms of customer segments, our higher revenue was derived mainly from wholesalers (RM8.42 million), food manufacturers (RM4.19 million), retailers (RM3.23 million) as well as hotel, restaurant and catering operators (RM1.33 million).

#### **Repackaging, marketing and distribution of RBD palm olein oil products**

Our RBD palm olein oil product segment was our main segment, contributing 99.06% and 99.40% to total revenue in FYE 2021 and FYE 2022, respectively.

Our revenue from RBD palm olein oil products increased by RM17.22 million or 40.83%, from RM42.17 million in FYE 2021 to RM59.39 million in FYE 2022. This was due to the higher revenue from both subsidised RBD palm olein oil products of RM11.03 million and non-subsidised RBD palm olein oil products of RM6.19 million in FYE 2022.

#### Subsidised RBD palm olein oil products

Our revenue from subsidised RBD palm olein oil products increased by RM11.03 million or 58.51%, from RM18.85 million in FYE 2021 to RM29.88 million in FYE 2022. The increase was because:

- (a) there was an increase in revenue from subsidised "Sawit Emas" cooking oil of RM10.22 million. The increase was due to:
  - higher sales volume of subsidised "Sawit Emas" cooking oil by 26.15% in FYE 2022, as there was:
    - (aa) an increase of 503 MT of products sold under COSS in FYE 2022 as our Group secured increased orders from approximately 270 existing customers and approximately 30 new customers which mainly comprised wholesalers and retailers;
    - (bb) our Group began to generate revenue from "Sawit Emas" products under MKHMM as our Group obtained quota to repackage, market and distribute RBD palm olein oil products under MKHMM in September 2021. We sold 1,561 MT of products under MKHMM in various packaging sizes and types (i.e. 1kg, 2kg and 5kg bottles) mainly to wholesalers and retailers in FYE 2022. The average selling price for "Sawit Emas" MKHMM products was RM5.68 per kg in FYE 2022; and
    - (cc) increase in average selling price of "Sawit Emas" products under COSS of 0.84%, from RM2.39 per kg in FYE 2021 to RM2.41 per kg in FYE 2022. Cost of packaging materials was higher in FYE 2022 as compared to FYE 2021 and we passed on the incremental costs to our customers.

## 12. FINANCIAL INFORMATION (CONT'D)

- (b) our Group began to generate revenue from “Vitamas” products under MKHMM of RM0.80 million as we obtained quota to repackage, market and distribute RBD palm olein oil under MKHMM in September 2021. We sold 143 MT of “Vitamas” products under MKHMM in various packaging sizes and types largely to wholesalers in FYE 2022. The average selling price for “Vitamas” products under MKHMM was RM5.60 per kg in FYE 2022.

### Non-subsidised RBD palm olein oil products

Our revenue from non-subsidised RBD palm olein oil products increased by RM6.19 million or 26.54%, from RM23.32 million in FYE 2021 to RM29.51 million in FYE 2022. The increase was mainly due to:

- (a) increase in revenue from non-subsidised “Sawit Emas” cooking oil of RM5.18 million or 27.80%. This was contributed by an increase in average selling price of non-subsidised “Sawit Emas” cooking oil of 46.05%, from RM3.80 per kg in FYE 2021 to RM5.55 per kg in FYE 2022, a result of higher CPO price during FYE 2022 as compared to FYE 2021. This was partly offset by a decrease in total volume of non-subsidised “Sawit Emas” products sold of 12.45% between FYE 2021 and FYE 2022.

The higher CPO price was a result of the higher demand for edible oil due to the reopening of businesses (such as hotels, restaurants, catering operators and food manufacturers) after Malaysia entered into the endemic phase of COVID-19, and lower supply of sunflower oil from Ukraine due to the Russia-Ukraine war which led to businesses using other edible oil such as RBD palm olein cooking oil;

- (b) increase in revenue from non-subsidised “Pingat Emas” lamp oil of RM1.16 million or 42.34%. This was also contributed by an:
- increase in average selling price of non-subsidised “Pingat Emas” lamp oil of 40.53%, from RM4.54 per kg in FYE 2021 to RM6.38 per kg in FYE 2022, a result of higher CPO price during FYE 2022 as compared to FYE 2021; and
  - increase in volume of non-subsidised “Pingat Emas” lamp oil sold of 1.23% between FYE 2021 and FYE 2022. This was due to increased orders from existing and new customers which mainly comprised retailers and wholesalers in FYE 2022; and
- (c) increase in revenue from non-subsidised unbranded cooking oil of RM0.11 million or 20.00%. This was due to an increase in average selling price of non-subsidised unbranded cooking oil of 60.64%, from RM3.43 per kg in FYE 2021 to RM5.51 per kg in FYE 2022, a result of higher CPO price during FYE 2022 as compared to FYE 2021. However, our total volume of non-subsidised unbranded cooking oil sold decreased by 25.28% between FYE 2021 and FYE 2022.

The increase in revenue from the abovementioned products was partly offset by the decrease in revenue from non-subsidised “Vitamas” cooking oil of RM0.26 million or 18.57%. This was due to lower volume sold of 42.77% between FYE 2021 and FYE 2022. Our average selling price of non-subsidised “Vitamas” cooking oil increased by 41.97%, from RM3.86 per kg in FYE 2021 to RM5.48 per kg in FYE 2022, a result of higher CPO price during FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)****Trading of third-party products**

Our revenue from trading of third-party products decreased by RM0.04 million or 10.00%, from RM0.40 million in FYE 2021 to RM0.36 million in FYE 2022. This was due to lower volume of orders from our customers for such products.

**FYE 2023 compared to FYE 2022**

Our total revenue recorded an increase of RM18.50 million or 30.97%, from RM59.74 million in FYE 2022 to RM78.24 million in FYE 2023. This was due to an increase in revenue from RBD palm olein oil products.

In terms of geographical location, Selangor and Kuala Lumpur were our largest markets, collectively representing 95.51% and 97.02% of total revenue in FYE 2022 and FYE 2023, respectively.

In terms of customer segment, our higher revenue was mainly from wholesalers (RM7.75 million), food manufacturers (RM1.35 million), retailers (RM6.19 million) as well as hotel, restaurant and catering operators (RM3.21 million).

**Repackaging, marketing and distribution of RBD palm olein oil products**

Our RBD palm olein oil product segment was our main segment, contributing 99.40% and 99.52% to our total revenue in FYE 2022 and FYE 2023, respectively.

Our revenue from RBD palm olein oil products increased by RM18.47 million or 31.10%, from RM59.39 million in FYE 2022 to RM77.86 million in FYE 2023. This was due to an increase in revenue from non-subsidised RBD palm olein oil products of RM22.65 million in FYE 2023, and was partly offset by a decrease in revenue from subsidised RBD palm olein oil products of RM4.18 million in FYE 2023.

**Subsidised RBD palm olein oil products**

Our revenue from subsidised RBD palm olein oil products decreased by RM4.18 million or 13.99%, from RM29.88 million in FYE 2022 to RM25.70 million in FYE 2023. The decrease was due to shorter quota period obtained under MKHMM during FYE 2023 i.e. from April 2022 to June 2022. This had resulted in the following:

- (a) decrease in revenue from "Sawit Emas" products under MKHMM of RM3.76 million. This was mainly due to lower sales volume of "Sawit Emas" products under MKHMM by 658.08 MT in FYE 2023, translating to a decrease of 42.15%; and
- (b) decrease in revenue from "Vitamas" products under MKHMM of RM0.43 million. This was due to lower sales volume of "Vitamas" products under MKHMM by 76.72 MT in FYE 2023, translating to a decrease of 53.55%.

In FYE 2023, our revenue from products under COSS remained consistent with FYE 2022.

