

12. FINANCIAL INFORMATION**12.1 HISTORICAL FINANCIAL INFORMATION**

The following table sets out a summary of the consolidated statements of profit or loss and other comprehensive income, consolidated statements of financial position and consolidated statements of cash flows of our Group for the Financial Years Under Review. The consolidated financial statements have been prepared in accordance with MFRS and IFRS and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business or industry which we are involved in. For further details on the accounting policies of our Group, please see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus.

12.1.1 Consolidated statements of profit or loss and other comprehensive income of our Group

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	187,502	209,953	199,643
Cost of sales	(165,742)	(187,953)	(175,781)
GP	21,760	22,000	23,862
Other income	692	530	644
Administrative expenses	(9,609)	(9,557)	(9,794)
Finance costs	(1,341)	(1,421)	(1,422)
Net impairment losses on financial assets	(621)	(158)	(408)
PBT	10,881	11,394	12,882
Income tax expense	(3,235)	(3,235)	(3,664)
PAT / Total comprehensive income	7,646	8,159	9,218
PAT / Total comprehensive income attributable to:			
- Owners of our Company	7,646	8,159	9,218
EBITDA ⁽¹⁾	14,097	15,562	16,831
GP margin (%) ⁽²⁾	11.61	10.48	11.95
PBT margin (%) ⁽³⁾	5.80	5.43	6.45
PAT margin (%) ⁽³⁾	4.08	3.89	4.62
Basic and diluted EPS (sen) ⁽⁴⁾	6.37	6.80	7.68

Notes:

(1) EBITDA is computed as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT	7,646	8,159	9,218
Less:			
Interest income	(101)	(57)	(75)
Add:			
Taxation	3,235	3,235	3,664
Depreciation	1,920	2,748	2,580
Amortisation	56	56	22
Finance costs	1,341	1,421	1,422
EBITDA	14,097	15,562	16,831

(2) Computed based on GP over revenue.

(3) PBT margin and PAT margin are calculated based on the respective PBT and PAT for the Financial Years Under Review divided by revenue.

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- (4) *Calculated based on PAT divided by our issued share capital of 120,000,000 Shares in issue. Our Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.*

12.1.2 Consolidated statements of financial position of our Group

	Audited as at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	27,287	25,954	24,206
Investment properties	1,563	1,532	1,501
Right-of-use assets	7,472	7,253	7,044
Intangible assets	78	22	-
Goodwill	21,992	21,992	21,992
Total non-current assets	58,392	56,753	54,743
Current assets			
Inventories	32,097	29,177	25,191
Trade receivables	24,470	32,311	27,816
Other receivables, deposits and prepayments	1,769	413	341
Short-term investments	2,562	1,601	1,652
Current tax assets	683	1,467	207
Fixed deposit with licensed banks	1,573	1,373	1,400
Cash and bank balances	11,416	16,229	13,308
Total current assets	74,570	82,571	69,915
TOTAL ASSETS	132,962	139,324	124,658
EQUITY AND LIABILITIES			
Equity attributable to owners of our Company			
Share capital	59,867	59,867	59,867
Retained earnings	17,651	22,294	28,007
TOTAL EQUITY	77,518	82,161	87,874
LIABILITIES			
Non-current liabilities			
Bank borrowings	8,623	6,940	5,246
Deferred tax liability	726	745	562
Total non-current liabilities	9,349	7,685	5,808
Current liabilities			
Bank borrowings	37,646	41,859	23,370
Trade payables	4,448	3,601	3,466
Other payables and accrued expenses	3,949	3,409	4,015
Current tax liabilities	52	609	125
Total current liabilities	46,095	49,478	30,976
TOTAL LIABILITIES	55,444	57,163	36,784
TOTAL EQUITY AND LIABILITIES	132,962	139,324	124,658
Number of Shares in issue ('000)	120,000	120,000	120,000
NA (RM'000)	77,518	82,161	87,874
NA per Share (sen)	64.60	68.47	73.23