**Non-subsidised RBD palm olein oil products**

Our revenue from non-subsidised RBD palm olein oil products increased by RM22.65 million or 76.75%, from RM29.51 million in FYE 2022 to RM52.16 million in FYE 2023. The increase was mainly due to the following:

- (a) increase in revenue from non-subsidised "Sawit Emas" cooking oil of RM20.37 million or 85.55%. This was because:

## 12. FINANCIAL INFORMATION (CONT'D)

- total volume of non-subsidised "Sawit Emas" cooking oil sold increased by 72.47% between FYE 2022 and FYE 2023 as we secured more orders from approximately 340 existing customers and approximately 180 new customers who mainly comprised wholesalers, retailers as well as hotel, restaurant and catering operators; and
  - average selling price of non-subsidised "Sawit Emas" cooking oil increased by 7.57% from RM5.55 per kg in FYE 2022 to RM5.97 per kg in FYE 2023. We increased the selling price of various packaging sizes and types (i.e. 1kg, 2kg and 5kg bottles) of non-subsidised "Sawit Emas" cooking oil charged to customers in FYE 2023. This was our pricing strategy to gradually passed on the rising purchase price of RBD palm olein oil during FYE 2022 to customers over the span of FYE 2022 and FYE 2023. The rising purchase price of RBD palm olein oil during FYE 2022 was attributable to higher CPO prices as explained in revenue commentary for FYE 2022 compared to FYE 2021.
- (b) increase in revenue from non-subsidised "Vitamas" cooking oil of RM1.76 million or 154.39%. This was because:
- total volume of non-subsidised "Vitamas" cooking oil sold increased by 139.74% between FYE 2022 and FYE 2023 as there was an increase in orders from new and existing customers who mainly comprised wholesalers as well as hotel, restaurant and catering operators; and
  - average selling price of non-subsidised "Vitamas" cooking oil increased by 5.84%, from RM5.48 per kg in FYE 2022 to RM5.80 per kg in FYE 2023. The higher average selling price of non-subsidised "Vitamas" cooking oil was due to more 17kg jerry cans being sold in FYE 2023 which have higher selling price compared to 3kg or 5kg bottles.

In addition, selling prices of RBD palm olein cooking oil (particularly for 17kg tin cans and jerry cans) were gradually increased in response to the increase in purchase prices of RBD palm olein oil in FYE 2022.

- (c) increase in revenue from non-subsidised unbranded cooking oil of RM0.61 million or 92.42%. This was because total volume of unbranded cooking oil sold increased by 99.25% between FYE 2022 and FYE 2023 as there were more orders received from food manufacturers.

The increase in revenue from this product segment was partly offset by the decrease in average selling price of unbranded cooking oil of 3.45% from RM5.51 per kg in FYE 2022 to RM5.32 per kg in FYE 2023 due to lower CPO prices in FYE 2023.

The increase in revenue from the abovementioned products was partly offset by a decrease in revenue from "Pingat Emas" lamp oil of RM0.10 million between FYE 2022 and FYE 2023. This was because the volume of "Pingat Emas" lamp oil sold declined by 12.40% during the period.

During FYE 2023, our average selling price of "Pingat Emas" lamp oil increased by 11.44%, from RM6.38 per kg in FYE 2022 to RM7.11 per kg in FYE 2023 as the selling price of RBD palm olein lamp oil in FYE 2023 were gradually increased in response to the increase in purchase prices of RBD palm olein oil in FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)**Trading of third-party products

Our revenue from trading of third-party products increased by RM0.02 million or 5.56%, from RM0.36 million in FYE 2022 to RM0.38 million in FYE 2023. This was attributable to higher volume of orders for margarine from our existing customers.

**12.3.3 Cost of sales****(i) Cost of sales by business activities**

The table below presents the breakdown of our total cost of sales by business activities:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<b><u>Subsidised RBD palm olein oil</u></b>						
Sawit Emas						
-COSS	15,806	42.56	17,070	32.98	17,441	26.33
-MKHMM	-	0.00	6,346	12.26	3,830	5.78
Vitamas (MKHMM)	-	-	572	1.11	281	0.42
	<b>15,806</b>	<b>42.56</b>	<b>23,988</b>	<b>46.35</b>	<b>21,552</b>	<b>32.53</b>
<b><u>Non-subsidised RBD palm olein oil</u></b>						
Sawit Emas	17,009	45.79	22,469	43.42	37,913	57.23
Vitamas	1,285	3.46	1,105	2.13	2,568	3.87
Pingat Emas	2,197	5.91	3,295	6.37	2,735	4.13
Unbranded (IBC tank)	516	1.39	595	1.15	1,151	1.74
	<b>21,007</b>	<b>56.55</b>	<b>27,464</b>	<b>53.07</b>	<b>44,367</b>	<b>66.97</b>
<b>Repackaging, marketing and distribution of RBD palm olein oil products</b>	<b>36,813</b>	<b>99.11</b>	<b>51,452</b>	<b>99.42</b>	<b>65,919</b>	<b>99.50</b>
<b>Trading of third-party products</b>	<b>329</b>	<b>0.89</b>	<b>299</b>	<b>0.58</b>	<b>332</b>	<b>0.50</b>
<b>Total cost of sales</b>	<b>37,142</b>	<b>100.00</b>	<b>51,751</b>	<b>100.00</b>	<b>66,251</b>	<b>100.00</b>

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**12. FINANCIAL INFORMATION (CONT'D)****(ii) Cost of sales by cost items**

The table below sets out the breakdown of our Group's cost of sales by cost items:

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Purchases	36,381	97.95	51,045	98.64	65,394	98.71
Direct labour	761	2.05	706	1.36	857	1.29
<b>Total</b>	<b>37,142</b>	<b>100.00</b>	<b>51,751</b>	<b>100.00</b>	<b>66,251</b>	<b>100.00</b>

**(iii) Average cost per kg of our RBD palm olein oil products**

The average revenue per kg for each of the product under the repackaging, marketing and distribution of RBD palm olein oil products for the FYEs Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	Cost of sales (RM)	Average cost per kg	Cost of sales (RM)	Average cost per kg	Cost of sales (RM)	Average cost per kg
<b><u>Subsidised RBD palm olein oil</u></b>						
Sawit Emas						
- COSS	15,806	2.00	17,070	2.03	17,441	2.08
- MKHMM	-	-	6,346	4.06	3,830	4.24
Vitamas	-	-	572	3.99	281	4.22
<b><u>Non-subsidised RBD palm olein oil</u></b>						
Sawit Emas	17,009	3.47	22,469	5.24	37,913	5.13
Vitamas	1,285	3.52	1,105	5.30	2,568	5.13
Pingat Emas	2,197	3.64	3,295	5.39	2,735	5.11
Unbranded (IBC tank)	516	3.22	595	4.97	1,151	4.83

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**12. FINANCIAL INFORMATION (CONT'D)****(iv) GP and GP margin**

The table below presents the breakdown of our GP and GP margin by business activities and products:

	FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%
<b><u>Subsidised RBD palm olein oil</u></b>						
Sawit Emas						
- COSS	3,047	16.16	3,135	15.52	2,777	13.74
- MKHMM	-	-	2,523	28.45	1,279	25.03
Vitamas (MKHMM)	-	-	231	28.77	93	24.87
	<b>3,047</b>	<b>16.16</b>	<b>5,889</b>	<b>19.71</b>	<b>4,149</b>	<b>16.14</b>
<b><u>Non-subsidised RBD palm olein oil</u></b>						
Sawit Emas	1,618	8.69	1,338	5.62	6,270	14.19
Vitamas	121	8.61	38	3.32	334	11.51
Pingat Emas	541	19.76	604	15.49	1,067	28.06
Unbranded (IBC tank)	33	6.01	64	9.71	119	9.37
	<b>2,313</b>	<b>9.92</b>	<b>2,044</b>	<b>6.93</b>	<b>7,790</b>	<b>14.94</b>
<b>Repackaging, marketing and distribution of RBD palm olein oil products</b>	<b>5,360</b>	<b>12.71</b>	<b>7,933</b>	<b>13.36</b>	<b>11,939</b>	<b>15.33</b>
<b>Trading of third-party products</b>	<b>72</b>	<b>17.96</b>	<b>58</b>	<b>16.25</b>	<b>46</b>	<b>12.17</b>
<b>Total GP</b>	<b>5,432</b>	<b>12.76</b>	<b>7,991</b>	<b>13.38</b>	<b>11,985</b>	<b>15.32</b>

**(v) Commentary on cost of sales, segmental analysis by GP and GP margin**

The cost of sales for the FYEs Under Review was largely contributed by our repackaging, marketing and distribution of RBD palm olein oil products representing between 99.11% and 99.50% of the total cost of sales. Our cost of sales varies in tandem with the increase or decrease in sales volume of the products sold and average cost per kg.

Purchases (refers to RBD palm olein oil, packaging materials such as jerry cans, tin cans, polybags and bottles; as well as traded products for our trading of third-party products segment) was the largest component of our total cost of sales, representing between 97.95% and 98.71% of our total cost of sales for the FYEs Under Review.

The cost of sales attributable to purchases of the RBD palm olein oil are largely determined by market prices of RBD palm olein oil (depending on the price movement of crude palm oil (CPO) because CPO is the main input for the production of cooking oil (palm olein)). The cost of sales attributable to purchases of margarine under trading of third-party products segment are determined by the purchase price of the margarine.



**12. FINANCIAL INFORMATION (CONT'D)**

Direct labour was our second largest component of our total cost of sales, representing between 1.29% and 2.05% of our total cost of sales for the FYEs Under Review. The cost of sales attributable to direct labour is dependent on the number of workers and hours required in the repackaging of our RBD palm olein oil products.

Our overall GP margin varies depending on fluctuation in CPO prices, monthly subsidised RBD palm olein oil from the Government and our direct labour cost during the FYEs Under Review. During the FYEs Under Review, the fluctuations in our overall GP margins were mainly contributed by GP margin fluctuations for the sale of non-subsidised RBD palm olein oil (which in turn was affected by the average selling price and average CPO price).

The GP margin for the subsidised RBD palm olein oil was affected by the average selling price, average CPO price and subsidies received from the Government, while the GP margin for the trading of third-party products was affected by our average selling price and average purchase price. We may not pass on the full incremental cost to customers in any period. Instead, we may from time to time adjust the average selling price of our RBD palm olein oil products.

**FYE 2022 compared to FYE 2021****Cost of sales**

Our total cost of sales increased by RM14.61 million or 39.34%, from RM37.14 million in FYE 2021 to RM51.75 million in FYE 2022. This was attributable to the higher cost of sales from repackaging, marketing and distribution of RBD palm olein oil products.

**Repackaging, marketing and distribution of RBD palm olein oil products**

Our cost of sales for repackaging, marketing and distribution of RBD palm olein oil products increased by RM14.64 million or 39.77%, from RM36.81 million in FYE 2021 to RM51.45 million in FYE 2022. This was in tandem with the increase in our revenue generated from repackaging, marketing and distribution of RBD palm olein oil products of 40.83% in FYE 2022. This was due to:

- (a) increase in the purchases of RM14.70 million or 40.78%, from RM36.05 million in FYE 2021 to RM50.75 million in FYE 2022. This was largely due to higher volume of RBD palm olein oil sold during in FYE 2022, which was in tandem with the increase in our revenue from repackaging, marketing and distribution of RBD palm olein oil products of 40.83% in FYE 2022; and
- (b) increase in average CPO prices in FYE 2022 of 61.83% as compared to FYE 2021. This led to higher average cost of sales per kg across various product brands and categories.

The increase in purchases was offset by the decrease in the direct labour of RM0.06 million or 7.89% from RM0.76 million in FYE 2021 to RM0.70 million in FYE 2022. The decrease was mainly because there were employees working during the financial year. We were able to pass on the incremental cost partially to customers in FYE 2022.

In terms of the average cost of sales per kg by product brands, subsidised "Sawit Emas" cooking oil, non-subsidised "Sawit Emas" cooking oil, non-subsidised "Vitamas" cooking oil, "Pingat Emas" lamp oil and non-subsidised unbranded cooking oil experienced increase in average cost of sales per kg of 1.50%, 51.01%, 50.57%, 48.08% and 54.35%, respectively, between FYE 2021 and FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)**Trading of third-party products

Our cost of sales for the trading of third-party products decreased by RM0.03 million or 9.09% from RM0.33 million in FYE 2021 to RM0.30 million in FYE 2022. This was because purchases of third-party products fell by 9.09% between FYE 2021 and FYE 2022 due to lower volume of orders sold in FYE 2022.

**GP**

Our total GP increased by RM2.56 million and our overall GP margin increased from 12.76% in FYE 2021 to 13.38% in FYE 2022. The increase in GP was contributed by the increase in the GP from the repackaging, marketing and distribution of RBD palm olein oil products.

The increase in GP margins were contributed by higher GP margins from both the repackaging, marketing and distribution of RBD palm olein oil products and trading of third-party products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our GP from the repackaging, marketing and distribution of RBD palm olein oil products increased by RM2.57 million or 47.95%, from RM5.36 million in FYE 2021 to RM7.93 million in FYE 2022. This was due to higher GP from "Sawit Emas" products under MKHMM of RM2.52 million and "Vitamas" products under MKHMM of RM0.23 million in FYE 2022.

The GP margin for RBD palm olein oil products increased from 12.71% in FYE 2021 to 13.36% in FYE 2022. This was due to higher sales of "Sawit Emas" MKHMM products and "Vitamas" products under MKHMM, both of which yielded higher GP margin (i.e. 28.45% and 28.77% respectively). The higher GP margin for these products was due to higher price subsidies received under MKHMM programme in FYE 2022.

The higher GP and GP margin from "Sawit Emas" and "Vitamas" products under MKHMM were partly offset by the lower GP and GP margin from non-subsidised "Sawit Emas" cooking oil of RM0.28 million. The GP margin from non-subsidised "Sawit Emas" cooking oil decreased from 8.69% in FYE 2021 to 5.62% in FYE 2022.

Meanwhile, our GP margin for non-subsidised "Vitamas" cooking oil and non-subsidised "Pingat Emas" lamp oil declined to 3.32% and 15.49% respectively in FYE 2022. This was due to higher average purchase prices of RBD palm olein oil in FYE 2022 as compared to FYE 2021, and we were not able to pass on the entire increase in purchase prices to customers.

Trading of third-party products

Our GP from the trading of third-party products decreased by RM0.01 million or 14.29%, from RM0.07 million in FYE 2021 to RM0.06 million in FYE 2022. This was due to the higher volume of margarine brands that had lower GP margins being sold to our customers in FYE 2022. Hence, the GP margin for the trading of third-party products decreased from 17.96% in FYE 2021 to 16.25% in FYE 2022.

**FYE 2023 compared to FYE 2022****Cost of sales**

Our total cost of sales increased by RM14.50 million or 28.02%, from RM51.75 million in FYE 2022 to RM66.25 million in FYE 2023. This was due to the higher cost of sales from repackaging, marketing and distribution of RBD palm olein oil products.

**12. FINANCIAL INFORMATION (CONT'D)**Repackaging, marketing and distribution of RBD palm olein oil products

Our cost of sales for RBD palm olein oil products increased by RM14.47 million or 28.12%, from RM51.45 million in FYE 2022 to RM65.92 million in FYE 2023. The increase was due to an:

- (a) increase in purchases of RM14.31 million or 28.20%, from RM50.75 million in FYE 2022 to RM65.06 million in FYE 2023. This was due to higher total volume of RBD palm olein oil products sold during FYE 2023, in tandem with the increase in our revenue from this product segment of 31.10% in FYE 2023; and
- (b) increase in direct labour cost of RM0.16 million or 22.86%, from RM0.70 million in FYE 2022 to RM0.86 million in FYE 2023 due to salary adjustments for employees following higher minimum wages imposed by the Government.

Nevertheless, this was partly offset by a decrease in average purchase prices of non-subsidised RBD palm olein oil prices due to lower CPO prices in FYE 2023.

Cost of sales per kg of non-subsidised "Sawit Emas" cooking oil, non-subsidised "Vitamas" cooking oil, "Pingat Emas" lamp oil and non-subsidised unbranded cooking oil fell by 2.10%, 3.21%, 5.19% and 2.82% respectively, between FYE 2022 and FYE 2023.

Trading of third-party products

Our cost of sales for the trading of third-party products increased by RM0.03 million or 10.00%, from RM0.30 million in FYE 2022 to RM0.33 million in FYE 2023. This is due to an increase in orders from our customers and higher purchase prices of margarine in FYE 2023. We were able to pass on the incremental cost to customers partially in FYE 2023.

**GP**

Our total GP increased by RM4.00 million and our overall GP margin increased from 13.38% in FYE 2022 to 15.32% in FYE 2023. The increase in GP was contributed by the increase in the GP from the repackaging, marketing and distribution of RBD palm olein oil products. The increase in GP margins was contributed by higher GP margins from the repackaging, marketing and distribution of RBD palm olein oil products.

Repackaging, marketing and distribution of RBD palm olein oil products

Our GP from RBD palm olein oil products increased by RM4.01 million or 50.57%, from RM7.93 million in FYE 2022 to RM11.94 million in FYE 2023. This was in tandem with the increase in our revenue from this product segment of 31.10% in FYE 2023.

Meanwhile, the GP margin for repackaging, marketing and distribution of RBD palm olein oil products increased from 13.36% in FYE 2022 to 15.33% in FYE 2023. This was due to:

- (a) higher GP from non-subsidised "Sawit Emas" cooking oil of RM4.93 million and non-subsidised "Vitamas" cooking oil of RM0.30 million. This was due to the higher total volume of these products sold in FYE 2023; and
- (b) higher average selling price for "Pingat Emas" lamp oil in FYE 2023 as the selling price of RBD palm olein lamp oil was gradually increased in FYE 2023 in response to the increase in purchase prices of RBD palm olein oil in FYE 2022, while average purchase prices of RBD palm olein oil was lower in FYE 2023.