12. FINANCIAL INFORMATION (CONT'D)

12.1.3 Consolidated cash flow statements of our Group

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cash flows from operating activities			
PBT	10,881	11,394	12,882
Adjustments for:			
Amortisation of intangible assets	56	56	22
Bad debts written off	13	17	5
Depreciation:			
- investment properties	31	31	31
- property, plant and equipment	1,678	2,498	2,340
- right-of-use assets	211	219	209
Finance costs	1,341	1,421	1,422
Impairment losses on trade receivables	726	968	1,399
Intangible assets written off	6	-	-
Inventories written off, net of reversal	2,564	2,047	837
Property, plant and equipment written off	#	7	3
Bad debts recovered	-	(6)	(2)
Dividend income from short-term investments	(62)	(39)	(51)
Gain on bargain purchase	-	-	(2)
Gain on disposal of property, plant and equipment	(139)	#	(5)
Interest income	(101)	(57)	(75)
Reversal of impairment loss on trade receivables	(105)	(810)	(991)
Operating profit before changes in working capital	17,100	17,746	18,024
<u>Changes in working capital:</u>			
(Increase) / Decrease in inventories	(19,326)	873	3,275
(Increase) / Decrease in trade and other receivables	(3,671)	(6,654)	4,189
(Decrease) / Increase in trade and other payables	(201)	(1,387)	317
Cash (for) / from operations	(6,098)	10,578	25,805
Income tax paid	(3,480)	(3,443)	(4,432)
Income tax refunded	-	-	1,136
Real property gain tax refunded	-	-	225
Interest paid	(1,341)	(1,421)	(1,422)
Interest received	101	57	75
Net cash (for) / from operating activities	(10,818)	5,771	21,387
Cash flows for investing activities			
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	-	(4)
Purchase of property, plant and equipment	(4,475)	(1,175)	(597)
(Purchase) / Disposal of short-term investments	(2,500)	1,000	-
Proceeds from disposal of property, plant and equipment	267	2	9
Withdrawal of / (Additions of) fixed deposits with tenure more than 3 months	983	52	(23)
Net cash for investing activities	(5,725)	(121)	(615)
Cash flows from / (for) financing activities			
Dividend paid	(4,020)	(3,516)	(3,504)
Increase / (Decrease) in bankers' acceptances	13,806	5,194	(24,225)
Drawdown of term loans	2,066	-	-
Repayment of hire purchase obligations	(110)	(140)	(87)
Repayment of term loans	(2,133)	(1,679)	(1,614)
Withdrawal of / (Additions to) pledged fixed deposits	1,525	148	(3)
Net cash from / (for) financing activities	11,134	7	(29,433)

12. FINANCIAL INFORMATION (CONT'D)

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net (decrease) / increase in cash and cash equivalents	(5,409)	5,657	(8,661)
Cash and cash equivalents at the beginning of the financial year	15,788	10,379	16,036
Cash and cash equivalents at the end of the financial year	10,379	16,036	7,375
Cash and cash equivalents comprise:			
Fixed deposits with licensed banks	1,573	1,373	1,400
Cash and bank balances	11,416	16,229	13,308
Bank overdrafts	(1,068)	(224)	(5,966)
	11,921	17,378	8,742
Less: Fixed deposits pledged to licensed banks	(253)	(105)	(107)
Less: Fixed deposits with tenure of more than 3 months	(1,289)	(1,237)	(1,260)
Cash and cash equivalents	10,379	16,036	7,375

Less than RM500

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12. FINANCIAL INFORMATION (CONT'D)

12.2 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 January 2024, which has been adjusted for the effect of the Public Issue including the utilisation of proceeds.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 January 2024 and is provided for illustrative purposes only.

	<u>Unaudited</u>	<u>Pro Forma I</u>	<u>Pro Forma II</u>	<u>Pro Forma III</u>
	<u>As at 31 January 2024</u>	<u>After Bonus Issue of Shares</u>	<u>After Pro Forma I and Public Issue</u>	<u>After Pro Forma II and utilisation of proceeds</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Indebtedness				
<u>Current</u>				
<i>Secured and guaranteed:</i>				
Bank overdrafts	2,093	2,093	2,093	2,093
Bankers' acceptance	28,893	28,893	28,893	28,893
Term loans	1,652	1,652	1,652	1,652
<i>Secured and unguaranteed:</i>				
Hire purchase payables	34	34	34	34
<u>Non-Current</u>				
Secured and guaranteed:				
Term loans	4,657	4,657	4,657	4,657
<i>Secured and unguaranteed:</i>				
Hire purchase payables	47	47	47	47
Total indebtedness	37,376	37,376	37,376	37,376
Total capitalisation	88,830	88,830	[•]	[•]
Total capitalisation and indebtedness	126,206	126,206	[•]	[•]
Gearing ratio (times) ⁽¹⁾	0.42	0.42	[•]	[•]

Note:

(1) Computed based on total indebtedness over total capitalisation.

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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 conditions and results of operations for the Financial Years Under Review should be read with the Accountants' Report as set out in Section 13 of this Prospectus.

12.3.1 Overview of our business

Our Group provides market access and coverage for consumer products mainly in Sarawak and Sabah, where we are principally involved in the distribution of a wide range of third-party brands as well as our own brands of Frozen and Chilled Food Products and Ambient F&B Products. In 2023, we expanded into the distribution of Non-F&B Products in Sarawak and Sabah.

Our range of Frozen and Chilled Food Products include, but are not limited to, frozen meats, frozen seafood, frozen vegetables, frozen butter and cheese, while our range of Ambient F&B Products include, but are not limited to, cream, milk, pasta, juices, bread, seasonings and dressings. Our Non-F&B Products include cleaning and hygiene products such as detergents and oral care products.

12.3.2 Significant factors materially affecting our operations and financial results

Section 9 of this Prospectus details a number of risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) We distribute third-party brands of Frozen and Chilled Food Products, Ambient F&B Products and Non-F&B Products

Our Group is involved in the distribution of third-party brands of consumer products in Sarawak and Sabah, representing 94.91%, 94.58% and 93.57% of our Group's revenue in FYE 2021, FYE 2022 and FYE 2023, respectively. Further, our procurement of frozen buffalo meat from Allanasons Private Limited contributed 21.51%, 27.18% and 23.38% of our total purchases in FYE 2021, FYE 2022 and FYE 2023, respectively. Any material disruptions in our business dealings with third-party brand owners may affect our business and financial performance.

For the Financial Years Under Review and up to the LPD, our Group has not experienced any material adverse impact on our business operations and financial performance due to the distribution of third-party brands. Nevertheless, there can be no assurance that the risk of business disruption from the distribution of third-party brands would not have a material adverse impact on our Group in the future.

(ii) We are subject to the risk of disruptions to warehousing and cold storage facilities as well as transportation vehicles

Our business operations are dependent on the continued operations of our warehousing and cold-storage facilities as well as our transportation vehicles. Any disruptions to our warehousing and cold-storage facilities as well as our transportation vehicles such as fire, power failure or breakdown may have an adverse impact on our operations.

For the Financial Years Under Review and up to the LPD, we have not encountered any major disruptions to our warehousing and cold-storage facilities as well as our transportation vehicles. Despite the necessary steps taken to mitigate this risk, there can be no assurance that any occurrence of the abovementioned disruptions will not affect our business operations. We cannot guarantee that the insurance obtained is adequate and sufficient to cover all liabilities and expenses incurred. Further, we cannot assure

12. FINANCIAL INFORMATION (CONT'D)

that the insurance is renewable at the existing premium rate. Notwithstanding the above, our Group will continually review our insurance policies and coverages, and strive to obtain the most competitive premium rates.

(iii) We are subject to the risk of product liability

As a provider of market access and coverage for consumer products, we are principally involved in the distribution of third-party brands as well as our own brands, and therefore exposed to product liability claims which may impact our revenue and profitability. Product liability claims generally arise due to factors, which include but not limited to manufacturing defects, product contamination, product mislabelling and use of uncertified ingredients. While product liability claims are more likely to affect product manufacturers, distributors such as our Group are also aware of the adverse reputational damage and may potentially face legal actions which may have an adverse impact on our revenue and profitability.

For the Financial Years Under Review and up to the LPD, our Group has not experienced any product liability claims, therefore we have not experienced any material adverse impact on our business operations and financial performance. Notwithstanding the above, there can be no assurance that we will not experience any product liability claims in the future. Further, there will be no liability on the part of the manufacturer if such liability is incurred or arises directly or indirectly out of the act, omission or negligence on our part.

(iv) We are subject to the risk of negative perception and publicity on our reputation and brands that we distribute

The reputation of consumer goods operators in the food and beverages distribution services industry is sensitive to public perception. For example, F&B Products that are consumed directly by the general public become contaminated, possibly resulting from improper processing, storage or handling during the processing, manufacturing or distribution phases, thereby resulting in food poisoning or other illnesses. As such, any adverse public opinions on any products, brand or effects of any ingredients could have an impact on the affected operator, from manufacturers to distributors and up to retailers.

For the Financial Years Under Review and up to the LPD, we have not experienced any recall of third-party brands or our own brands of products or been subjected to any administrative action by relevant authorities in relation to product contamination, sabotage or rumours. Nonetheless, there can be no assurance that the risk in reputation resulting from negative perception and publicity would not have a material adverse impact on our business and financial performance.

(v) We are dependent on our directors and key management personnel

We believe that human capital is one of our key success factors. Over the years, we have built an experienced management and operations team in the business of distribution of third-party brands and our own brands of products, as well as an understanding of our customers' needs and requirements. As such, any loss of our key management personnel, without a suitable and timely replacement, may have a material adverse impact on our business and our continuing ability to compete effectively. Please refer to Section 5 of this Prospectus for the profiles of our Board and key management personnel.

For the Financial Years Under Review and up to the LPD, we have not experienced any loss of our key management personnel that has materially impacted our business. Nonetheless, there can be no assurance that the above measures will be successful in attracting and retaining key management personnel or ensuring a smooth transition should changes occur.

12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Overview of our results of operations**

For the Financial Years Under Review, our revenue was mainly derived from the sale of Frozen and Chilled Food Products.

Revenue from the sale of Frozen and Chilled Food Products, Ambient F&B Products and Non-F&B Products are recognised at a point in time when our Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

Between FYE 2021 and FYE 2023, revenue from the sale of Frozen and Chilled Food Products increased at a CAGR of 2.85% from RM166.72 million in FYE 2021 to RM176.36 million in FYE 2023. In FYE 2023, the sale of Frozen and Chilled Food Products represented 88.34% of our Group's total revenue.

Between FYE 2021 and FYE 2023, revenue from the sale of Ambient F&B Products increased at a CAGR of 5.05% from RM20.78 million in FYE 2021 to RM22.94 million in FYE 2023. In FYE 2023, the sale of Ambient F&B Products represented 11.49% of our Group's total revenue.

In FYE 2023, a small proportion of our revenue was derived from the sale of Non-F&B Products which represented 0.17% of our Group's total revenue pursuant to the acquisition of Supreme Trading in May 2023. We did not have any sales of Non-F&B Products prior to FYE 2023.

For the Financial Years Under Review, all our product distribution centres were located in Kuching and Miri. Please refer to Section 7 of this Prospectus for further details on our warehouses and products.

Our revenue is generated from local and overseas sales, and the currencies used in invoicing are RM and USD. Approximately 99.34%, 99.46% and 99.05% of our revenues are denominated in RM for FYE 2021, FYE 2022 and FYE 2023, respectively, while the remaining revenue is denominated in USD.