**12. FINANCIAL INFORMATION (CONT'D)**

The increase in GP margin was partly offset by a decrease in GP margins for subsidised RBD palm olein oil products from 19.71% in FYE 2022 to 16.14% in FYE 2023. This was because of:

- (a) higher direct labour costs due to higher minimum wages imposed by the Government in FYE 2023;
- (b) increase in the cost of packaging materials; and
- (c) lower price subsidies received under the MKHMM programme in FYE 2023.

Trading of third-party products

Our GP from the trading of third-party products decreased by RM0.01 million or 16.67%, from RM0.06 million in FYE 2022 to RM0.05 million in FYE 2023.

Our GP margin for the trading of third-party products also decreased from 16.25% in FYE 2022 to 12.17% in FYE 2023. This was due to higher purchase prices of third-party products, and the increase in cost was not fully passed on to our customers.

**12.3.4 Other income**

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Administrative fees <sup>(1)</sup>	-	-	-	-	110	16.54
Gain on disposal of property, plant and equipment <sup>(2)</sup>	395	60.40	96	25.88	176	26.47
Interest income <sup>(3)</sup>	105	16.06	85	22.91	186	27.97
Rental income <sup>(4)</sup>	132	20.18	138	37.20	120	18.04
Other <sup>(5)</sup>	22	3.36	52	14.01	73	10.98
<b>Total</b>	<b>654</b>	<b>100.00</b>	<b>371</b>	<b>100.00</b>	<b>665</b>	<b>100.00</b>

Notes:

- (1) Administrative fees refer to administrative fees charged by our Group to Sik Cheong Management Sdn Bhd for providing administrative support. Such service was terminated on 31 March 2023.
- (2) Gain on disposal of plant and equipment relates mainly to the gain on disposal of motor vehicles during respective FYEs Under Review.
- (3) Interest income comprised interest received from fixed deposit as well as money market instruments.
- (4) Rental income derived by SCEO from the rental of Factory No.9 and a shop office, bearing the postal address of No.31G, Jalan 6/10, Kg Tasik Tambahan, 68000 Ampang, Selangor, to third parties. Both properties were recorded as investment properties in our books.

In FYE 2023, additional rental from a shop office, bearing the postal address of No: 31-A, Jalan 6/10, Kg Tasik Tambahan, 68000 Ampang was recorded. The tenancy was terminated on 30 September 2023 and used as hostel for workers.

The abovementioned Factory No.9 was rented out to a third party from 1 April 2020 until 31 December 2022. Our Group intends to rebuild Factory No. 9. Please refer to Section 4.8 of this Prospectus for further details on the utilisation of proceeds from our IPO.

**12. FINANCIAL INFORMATION (CONT'D)**

- (5) Others mainly comprised income received from scrap sales, credit card rebate, insurance refund from the disposed motor vehicles and weighbridge service charges to customers.

**FYE 2022 compared to FYE 2021**

Our other income decreased by RM0.28 million or 43.08% from RM0.65 million in FYE 2021 to RM0.37 million in FYE 2022 mainly due to a decrease in gain on disposal of property, plant and equipment of RM0.30 million. During FYE 2022, we disposed of 2 units of motor vehicles as compared to 8 units of motor vehicles and 2 units of machines in FYE 2021.

**FYE 2023 compared to FYE 2022**

Our other income increased by RM0.30 million or 81.08% from RM0.37 million in FYE 2022 to RM0.67 million in FYE 2023 mainly due to the following items:

- (i) an increase in administrative fees of RM0.11 million charged to Sik Cheong Management Sdn Bhd for providing administrative support. Such service was terminated on 31 March 2023;
- (ii) an increase in interest income of RM0.10 million, mainly due to higher interest received from money market instruments; and
- (iii) an increase in gain on disposal of property, plant and equipment of RM0.08 million mainly for 3 units of motor vehicles disposed of in FYE 2023.

**12.3.5 Selling and distribution expenses**

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Petrol, parking and toll	255	61.89	257	64.41	291	65.99
Upkeep of motor vehicle	157	38.11	142	35.59	150	34.01
<b>Total</b>	<b>412</b>	<b>100.00</b>	<b>399</b>	<b>100.00</b>	<b>441</b>	<b>100.00</b>

Selling and distribution expenses are incurred to deliver our products from our packaging facility to our customers' premises. Our selling and distribution expenses fluctuate in tandem with revenue as we deliver our products to our customers at their request.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3.6 Administrative expenses**

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Staff costs <sup>(1)</sup>	1,054	32.41	1,449	39.30	1,897	45.22
Directors' remuneration	695	21.37	764	20.72	890	21.22
Depreciation and amortisation	708	21.77	833	22.60	817	19.48
Travelling and accommodation	170	5.23	145	3.93	144	3.43
Office expenses <sup>(2)</sup>	132	4.06	152	4.12	142	3.38
Marketing expenses <sup>(3)</sup>	144	4.43	107	2.90	100	2.38
Upkeep and maintenance <sup>(4)</sup>	143	4.40	149	4.04	93	2.22
Professional fee <sup>(5)</sup>	31	0.95	43	1.17	76	1.81
Rental expenses <sup>(6)</sup>	122	3.75	-	-	-	-
Other <sup>(7)</sup>	53	1.63	45	1.22	36	0.86
<b>Total</b>	<b>3,252</b>	<b>100.00</b>	<b>3,687</b>	<b>100.00</b>	<b>4,195</b>	<b>100.00</b>

Notes:

- (1) Staff costs comprised staff salaries, wages, bonuses, employee contributions, and other staff related expenses such as staff welfare, medical fees and training expenses.
- (2) Office expenses comprised mainly license fees, utilities for office and packaging facility, printing, courier and stationery.
- (3) Marketing expenses comprised entertainment expenses, gifts to customers and commission to sales agent.
- (4) Upkeep and maintenance comprised mainly maintenance expenses for packaging facility, office, plant and machinery, tools and equipment as well as office equipment.
- (5) Professional fees comprised mainly fees incurred for audit, company secretarial, legal and tax.
- (6) Rental expenses relate to short-term leases of less than 12 months on our rented office.
- (7) Others refer to expenses mainly incurred for service tax and charges, bank charges and bad debts written off.

**FYE 2022 compared to FYE 2021**

Administrative expenses increased by RM0.44 million or 13.54%, from RM3.25 million in FYE 2021 to RM3.69 million in FYE 2022 mainly attributable to:

- (i) increase in staff costs of RM0.40 million, mainly due to higher salaries from salary adjustment to existing staff and higher bonus payout; and
- (ii) increase in depreciation of RM0.12 million, due to higher depreciation of right-of-use assets from the rental obligation for Factory No.11.

The increase in administrative expenses was offset by a decrease in rental expenses of RM0.12 million following a two-year tenancy agreement entered for Factory No.11 which was classified as right-of-use assets in FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)****FYE 2023 compared to FYE 2022**

Administrative expenses increased by RM0.51 million or 13.82%, from RM3.69 million in FYE 2022 to RM4.20 million in FYE 2023 attributable to:

- (i) increase in staff costs of RM0.45 million, mainly due to higher salaries from salary adjustment to existing staff and higher bonus payout; and
- (ii) increase in directors' remuneration of RM0.13 million, mainly due to higher bonus payout to executive directors in line with growth in revenue.

The increase in administrative expenses was offset by a decrease in upkeep and maintenance of RM0.06 million in FYE 2023. In FYE 2022, we refurbished our goods hoist lift (also commonly known as cargo lift) at Factory No.11 but the same was not done in FYE 2023.

**12.3.7 Finance costs**

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<b>Interest expense on:</b>						
Bank overdraft	*	-	-	-	-	-
Lease liabilities	5	100.00	15	100.00	9	100.00
<b>Total</b>	<b>5</b>	<b>100.00</b>	<b>15</b>	<b>100.00</b>	<b>9</b>	<b>100.00</b>

Note:

\* Negligible

**FYE 2022 compared to FYE 2021**

Our total finance costs increased by RM9,681.98 or 185.47% from RM5,220.10 in FYE 2021 to RM14,902.08 in FYE 2022, attributable to the increase in interest expense on lease liabilities of the rented office at Factory No.11.