12.3.4 Revenue**(i) Revenue by product categories**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<u>Frozen and Chilled Food Products</u>						
Frozen beef and buffalo	54,297	28.96	72,703	34.63	60,805	30.46
Frozen processed food	28,036	14.95	31,846	15.17	39,092	19.58
Frozen lamb	29,336	15.64	34,712	16.53	23,827	11.93
Frozen butter	15,352	8.19	11,279	5.37	13,769	6.90
Cheese	11,665	6.22	9,903	4.72	9,221	4.62
Others ⁽¹⁾	28,030	14.95	26,771	12.75	29,642	14.85
Sub-total	166,716	88.91	187,214	89.17	176,356	88.34
<u>Ambient F&B Products</u>						
Milk	10,521	5.61	10,784	5.14	9,053	4.54
Seasoning and dressing	5,052	2.69	6,499	3.09	6,652	3.33
Canned butter	4,069	2.17	4,652	2.21	6,014	3.01
Beverage and tea	591	0.32	749	0.36	552	0.28
Others ⁽²⁾	553	0.30	55	0.03	668	0.33
Sub-total	20,786	11.09	22,739	10.83	22,939	11.49

12. FINANCIAL INFORMATION (CONT'D)

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Non-F&B Products						
Oralcare	-	-	-	-	291	0.15
Household cleaning products	-	-	-	-	57	0.02
Sub-total	-	-	-	-	348	0.17
Total	187,502	100.00	209,953	100.00	199,643	100.00

Notes:

- (1) Include, but are not limited to, frozen pastries, frozen seafood and frozen vegetables.
 (2) Include, but are not limited to, milk, pasta, juices, seasonings and dressings.

(ii) Revenue by third-party brands and our own brands

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Third-party brands ⁽¹⁾	177,954	94.91	198,565	94.58	186,800	93.57
Own brands ⁽²⁾	9,548	5.09	11,388	5.42	12,843	6.43
Total	187,502	100.00	209,953	100.00	199,643	100.00

Notes:

- (1) Include, but are not limited to, Allana, Golden Churn, Westgold, Pure South and Ramly.
 (2) Comprise Supreme, Best Choice and SUNIFEEL.

(iii) Revenue by distribution networks

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Retail ⁽¹⁾	93,584	49.91	81,011	38.59	87,151	43.65
Wholesalers ⁽²⁾	68,833	36.71	90,958	43.32	73,029	36.58
Food service operators ⁽³⁾	25,085	13.38	37,984	18.09	39,463	19.77
Total	187,502	100.00	209,953	100.00	199,643	100.00

Notes:

- (1) Include supermarkets, hypermarkets, grocery stores and sundry shops.
 (2) Include agents, stockists and distributors who utilise their existing network to sell our products to other wholesalers, retailers and HORECA.
 (3) Include HORECA, bakeries, canteens and caterers.

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	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Local market						
Sabah and Sarawak	186,273	99.34	208,821	99.46	197,745	99.05
Overseas						
Myanmar ⁽¹⁾	605	0.32	826	0.39	⁽²⁾ 1,898	0.95
Singapore ⁽¹⁾	624	0.34	306	0.15	-	-
Subtotal	1,229	0.65	1,132	0.54	1,898	0.95
Total	187,502	100.00	209,953	100.00	199,643	100.00

Notes:

- (1) Overseas sales are denominated in USD.
- (2) In FYE 2023, the higher revenue generated from Myanmar of RM1.07 million was attributable to the increased orders for canned butter products.

(v) Commentary on revenue**FYE 2022 compared to FYE 2021**

The COVID-19 pandemic caused a slowdown in the hospitality and tourism industry, and particularly the HORECA segment during 2020 due to the operating capacity and travel restrictions that were imposed throughout 2020 and 2021. The restrictions were gradually lifted and economic activities began showing signs of recovery in 2021. Economic activities increased in the hospitality and tourism segment in 2022. As such, our Group recorded an increase in revenue of RM22.45 million or 11.97% to RM209.95 million in FYE 2022 (FYE 2021: RM187.50 million). The increase was contributed by:

- (a) higher revenue of RM20.49 million from the sale of Frozen and Chilled Food Products. This was mainly derived from higher sales of frozen red meats i.e frozen buffalo of RM18.40 million to customers in the wholesalers and food service operators segments in FYE 2022 who stocked up on these products due to fear of potential shortages and higher purchase prices resulting from the increased prices for animal feed on the back of Russia's invasion of Ukraine, coupled with the recovery of economic activities and resumption of dining out after the upliftment of movement control order imposed by the Government in June 2021. Russia and Ukraine produce and supply animal feed and fertilisers globally.
- (b) higher revenue of RM1.96 million from the sale of Ambient F&B Products. This was mainly derived from higher sales of seasoning and dressings of RM1.45 million to customers in the wholesalers and food service operators in FYE 2022 following the resumption of dining out.

In FYE 2022, revenue from the distribution of third-party brands amounted to RM198.56 million or 94.58% of our total revenue while the remaining RM11.39 million or 5.42% was derived from the distribution of our own brands of products. The increase in revenue from the distribution of third-party brands was mainly contributed by the higher sales of frozen buffalo meat that we procure from Allanasons Private Limited, which contributed sales of RM9.64 million in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

The significant growth in our sales across various products categories was driven by the higher orders from our customers. In terms of revenue by distribution networks, our revenue from wholesalers increased by RM22.13 million, and food service operators increased by RM12.89 million. The increases in revenue from wholesalers and food service operators were offset by the decrease in revenue from the retail segment of RM12.57 million. This was because the population began to increasingly dine out as Malaysia recovered from the COVID-19 pandemic and the Government relaxed movement controls and operating capacity restrictions for businesses.

In terms of revenue by geographical market, Malaysia was our main revenue contributor representing 99.46%, followed by Myanmar (0.39%) and Singapore (0.15%). Our increased revenue for FYE 2022 were contributed from:

- (a) Malaysia: revenue increased by RM22.55 million or 12.11% in FYE 2022 mainly due to increased orders from our top 5 major customers; and
- (b) Myanmar: revenue increased by RM0.22 million or 36.07% in FYE 2022 due to higher sales of canned butter products.

However, the revenue generated from Singapore decreased by RM0.32 million or 51.61% in FYE 2022 due to lower sales orders from customers.

FYE 2023 compared to FYE 2022

Our Group recorded a decrease in revenue of RM10.31 million or 4.91% to RM199.64 million in FYE 2023 (FYE 2022: RM209.95 million). The decrease was contributed by the lower revenue of RM10.85 million from the sale of Frozen and Chilled Food Products attributable to the lower festive sales and out-of-home consumption in FYE 2023, resulting from the sentiments of rising cost of living amid the higher interest rates due to the increase in overnight policy rate by Bank Negara Malaysia during FYE 2023 (from 2.25% to 3.00%). As a result, our product sales for frozen lamb, mutton and buffalo decreased by RM22.77 million collectively in FYE 2023. The decrease was offset by the increase in revenue from the sale of frozen processed foods of RM7.24 million collectively in FYE 2023, as these products are more affordable compared to frozen lamb, mutton and buffalo.

The decrease in revenue generated from Frozen and Chilled Food Products were offset by the following category:

- (a) increase in revenue of RM0.20 million from the sale of Ambient F&B Products resulting from the export of Ambient F&B Products to Myanmar and higher sales of canned butter; and
- (b) increase in revenue of RM0.34 million from the sale of Non-F&B Products mainly oral care products (i.e. toothpaste, toothbrush and mouthwash) and household cleaning products (such as detergents for dishes, laundry, floor and appliances) resulting from the acquisition of Supreme Trading in FYE 2023.

In FYE 2023, revenue from the distribution of third-party brands amounted to RM186.80 million or 93.57% of our total revenue while the remaining RM12.84 million or 6.43% was derived from the distribution of our own brands of products. The decrease in revenue from the distribution of third-party brands was contributed by the lower sales of frozen buffalo meat that we procure from Allansons Private Limited, which contributed sales of RM11.83 million in FYE 2023.

In terms of revenue by distribution networks, our revenue from wholesalers decreased by RM17.93 million. This decrease was offset by the increase in revenue from the retail and food service operators segments of RM6.14 million and RM1.48 million, respectively.

12. FINANCIAL INFORMATION (CONT'D)

During 2023, it was noted that our wholesaler customers ordered lower volumes of frozen lamb, mutton, and buffalo as consumers showed a preference for poultry and processed products that are more affordable in comparison, to counter the impact of inflation.

In terms of revenue by geographical market, Malaysia remained our main revenue contributor representing 99.05%, followed by Myanmar (0.95%). Our lower revenue in FYE 2023 was contributed by Malaysia which decreased by RM11.07 million or 5.30% due to lower orders from our customers. Our revenue from Myanmar increased by RM1.07 million or 128.92% in FYE 2023 due to increased sales orders from customers for canned butter products.

Further in FYE 2023, we did not receive any orders from customers in Singapore and thus did not generate revenue from this country.

12.3.5 Cost of sales**(i) Cost of sales by component**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Purchases ⁽¹⁾	148,008	89.30	168,819	89.82	156,167	88.84
Staff costs ⁽²⁾	6,119	3.69	6,917	3.68	7,639	4.35
Freight charges, duties and transportation	6,215	3.75	5,888	3.13	5,839	3.32
Depreciation	1,439	0.87	2,070	1.10	1,920	1.09
Product display fee ⁽³⁾	1,200	0.72	1,349	0.72	1,251	0.71
Commission ⁽⁴⁾	1,241	0.75	1,257	0.67	1,332	0.76
Packing expenses	414	0.25	526	0.28	392	0.22
Advertising expenses	397	0.24	423	0.23	498	0.28
Upkeep and maintenance ⁽⁵⁾	400	0.24	419	0.22	431	0.25
Utilities	309	0.19	285	0.15	312	0.18
Total	165,742	100.00	187,953	100.00	175,781	100.00

Notes:

(1) We procure our supplies from local and overseas suppliers. Our purchases are mainly denominated in RM, USD, AUD and EURO

The weighted average exchange rates ("WAEX") for USD:RM, AUD:RM and EURO:RM for the Financial Years Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023
USD:RM	4.13	4.31	4.53
AUD:RM	3.13	3.07	3.02
EURO:RM	4.93	4.66	4.77

(2) Comprises staff salaries, allowances, bonus, overtime, statutory contribution and staff welfare directly attributable to production and warehousing activities.