**FYE 2023 compared to FYE 2022**

Our total finance costs decreased by RM5,845.94 or 39.23% from RM14,902.08 in FYE 2022 to RM9,056.14 in FYE 2023, attributable to the decrease in interest expense on lease liabilities of rented office as the tenancy for Factory No.11 was close to expiry towards the end of FYE 2023.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3.8 Profits and income tax expenses**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	2,417	4,261	8,005
PBT margin (%)	5.68	7.13	10.23
PAT (RM'000)	1,852	3,262	6,029
PAT margin (%)	4.35	5.46	7.71
Income tax expense (RM'000)	565	999	1,976
Effective tax rate (%)	23.38	23.45	24.68
Statutory tax rate (%)	24.00	24.00	24.00

**FYE 2022 compared to FYE 2021**

We recorded an increase in PBT of RM1.84 million or 76.03% from RM2.42 million in FYE 2021 to RM4.26 million in FYE 2022 and our PBT margin increased from 5.68% in FYE 2021 to 7.13% in FYE 2022, which was in line with higher GP and GP margin in FYE 2022 as compared to FYE 2021, despite a decrease in other income and an increase in administrative expenses.

The effective tax rate of 23.45% for FYE 2022 was lower than the statutory tax rate of 24.00%, mainly due to overprovision of current tax in prior years and income not subject to tax, collectively amounting to RM0.15 million. The lower tax expenses were offset by non-deductible expenses amounting to RM0.12 million such as depreciation for non-qualifying expenditure (i.e. investment properties).

Due to the foregoing, our PAT increased by RM1.41 million or 76.22% from RM1.85 million in FYE 2021 to RM3.26 million in FYE 2022, while PAT margin increased from 4.35% in FYE 2021 to 5.46% in FYE 2022.

**FYE 2023 compared to FYE 2022**

We recorded an increase in PBT of RM3.75 million or 88.03% from RM4.26 million in FYE 2022 to RM8.01 million in FYE 2023 and our PBT margin increased from 7.13% in FYE 2022 to 10.23% in FYE 2023, which was in line with higher GP and GP margin in FYE 2023 as compared to FYE 2022 as well as increase in other income, which was partially offset by an increase in selling and distribution costs and administrative expenses

The effective tax rate of 24.68% for FYE 2023 was higher than the statutory tax rate of 24.00%, mainly due to adding back of non-deductible expenses amounting to RM0.14 million (such as depreciation for non-qualifying expenditure).

Due to the foregoing, our PAT increased by RM2.77 million or 84.97% from RM3.26 million in FYE 2022 to RM6.03 million in FYE 2023, while PAT margin increased from 5.46% in FYE 2022 to 7.71% in FYE 2023.

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**12. FINANCIAL INFORMATION (CONT'D)****12.4 REVIEW OF FINANCIAL POSITION****12.4.1 Assets**

	<b>Audited</b>		
	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,366	1,768	1,759
Rights-of-use assets	474	312	161
Investment properties	1,849	1,817	1,840
<b>Total non-current assets</b>	<b>4,689</b>	<b>3,897</b>	<b>3,760</b>
<b>Current assets</b>			
Inventories	914	1,611	1,029
Trade receivables	4,384	4,947	4,931
Other receivables	1,117	3,254	1,763
Tax recoverable	88	22	80
Fixed deposits with licensed bank	1,283	1,300	1,325
Cash and bank balances	5,550	6,790	11,658
<b>Total current assets</b>	<b>13,336</b>	<b>17,924</b>	<b>20,786</b>
<b>TOTAL ASSETS</b>	<b>18,025</b>	<b>21,821</b>	<b>24,546</b>

**31 March 2022 compared to 31 March 2021**

Total assets increased by RM3.79 million or 21.02% from RM18.03 million as at 31 March 2021 to RM21.82 million as at 31 March 2022, due to the increase in current assets of RM4.58 million and this was offset by the decrease in non-current assets of RM0.79 million as at 31 March 2022.

**Non-current assets**

Non-current asset decreased by RM0.79 million or 16.84%, mainly attributable to depreciation of investment properties, depreciation of property, plant and equipment of RM0.67 million collectively and amortisation of right-of use assets of RM0.16 million for FYE 2022.

**Current assets**

Current assets increased by RM4.58 million or 34.33% mainly attributable to:

- (i) increase in inventories of RM0.70 million as we made more purchases of packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;
- (ii) increase in trade receivables of RM0.57 million in line with the increase in revenue recorded in FYE 2022 and more invoices issued during the last quarter of FYE 2022 amounting to RM17.60 million (FYE 2021: RM12.88 million);
- (iii) increase in other receivables of RM2.13 million mainly due to the subsidy owing by COSS and MKHMM; and
- (iv) increase in cash and bank balances of RM1.24 million resulting from the increase in revenue and collection from our trade receivables during FYE 2022.

**12. FINANCIAL INFORMATION (CONT'D)****31 March 2023 compared to 31 March 2022**

Total assets increased by RM2.73 million or 12.51% from RM21.82 million as at 31 March 2022 to RM24.55 million as at 31 March 2023, due to the increase in current assets of RM2.87 million and this was offset by the decrease in non-current assets of RM0.14 million as at 31 March 2023.

**Non-current assets**

Non-current asset decreased by RM0.14 million or 3.59%, mainly attributable to decrease in right-of-use asset from the amortisation of right-of use assets of RM0.16 million incurred for FYE 2023.

**Current assets**

Current assets increased by RM2.87 million or 16.02% mainly attributable to the increase in cash and bank balances of RM4.87 million resulting from the further increase in revenue and improved collection from our trade receivables during FYE 2023. Our average trade receivables turnover period for FYE 2023 was 23 days (FYE 2022: 29 days).

The increase in current assets was offset by the following items:

- (i) decrease in inventories of RM0.58 million, mainly the lower inventories of the packing materials and RBD palm olein oil due to higher revenue recorded towards the second half of the financial year and our revenue increased by 30.97% in FYE 2023; and
- (ii) decrease in other receivables of RM1.49 million following partial collection of subsidy from COSS and MKHMM of RM1.41 million.

**12.4.2 Liabilities**

	<b>Audited</b>		
	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>			
Lease liabilities	319	156	28
Deferred tax liabilities	172	191	187
Total non-current liabilities	491	347	215
<b>Current liabilities</b>			
Trade payables	317	881	294
Other payables	307	449	540
Dividend payable	-	-	3,000
Lease liabilities	157	163	139
Provision for taxation	40	26	394
Total current liabilities	821	1,519	4,367
<b>TOTAL LIABILITIES</b>	<b>1,312</b>	<b>1,866</b>	<b>4,582</b>

**31 March 2022 compared to 31 March 2021**

Total liabilities increased by RM0.56 million or 42.75% from RM1.31 million as at 31 March 2021 to RM1.87 million as at 31 March 2022, attributable to the increase in current liabilities of RM0.70 million and this was offset by the decrease in non-current liabilities of RM0.14 million.

**12. FINANCIAL INFORMATION (CONT'D)****Non-current liabilities**

Non-current liabilities decreased by RM0.14 million or 28.57% mainly due to the decrease in non-current portion of lease liabilities of RM0.16 million resulting from repayments made during FYE 2022.

**Current liabilities**

Current liabilities increased by RM0.70 million or 85.37% mainly due to the following:

- (i) increase in trade payables of RM0.56 million, as we made more purchase for packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023; and
- (ii) increase in other payables of RM0.14 million, mainly due to higher accruals for staff salaries in FYE 2022.

**31 March 2023 compared to 31 March 2022**

Total liabilities increased by RM2.71 million or 144.92% from RM1.87 million as at 31 March 2022 to RM4.58 million as at 31 March 2023, attributable to the increase in current liabilities of RM2.84 million and this was offset by the decrease in non-current liabilities of RM0.13 million.

**Non-current liabilities**

Non-current liabilities decreased by RM0.13 million or 37.14% mainly due to the decrease in non-current portion of lease liabilities of RM0.13 million resulting from repayments made during FYE 2023.

**Current liabilities**

Current liabilities increased by RM2.84 million or 187.50% mainly due to the following:

- (i) dividend payable of RM3.00 million, being the dividend declared in respect of FYE 2023; and
- (ii) increase in provision for taxation of RM0.36 million as we recorded a higher PBT during FYE 2023.

The increase in current liabilities was offset by the decrease in trade payables of RM0.59 million as we paid our suppliers faster which reduced our trade payable turnover days from 4 days to 3 days in FYE 2023.

**12.5 LIQUIDITY AND CAPITAL RESOURCES****12.5.1 Working capital**

Our business has been financed from a combination of internal and external sources comprising shareholders' equity and cash generated from our operations. The principal utilisation of these funds has been for our business operations and growth.

Based on our audited combined statement of financial position as at 31 March 2023, our Group has cash and bank balances of RM11.66 million. As at 31 March 2023, our Group's gearing ratio was 0.01 times and current ratio was 4.76 times.

As at the LPD, our Group recorded cash and bank balances of approximately RM11.53 million and unutilised banking facilities of approximately RM2.00 million.

**12. FINANCIAL INFORMATION (CONT'D)**

Our Directors are of the opinion that we will have adequate working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus after taking into consideration the following:

- (i) our cash and bank balances;
- (ii) the expected profits to be generated from our operations;
- (iii) the amount that is available under our existing banking facilities;
- (iv) our expected future cash flows from operations; and
- (v) proceeds expected to be raised from our Public Issue.

**12.5.2 Cash flow**

The following is a summary of our combined statements of cash flows for the FYEs Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	<b>Audited</b>		
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	1,793	1,294	8,419
Net cash (used in)/ from investing activities	(1,110)	141	(347)
Net cash used in financing activities	(3,225)	(195)	(3,204)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(2,542)</b>	<b>1,240</b>	<b>4,868</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>8,092</b>	<b>5,550</b>	<b>6,790</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>5,550</b>	<b>6,790</b>	<b>11,658</b>

**FYE 2021****Net cash from operating activities**

For FYE 2021, we recorded net operating cash inflow of RM1.79 million after taking into consideration our operating profit of RM2.65 million and the following working capital changes:

- (i) increase in inventories of RM0.13 million as we made more purchases towards the last quarter of FYE 2021 to cater for future sales orders in FYE 2022;
- (ii) increase in trade receivables of RM0.72 million in line with the increase in revenue recorded in FYE 2021;
- (iii) decrease in other receivables of RM0.30 million after collection of subsidy from COSS and MKHMM in FYE 2021;
- (iv) decrease in trade payables of RM0.08 million as we made more payments to our suppliers; and
- (v) income tax paid of RM0.34 million.

**12. FINANCIAL INFORMATION (CONT'D)****Net cash used in investing activities**

For FYE 2021, our net cash outflow for investing activities was RM1.11 million, mainly attributable to cash payment of RM1.74 million to purchase property, plant and equipment, mainly for 6 units of motor vehicles of RM1.37 million.

The abovementioned cash outflow was partially offset by:

- (i) interest received of RM0.11 million from fixed deposit as well as money market instruments; and
- (ii) proceeds from the disposal of 8 units of motor vehicles and 2 units of machines in FYE 2021 for RM0.53 million.

**Net cash used in financing activities**

For FYE 2021, our net cash outflow for financing activities was RM3.23 million, mainly due to the following:

- (i) dividend paid of RM3.00 million in respect of FYE 2021; and
- (ii) repayment to Directors of RM0.16 million for the advances to our Group for working capital purposes.

**FYE 2022****Net cash from operating activities**

For FYE 2022, we recorded net operating cash inflow of RM1.29 million after taking into consideration our operating profit of RM4.94 million and the following working capital changes:

- (i) increase in inventories of RM0.70 million as we made more purchases towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;
- (ii) increase in trade receivables of RM0.58 million in line with the increase in revenue recorded in FYE 2022 and more invoices issued during the last quarter of FYE 2022 amounting to RM17.60 million (FYE 2021: RM12.88 million);
- (iii) increase in other receivables of RM2.14 million mainly due to the subsidy owing by COSS and MKHMM;
- (iv) increase in trade payables of RM0.56 million as we made more purchases for packing materials and RBD palm olein oil towards the last quarter of FYE 2022 to cater for future sales orders in FYE 2023;
- (v) increase in other payables of RM0.14 million, mainly due to higher accruals for staff salaries in FYE 2022; and
- (vi) income tax paid of RM0.93 million.

**Net cash from investing activities**

For FYE 2022, our net cash inflow from investing activities was RM0.14 million, mainly attributable to the following items:

- (i) interest received of RM0.09 million from fixed deposit as well as money market instruments; and

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**12. FINANCIAL INFORMATION (CONT'D)**

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- (ii) proceeds from the disposal of 2 units of motor vehicles in FYE 2022 for RM0.10 million.

The abovementioned cash inflow was offset by cash payment of RM0.04 million to purchase property, plant and equipment.

**Net cash used in financing activities**

For FYE 2022, our net cash outflow for financing activities was RM0.20 million, mainly due to repayment made for lease liabilities of RM0.16 million which was in relation to the rental obligation for rented lamp oil labelling line, Factory No.11 and hostel.

**FYE 2023****Net cash from operating activities**

For FYE 2023, we recorded net operating cash inflow of RM8.42 million after taking into consideration our operating profit of RM8.48 million and the following working capital changes:

- (i) decrease in inventories of RM0.58 million, mainly the lower inventories of the packing materials and RBD palm olein oil in line with the higher sales volume in FYE 2023;
- (ii) decrease in other receivables of RM1.52 million after collection of subsidy from COSS and MKHMM;
- (iii) decrease in trade payables of RM0.59 million as we had paid our suppliers in a shorter time period which reduced our trade payable turnover days from 4 days to 3 days in FYE 2023; and
- (vi) income tax paid of RM1.67 million.

**Net cash used in investing activities**

For FYE 2023, our net cash outflow from investing activities was RM0.35 million, mainly attributable to the cash payment of RM0.68 million to purchase of property, plant and equipment, mainly for 3 units of motor vehicles of RM0.42 million.

The abovementioned cash outflow was offset by the following items:

- (i) interest received of RM0.19 million from fixed deposit as well as money market instruments; and
- (ii) proceeds from the disposal of 3 units of motor vehicles in FYE 2023 for RM0.18 million.

**Net cash used in financing activities**

For FYE 2023, our net cash outflow for financing activities was RM3.20 million, mainly due to the following:

- (i) dividend paid of RM3.02 million in respect of FYE 2023; and
- (ii) repayment made for lease liabilities of RM0.16 million which was in relation to the rental obligation for rented lamp oil labelling line, Factory No.11 and hostel.

**12. FINANCIAL INFORMATION (CONT'D)****12.5.3 Borrowings**

As at 31 March 2023, our Group does not have any outstanding bank borrowings which are interest bearing and denominated in RM. The details of the types of credit facilities that our Group has and the unutilised balances as at LPD are as follows:

<b>Types of credit facilities</b>	<b>Tenure <sup>(1)</sup></b>	<b>Interest rate (%) per annum</b>	<b>Credit limit <sup>(1)</sup> RM'000</b>	<b>Balance unutilised as at the LPD RM'000</b>
Banker's acceptances	Up to 120 days	0.75 to 1.25	1,000	1,000
Trade financing	Up to 120 days	0.15 to 1.50	1,000	1,000
<b>Total</b>			<b>2,000</b>	<b>2,000</b>

Note:

(1) Based on the respective letters of offer.

As at the LPD, we do not have any borrowings which are interest bearing, non-interest bearing and/or in foreign currency. Our Group has not defaulted on any payment of either principal sums and/or interest in relation to any borrowings for the FYEs Under Review and up to LPD.

We do not encounter seasonality in the trend of our borrowings and there is no restriction on the use of our committed banking facilities, save for prior consents from the licensed banks before using the banking facilities, where necessary.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investment holders of our securities.

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**12. FINANCIAL INFORMATION (CONT'D)****12.5.4 Types of financial instruments used, treasury policies and objectives**

As at LPD, save as disclosed in Section 12.5.3 above, we do not have or use any other financial instruments in derivatives.

Our Group has been funding our operations through shareholders' equity, cash generated from our operations, and external sources of funds. The external sources of funds consist of credit terms granted by our suppliers as well as borrowings from financial institutions. The normal credit term granted by our suppliers from cash term up to 30 days.

As at the LPD, our Group does not have any borrowings from financial institutions, save for the lease liabilities in respect of our Factory No.11, lamp oil labelling line and hostels.

The main objective of our capital management is to ensure that entities within our Group will be able to maintain an optimal capital structure to support our businesses and maximise shareholders value. To achieve this objective, our 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.

**12.5.5 Material capital commitment, material investments and divestitures**

Save as disclosed below, our Board confirms that there are no material capital commitments incurred or known to be incurred by our Group as at the LPD and our Group do not have any other material investments and divestitures for the FYEs Under Review and up to the LPD.

**Authorised and contracted for:**Factory No.11<sup>(1)</sup>**RM'000**9,450Note:

- (1) Being the acquisition of Factory No.11 at a total consideration price of RM10.50 million. As at the LPD, RM1.05 million has been paid as deposit. As such, the remaining purchase sum payable of RM9.45 million has been recorded as a material commitment as at the LPD. Please refer to Section 4.8 of this Prospectus for further details on the utilisation of proceeds from our IPO.