(3) Comprises listing fees (i.e. the introduction and inclusion of each new product in the outlets of our key accounts) and block display fees (additional fees charged for prime space in retail outlets for our product promotion and marketing activities) mainly at supermarkets, hypermarkets and grocery stores.

(4) Represents sales commission to salespersons or agents when a sale is generated and collected from the customer.

12. FINANCIAL INFORMATION (CONT'D)

(5) Represents costs of maintenance incurred to keep SCS, SFS, BFL and STSB's transportation trucks, warehouses and cold room facilities in good condition.

(ii) Cost of sales by product categories

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Frozen and Chilled Food Products ⁽¹⁾	146,406	88.33	166,555	88.62	154,401	87.84
Ambient F&B Products ⁽²⁾	19,336	11.67	21,398	11.38	21,099	12.00
Non-F&B Products ⁽³⁾	-	-	-	-	281	0.16
Total	165,742	100.00	187,953	100.00	175,781	100.00

Notes:

- (1) Include, but not limited to, frozen meats, frozen processed foods (such as burgers and fries), frozen seafood, frozen vegetables, frozen butter and cheese.
- (2) Include, but not limited to, cream, milk, pasta, juices, bread, seasonings and dressings.
- (3) Comprise cleaning and hygiene products.

(iii) Commentary on cost of sales**FYE 2022 compared to FYE 2021**

Our cost of sales increased by RM22.21 million or 13.40% to RM187.95 million in FYE 2022 (FYE 2021: RM165.74 million), which was in tandem with the increase in our total revenue of 11.97% in FYE 2022.

The increase in cost of sales was mainly contributed by:

- (a) increase in purchases of RM20.81 million or 14.06% to RM168.82 million in FYE 2022 (FYE 2021: RM148.01 million). This corresponded to the increased sales in frozen lamb, mutton and buffalo in FYE 2022;
- (b) increase in staff costs of RM0.80 million or 13.07%, attributable to the increased headcount mainly for warehouse, processing and packaging as well as logistics division, overall increase to 175 staff (FYE 2021: 164 staff) to cope with increased orders in FYE 2022; and
- (c) increase in depreciation of RM0.63 million or 43.75%, attributable to the depreciation on the additional plant and machineries purchased in FYE 2022 as well as the full year depreciation charged on the property, plant and equipment in relation to a 3-storey office cum warehouse located at Lot 842. The said 3-storey office cum warehouse was occupied by our Group in May 2021.

The increases in abovementioned items were offset by the decrease in freight charges of RM0.34 million or 5.47%, attributable to the reduced freight rates driven by the easing in supply chain disruptions that had previously built up during the COVID-19 pandemic. During 2022, the reduced levels of port congestion along with weaker cargo arrivals (which led to a slowdown the container and vessel demand) were among the major reasons behind significant decrease in freight rates in 2022.

12. FINANCIAL INFORMATION (CONT'D)

FYE 2023 compared to FYE 2022

Our cost of sales decreased by RM12.17 million or 6.48% to RM175.78 million in FYE 2023 (FYE 2022: RM187.95 million), which was in tandem with the decrease in our total revenue of 4.91% in FYE 2023.

The decrease in cost of sales was mainly contributed by:

- (a) decrease in purchases of RM12.65 million or 7.49%. This corresponded to the decreased sales in frozen lamb, mutton and buffalo as well as milk products in FYE 2023;
- (c) decrease in depreciation of RM0.15 million or 7.25%, attributable to an increase in fully depreciated property, plant and equipment from RM6.50 million in FYE 2022 to RM8.01 million in FYE 2023.

The decreases in the abovementioned items were offset by the increase in staff costs of RM0.72 million or 10.40%, mainly attributable to higher salaries due to our Group complying with the Minimum Wage Order 2022 as implemented by the Government in May 2022 and annual salary adjustment for existing staff.

12.3.6 Gross profit ("GP")

Our GP increased at a CAGR of 4.72% from RM21.76 million in FYE 2021 to RM23.86 million in FYE 2023. Our overall GP margin increased from 11.61% in FYE 2021 to 11.95% in FYE 2023.

Performance of our GP margin may be affected by, among others, the following factors:

- (a) selling prices of our products to customers;
- (b) purchasing prices of products from our suppliers; and
- (c) foreign exchange rate arising from the purchase of products from our suppliers.

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12. FINANCIAL INFORMATION (CONT'D)

(i) GP and GP margin by product categories

	Audited								
	FYE 2021			FYE 2022			FYE 2023		
	GP		GP margin	GP		GP margin	GP		GP margin
	RM'000	%	%	RM'000	%	%	RM'000	%	%
Frozen and Chilled Food Products	20,310	93.34	12.18	20,659	93.90	11.03	21,955	92.01	12.45
Ambient F&B Products	1,450	6.66	6.98	1,341	6.10	5.90	1,840	7.71	8.02
Non-F&B Products	-	-	-	-	-	-	67	0.28	19.25
Total	21,760	100.00	11.61	22,000	100.00	10.48	23,862	100.00	11.95

(ii) Commentary on GP and GP margin

FYE 2022 compared to FYE 2021

Our overall GP increased by RM0.24 million or 1.10% to RM22.00 million in FYE 2022 (FYE 2021: RM21.76 million). This was attributable to an increase in the GP from Frozen and Chilled Food Products which was offset by a decrease in the GP from Ambient F&B Products.