**12.5.6 Material litigation, claims or arbitration and contingent liabilities****(i) Material litigation, claims or arbitration**

As at the LPD, our Group is not engaged in any material litigation, claims and/or arbitration, whether as plaintiff or defendant, which might and adversely affect our business or financial position, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect our business or financial position, in the 12 months immediately preceding the date of this Prospectus.

**(ii) Contingent liabilities**

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

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**12. FINANCIAL INFORMATION (CONT'D)****12.6 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for the FYEs Under Review are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover period (days) <sup>(1)</sup>	34	29	23
Trade payables turnover period (days) <sup>(2)</sup>	3	4	3
Inventories turnover (days) <sup>(3)</sup>	8	9	7
Current ratio (times) <sup>(4)</sup>	16.24	11.80	4.76
Gearing ratio (times) <sup>(5)</sup>	-	-	-

Notes:

- (1) Computed based on average of opening and closing trade receivables as at the respective financial year end divided by total revenue for the respective financial year end and multiplied by 365 days for each financial year.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Opening trade receivables (RM'000)	3,559	4,384	4,947
Closing trade receivables (RM'000)	4,384	4,947	4,931
Average trade receivables (RM'000)	3,972	4,666	4,939
Revenue (RM'000)	42,574	59,742	78,236
Trade receivables turnover period (days)	34	29	23

- (2) Computed based on average of opening and closing trade payables as at the respective financial year end divided by total cost of sales for the respective financial year end and multiplied by 365 days for each financial year.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Opening trade payables (RM'000)	289	317	881
Closing trade payables (RM'000)	317	881	294
Average trade payables (RM'000)	303	599	588
Cost of sales (RM'000)	37,142	51,751	66,251
Trade payables turnover period (days)	3	4	3

- (3) Computed based on the average inventories as at the respective financial year end divided by purchases for the respective financial year end and multiplied by 365 days for each financial year.

**12. FINANCIAL INFORMATION (CONT'D)**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Opening inventories (RM'000)	780	914	1,611
Closing inventories (RM'000)	914	1,611	1,029
Average inventories (RM'000)	847	1,263	1,320
Purchases (RM'000)	36,381	51,045	65,394
Inventories turnover period (days)	8	9	7

- (4) Computed based on current assets over current liabilities as at the respective financial year end.
- (5) Computed based on the total borrowings over total equity as at the respective financial year end.
- (6) Our trade payables turnover period was shorter than our trade receivables turnover period. We are of the view that this does not affect the sufficiency of our working capital as our working capital requirements were financed by our cash and bank balances during the FYEs Under Review.

The purchases for the past 3 FYEs Under Review were made using internally generated funds. Cash from operating activities generate sufficient positive cash flow to maintain and support working capital as well as the growth of our operations.

Premised on the above, there is sufficient working capital for our operations.

**12.6.1 Trade receivables**

Our Group's trade receivable ageing analysis as at 31 March 2023 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade receivables as at 31 March 2023 (RM'000)	3,948	885	54	-	44	4,931
Proportion of total trade receivables (%)	80.06	17.95	1.10	-	0.89	100.00
Subsequent collections up to the LPD (RM'000)	(3,948)	(885)	(54)	-	(14)	(4,900)
Trade receivables after subsequent collections (RM'000)	-	-	-	-	30	30
Proportion of trade receivables after subsequent collections (%)	-	-	-	-	100.00	100.00

All our Group's trade receivables are classified as current assets. The normal credit terms granted by our Group is 30 days from the date of invoice. Our Group managed the credit risk through credit limit and credit monitoring procedures.

**12. FINANCIAL INFORMATION (CONT'D)**

Our credit terms to customers are assessed and approved on an individual customer basis taking into consideration various factors such as relationship with the customer, payment history and customer's creditworthiness.

We use ageing analysis to monitor the credit quality of our trade receivables. In addition, our management assesses our trade receivables individually as to their aging condition and collectability. Among the factors considered in determining whether to provide for impairment losses include, subsequent collections, any past provisions and/or impairments made and/or letter(s) of demand issued as well as the current industry and economic conditions. Our management may take necessary actions which include entering into negotiations with the customers to recover any amounts that are long outstanding or in dispute.

Our trade receivables turnover periods for FYE 2021, FYE 2022 and FYE 2023 were 34 days, 29 days and 23 days, respectively.

Our Group's trade receivables turnover period stood at 34 days in FYE 2021, mainly due to our Group's customers taking longer time to make payments during the COVID-19 pandemic period.

Our Group's trade receivables turnover period decreased to 29 days in FYE 2022 and 23 days in FYE 2023, due to our Group's efforts to follow up closely on collections and better collections from our customers. Our Group undertakes various measures but not limited to closely following up with customers by sending monthly debtors' statement and payment reminders to the customers to accelerate incoming collections.

As at the LPD, RM4.90 million or 99.39% of our Group's total trade receivables outstanding as at 31 March 2023 have been collected. As at the LPD, the outstanding trade receivables that are more than 90 days of RM0.03 million are from 3 trade receivables where our customers are paying progressive. Our management is of view that the above-mentioned outstanding trade receivables are recoverable.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis, and when appropriate, provides for specific / individual impairment of these trade receivables. Our management is of the view that the trade receivables are recoverable, there is no provision for impairment required after taking into consideration our Group's relationship with our customers as well as efforts made to improve collection with various credit control measures to reduce the potential exposure on credit risk.

**12.6.2 Trade payables**

Our Group's trade payables ageing analysis as at 31 March 2023 is as follows:

	Within credit period	Exceeding credit period (past due days)				Total
		1 – 30	31 – 60	61 – 90	Over 90	
Trade payables as at 31 March 2023 (RM'000)	290	4	-	-	-	294
Proportion of total trade payables (%)	98.64	1.36	-	-	-	100.00
Subsequent payment up to the LPD (RM'000)	(290)	(4)	-	-	-	(294)
Net trade payables after subsequent payment as at LPD (RM'000)	-	-	-	-	-	-
Proportion of trade payables after subsequent payment as at LPD (%)	-	-	-	-	-	-

**12. FINANCIAL INFORMATION (CONT'D)**

All our Group's trade payables are classified as current liabilities. The normal credit terms granted by suppliers is 30 days from the date of the purchase invoice. However, suppliers of RBD palm olein oil may either require us to make payment within a week of taking delivery, or prior to taking delivery of RBD palm olein oil.

Our trade payables turnover period for FYE 2021, FYE 2022 and FYE 2023 of 3 days, 4 days and 3 days, respectively were within the credit period granted by our suppliers.

As at the LPD, all of our total trade payables outstanding as at 31 March 2023 have been paid.

**12.6.3 Inventories turnover**

Our inventories mainly consist of RBD palm olein oil, packaging materials (such as polybags, bottles, tin cans and jerry cans) for repackaging, marketing and distribution of RBD palm olein oil products segment; and third-party products for trading (under trading of third-party products segment).

Our Group practices first-in-first-out basis in computing the cost of inventories. The costs of inventories include invoiced value of goods purchased and expenditure incurred for acquiring inventories.

Our inventory turnover days vary year to year according to the sales anticipation and market price of RBD palm olein oil.

The inventory turnover days increased from 8 days for FYE 2021 to 9 days for FYE 2022 and subsequently decreased to 7 days for FYE 2023 mainly due to our practice of not keeping inventories for more than 7 days. Additionally, our Group enters into short term sales contracts (of 1 to 3 months) with suppliers to purchase the RBD palm olein oil in predetermined price and quantity.

For RBD palm olein oil, our procurement department will review our inventory level and arrange for delivery of RBD palm olein oil on a daily basis. For packing materials, our procurement department conducts a monthly internal meeting to, among others, review our inventory level and inventory ageing. Approval is required from our Directors / senior management for procurement of inventories and any impairment on slow moving inventories.

**12.6.4 Current ratio**

The table below sets forth a summary of our Group's current ratio for the FYEs Under Review:

	As at 31 March		
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	13,336	17,924	20,786
Current liabilities	821	1,519	4,367
Net current assets	12,515	16,405	16,419
Current ratio (times) <sup>(1)</sup>	16.24	11.80	4.76

**Note:**

(1) Current ratio is calculated based on current assets over current liabilities.

As at 31 March 2022, our Group's current ratio was 11.80 times, which was lower compared to 16.24 times as at 31 March 2021, mainly due to higher trade and other payables as at 31 March 2022 of collectively RM1.33 million as compared to RM0.62 million as at 31 March 2021.

As at 31 March 2023, our Group's current ratio was 4.76 times, which was lower compared to 11.80 times as at 31 March 2022, mainly due to payment of outstanding amount of RM3.00 million in relation to the dividend declared in respect of FYE 2023 on 17 July 2023.

**12. FINANCIAL INFORMATION (CONT'D)**

Overall, our current ratio was more than 1 time (i.e. our current assets were in excess of our current liabilities) during the FYEs Under Review. This indicates that our Group is able to meet our current obligations – our current assets such as inventories and trade receivables, which can be readily converted to cash, together with our cash and bank balances are sufficient to meet immediate current liabilities.

**12.6.5 Gearing ratio**

During the FYEs Under Review, our Group does not have any outstanding bank borrowings which were interest-bearing. Hence, our gearing ratio for FYEs Under Review was nil.

We excluded lease liabilities as part of the borrowings. This was because our lease liabilities represented the financial obligation to pay rentals on our rented premises.

For illustrative purposes, assuming the lease liabilities as borrowings and the gearing ratio for the FYEs Under Review would be as follows:

		As at 31 March		
		2021	2022	2023
		RM'000	RM'000	RM'000
Lease liabilities	[A]	476	319	167
Total equity	[B]	16,713	19,955	19,964
Gearing ratio (times)	[A] / [B]	0.03	0.02	0.01

**12.7 ACCOUNTING POLICIES AND AUDIT QUALIFICATION**

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the significant accounting policies of our Group, see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus. The Accountants' Report does not contain any audit qualification for the FYEs Under Review.

**12.8 TREND ANALYSIS**

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

- (i) known trends, demands, commitments, unusual or infrequent events or transactions, uncertainties or any significant economic changes that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in Sections 7.2 to 7.4, 7.16, 9 and 12.3 to 12.6 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.5.5 of this Prospectus;
- (iii) known trends, demands, commitments or events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 9 and 12.3 to 12.6 of this Prospectus; and

## 12. FINANCIAL INFORMATION (CONT'D)

- (iv) known events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources as set out in Sections 7.16, 9 and 12.3 to 12.6 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into account the outlook of the RBD palm olein oil market in Malaysia as set out in Section 8 of this Prospectus, our competitive strengths as set out in Section 7.5 of this Prospectus and our business strategies and future plans as set out in Section 7.22 of this Prospectus.

### 12.9 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our products based on purchase orders received.

### 12.10 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Our Group's business operations and financial conditions have been and will continue to be affected by internal and external factors including, but not limited to, the following:

**(i) We may be adversely affected if we are unable to source RBD palm olein oil in sufficient quantities and/or at acceptable prices**

We source RBD palm olein oil from 4 suppliers in Malaysia. Accordingly, the availability of RBD palm olein oil required for our business at commercially acceptable prices are critical to our ability to maintain our GP margins and to deliver products promptly and reliably to our customers. If we are unable to obtain the volume of RBD palm olein oil required for our operations in sufficient quantities or at prices commercially acceptable to us, our business operations and financial performance may be adversely affected.

Please refer to the risk factor in Section 9.1.1 of this Prospectus for further details.

**(ii) We may face disruptions in our packaging facility and business operations**

We have 14 packaging lines to repackage our products in various packaging sizes and types, including polybags, jerry cans, tin cans, bottles and IBCs. This being the case, we depend on the continued operation of our packaging lines. Our packaging lines may be susceptible to unanticipated breakdowns or damages. To minimise such risks, our Group has scheduled regular maintenance for our packaging lines prior to operational usage on a daily basis, and conducts calibration on our packaging lines on an annual basis.

Please refer to the risk factor in Section 9.1.2 of this Prospectus for further details.

**(iii) We depend on our ability to secure new contracts and customers**

We do not enter into long-term contracts with our customers due to the potential volatility of CPO and RBD palm olein oil prices. The maximum contract period that we have with our customers is for 6 months during the FYEs Under Review.

The absence of long-term contracts poses a risk of losing our existing customers, which would impact our financial performance. As such, we are dependent on our ability to secure new contracts with our existing customers, as well as secure new customers.

Please refer to the risk factor in Section 9.1.3 of this Prospectus for further details.

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## 12. FINANCIAL INFORMATION (CONT'D)

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**(iv) We are dependent on our key management for the continuing success of our Group**

The continuing success of our business is dependent on the leadership abilities and the experiences of our key management personnel, namely Wong Hing Ngiap (Managing Director), Wong Hin Loong (Executive Director), Choo Wai Yeen (Chief Operating Officer), Dee Bee Lian (Chief Financial Officer) as well as Woi Chee Keong (Factory Manager).

The loss of services from any of our key management personnel within a short period of time and without any suitable or prompt replacement may cause an adverse effect on our business operations and financial performance.

Please refer to the risk factor in Section 9.1.4 of this Prospectus for further details.

**(v) We are exposed to price fluctuation and availability of materials and supplies**

We are susceptible to the risk of price fluctuation of RBD palm olein oil products, which is dependent on prices of the raw material, i.e. CPO. As CPO is a major commodity, its pricing is dependent on global supply and demand factors, including but not limited to, weather conditions such as flooding or dry spells, global economic conditions, inflationary pressure, and new policies or regulations. If there is a significant increase in the cost of raw materials, our GP margins and financial conditions may be adversely affected.

Please refer to the risk factor in Section 9.2.1 of this Prospectus for further details.

**(vi) We may face competition from other players involved in the repackaging, marketing and sale of RBD palm olein oil products**

Our Group competes with industry players involved in the repackaging, marketing and sale of RBD palm olein oil products. They may compete with us in terms of branding, pricing and ability to deliver in a timely manner.

Some of our competitors may have longer operating history, better financial capability, stronger marketing abilities (which may lead to stronger brand recognition) and larger customer base. As a result, customers may be more inclined to purchase the product of our competitors. While we compete based on the quality of our products and good track record, there is no assurance that we will be able to compete effectively with existing or new competitors in the future.

Please refer to the risk factor in Section 9.2.2 of this Prospectus for further details.

**(vii) Impact of inflation**

Our financial performance for the FYEs Under Review was not materially affected by the impact of inflation. However, there can be no assurance that future inflation will not have an impact on our business and financial performance.

**(viii) Impact of interest rates**

For the FYEs Under Review, our financial performance was not affected by the fluctuations of interest rates. Hence, there is no sensitivity analysis on our PAT to changes in interest rates. Please refer to Note 26(b)(iii) in the Accountants' Report set out in Section 13 of this Prospectus.

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## 12. FINANCIAL INFORMATION (CONT'D)

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### (ix) Impact of Government, economic, fiscal and monetary policies

Our Group's business is subject to the risks relating to Government, economic, fiscal or monetary policies. Any unfavourable changes in the Government's policies, changes in the economic conditions or fiscal or monetary policies may materially affect our operations in Malaysia. Further details are set out in Section 9.2.3 of this Prospectus.

During the FYEs Under Review, we have not experienced any adverse political, regulatory or economic developments that have had a direct impact on our business operations, financial performance and prospects of our Group save for the impact of the COVID-19 pandemic as disclosed in Section 7.16 of this Prospectus.

### 12.11 SIGNIFICANT CHANGES

There are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to the FYE 2023 and up to the LPD.

### 12.12 DIVIDEND POLICY

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

Save for compliance with the solvency requirement under the Act, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations; and
- (iv) our projected levels of capital expenditure and other investment plans.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in general meeting, may from time to time approve a dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) our Company is, or would after the payment, be unable to pay our liabilities as they become due; or
- (ii) the realisable value of our Company's assets would thereby be less than our liabilities.



**12. FINANCIAL INFORMATION (CONT'D)**

Dividends declared and paid by our subsidiaries, during FYEs Under Review were as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividends declared and paid	3,000 <sup>(1)</sup>	20 <sup>(2)</sup>	6,020 <sup>(3)</sup>

Notes:

- (1) RM3.00 million was declared by SCEO on 4 September 2020 and paid on 7 September 2020.
- (2) RM20,000 was declared by SCSM on 20 April 2021 and paid on 28 April 2021.
- (3) RM6.02 million was declared in 3 tranches:
- (i) RM20,000 was declared by SCSM on 20 April 2022 and paid on 26 April 2022;
  - (ii) RM3.0 million was declared by SCEO on 27 October 2022 and paid on 15 November 2022; and
  - (iii) RM3.0 million was declared by SCEO on 9 March 2023 and paid on 17 July 2023.

The dividends paid are funded via internally generated funds.

Subsequent to the FYE 2023 and up to the LPD, no dividend has been declared, made or paid by our Group to our shareholders. Our Company does not intend to declare any dividend prior to our Listing.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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