Despite the increase in GP, our overall GP margin decreased to 10.48% in FYE 2022 (FYE 2021: 11.61%), attributable to the lower GP margin for Frozen and Chilled Food Products and Ambient F&B Products.

Frozen and Chilled Food Products

Our GP from Frozen and Chilled Food Products increased by RM0.35 million or 1.72% to RM20.66 million in FYE 2022 (FYE 2021: RM20.31 million) which was in tandem with the higher revenue and GP from frozen lamb, mutton and buffalo as well as frozen processed food.

Despite the increase in our GP from Frozen and Chilled Food Products, our GP margin for Frozen and Chilled Food Products decreased to 11.03% in FYE 2022 (FYE 2021: 12.18%). This was because:

- (a) the increase in purchasing prices for frozen butter products was higher than its selling price increment in FYE 2022. Global milk prices reached a record high of USD63.40 / 100kg milk in April 2022 before declining again and averaged at USD54.20 / 100kg milk in FYE 2022. The continuous increase in the price of animal feed, fertilisers and energy prices as well as the low availability of milk supplies led to high levels of milk-related products prices. Nonetheless, we were able to pass on some of the increase in purchasing prices to our customers in FYE 2022; and

12. FINANCIAL INFORMATION (CONT'D)

- (b) we experienced weaker WAEX of USD against RM in FYE 2022 which contributed to our lower overall GP margin, USD:RM at 4.31 in FYE 2022 compared to 4.13 in FYE 2021, that was partially cushioned by reduced freight rates for imported purchases in FYE 2022.

Ambient F&B Products

Our GP from Ambient F&B Products decreased by RM0.11 million or 7.59% to RM1.34 million in FYE 2022 (FYE 2021: RM1.45 million) and our GP margin for Ambient F&B Products decreased to 5.90% in FYE 2022 (FYE 2021: 6.98%). This was because:

- (a) the increase in purchase prices for milk and canned butter products was higher than its selling price increment in FYE 2022. Nonetheless, we were able to pass on some of the increment in purchase price to our customers in FYE 2022; and
- (b) we experienced weaker WAEX of USD against RM in FYE 2022 which contributed to our lower overall GP margin, USD:RM at 4.31 in FYE 2022 compared to 4.13 in FYE 2021, that was partially cushioned by reduced freight rates for the imported purchases in FYE 2022.

FYE 2023 compared to FYE 2022

Our overall GP increased by RM1.86 million or 8.45% to RM23.86 million in FYE 2023 (FYE 2022: RM22.00 million) and our overall GP margin increased to 11.95% in FYE 2023 (FYE 2022: 10.48%). This was due to an increase in the GP from Frozen and Chilled Food Products as well as Ambient F&B Products.

Frozen and Chilled Food Products

Our GP from Frozen and Chilled Food Products increased by RM1.30 million or 6.29% to RM21.96 million in FYE 2023 (FYE 2022: RM20.66 million) which was in tandem with the higher revenue and GP from frozen processed food and frozen butter products.

Our GP margin for Frozen and Chilled Food Products increased to 12.45% in FYE 2023 (FYE 2022: 11.03%) mainly attributable to the higher GP margin of frozen butter products. The higher GP margin of frozen butter products was attributable to the lower purchase price for frozen butter products as milk prices were lower in FYE 2023, i.e. average of USD41.53/100kg milk (FYE 2022: USD54.20 / 100kg milk). The lower milk prices in FYE 2023 were driven by the increased supply of milk in 2023. As such, the GP margin for frozen butter products improved and led to the increase in GP margin for Frozen and Chilled Food Products.

Ambient F&B Products

Our GP from Ambient F&B Products increased by RM0.50 million or 37.31% to RM1.84 million in FYE 2023 (FYE 2022: RM1.34 million) and our GP margin for Ambient F&B Products increased to 8.02% in FYE 2023 (FYE 2022: 5.90%). This was also because of the decreased milk price to an average of USD41.53 / 100kg milk in FYE 2023 (FYE 2022: USD54.20 / 100kg milk), which supported higher sales volume of canned butter products.

Non-F&B Products

Our GP from Non-F&B Product recorded RM0.07 million and our GP margin for Non-F&B Product was 19.25% in FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**12.3.7 Other income**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment ⁽¹⁾	139	20.09	-	-	5	0.78
Rental income ⁽²⁾	116	16.76	196	36.98	203	31.52
Interest income ⁽³⁾	101	14.59	57	10.76	75	11.65
Incentive income ⁽⁴⁾	64	9.25	25	4.72	-	-
Dividend income ⁽⁵⁾	62	8.96	39	7.36	51	7.92
Freight income ⁽⁶⁾	26	3.76	28	5.28	23	3.57
Wage subsidy ⁽⁷⁾	17	2.46	-	-	-	-
Bad debts recovered	-	-	6	1.13	2	0.31
Others ⁽⁸⁾	167	24.13	179	33.77	285	44.25
Total	692	100.00	530	100.00	644	100.00

Notes:

- (1) *Relates to the disposal of motor vehicles, machineries and equipment to third parties.*
- (2) *Mainly relates to rental income derived from the rental of 3 units of 3-storey intermediate shophouses located at Lots 14889, 14890 and 14891 Section 65, Kuching Town Land District as well as Miri warehouse located at Lot 1541 Block 3 Miri Concession Land District to third parties. Further details of the 3-storey intermediate shophouses and Miri warehouse are set out in Section 7.23.1 of this Prospectus.*
- (3) *Relates to interest income from fixed deposits and bank balances deposited in licenced banks.*
- (4) *Represents sales incentives received from suppliers for rewarding higher sales of products.*
- (5) *Relates to dividend income received from short-term investment of unit trusts.*
- (6) *Relates to delivery fees charged to customers.*
- (7) *Relates to the Wage Subsidy Programme introduced in 2020 as part of the Government's COVID-19 economic stimulus package.*
- (8) *Mainly includes realised gain on foreign exchange, insurance claim on damage goods and handling service income charged to customers as well as gain on bargain purchase.*

FYE 2022 compared to FYE 2021

Our other income decreased by RM0.15 million or 22.06% to RM0.53 million in FYE 2022 (FYE 2021: RM0.68 million), this was mainly attributable to the following:

- (i) absence of one-off gain on disposal of RM0.14 million for 3 units of motor vehicles;
- (ii) decrease in interest income from fixed deposits of RM0.04 million in FYE 2022 due to lower fixed deposits placed with licensed banks in FYE 2022;
- (iii) decrease in incentive income of RM0.03 million in FYE 2022 as one of our suppliers had cancelled the incentive scheme for a brand in December 2021; and
- (iv) decrease in dividend income of RM0.02 million in FYE 2022 due to reduced short-term investments held by our Group during FYE 2022.

The abovementioned decreases were offset by the increase in rental income of RM0.08 million as our Group rented out the Miri warehouse in December 2022 and a total of 3 floors at Lot 14891 to third parties in FYE 2022.

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

Our income increased by RM0.11 million or 20.75% to RM0.64 million in FYE 2023 (FYE 2022: RM0.53 million), this was attributable to higher items for others, mainly the realised gain on forex exchange of RM0.07 million and insurance claims on damaged goods of RM0.03 million.

The higher rental income in FYE 2023 was attributable to full year rentals recognised for the Miri warehouse.

12.3.8 Administrative expenses

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Directors' remuneration ⁽¹⁾	3,207	33.37	3,138	32.84	3,197	32.64
Staff costs ⁽²⁾	2,224	23.14	2,152	22.52	2,076	21.20
Office and warehouse expenses ⁽³⁾	980	10.20	897	9.39	932	9.52
Utilities	684	7.12	644	6.74	634	6.47
Professional fee ⁽⁴⁾	648	6.75	694	7.26	1,079	11.02
Depreciation	537	5.59	734	7.68	682	6.96
Upkeep and maintenance ⁽⁵⁾	509	5.30	367	3.84	383	3.91
Bank charges	439	4.57	440	4.60	324	3.31
Marketing expenses ⁽⁶⁾	208	2.16	264	2.76	278	2.84
Travelling expenses	90	0.94	157	1.64	194	1.98
Others ⁽⁷⁾	83	0.86	70	0.73	15	0.15
Total	9,609	100.00	9,557	100.00	9,794	100.00

Notes:

- (1) Directors' remuneration mainly consists of salaries, allowances, bonuses, employees provident fund and social security contributions as well as directors' fees.
- (2) Mainly consists of salaries, wages and allowances, bonuses, employees provident fund, social security contributions and other staff related costs.
- (3) Mainly includes quit rent and assessment of office and warehouse, insurances, security expenses, cleaning expenses as well as printing and stationery.
- (4) Mainly includes audit, legal and secretarial fees.
- (5) For warehouse, offices, office equipment and computers.
- (6) Incurred for business development to support our business, such as advertisements.
- (7) Mainly include property, plant and equipment written off, bad debts written off, loss on disposal of property, plant and equipment as well as loss on foreign exchange.

FYE 2022 compared to FYE 2021

Our administrative expenses decreased by RM0.05 million or 0.52% to RM9.56 million in FYE 2022 (FYE 2021: RM9.61 million). This was mainly attributable to the following items:

- (i) decrease in directors' remuneration and staff costs of RM0.14 million collectively due to lower bonus payout in FYE 2022;

12. FINANCIAL INFORMATION (CONT'D)

- (ii) decrease in upkeep and maintenance of RM0.14 million to RM0.37 million in FYE 2022 (FYE 2021: RM0.51 million). This was attributable to higher costs incurred in FYE 2021 to repair and replace spare parts for air-conditioning system of cold rooms at SCS due to damages; and
- (iii) decrease in office and warehouse expenses of RM0.08 million to RM0.90 million (FYE 2021: RM0.98 million).

The abovementioned decreases were offset by the following items:

- (i) increase in depreciation of RM0.19 million to RM0.73 million in FYE 2022 (FYE 2021: RM0.54 million) due to additional furniture, fitting and equipment for offices;
- (ii) increase in travelling and marketing expenses of collectively RM0.12 million following the full upliftment of travel restrictions in FYE 2022 which was previously imposed by the Government in 2020 and 2021, respectively.

FYE 2023 compared to FYE 2022

Our administrative expenses increased by RM0.23 million or 2.41% to RM9.79 million in FYE 2023 (FYE 2022: RM9.56 million). This was mainly attributable to an increase in professional fees of RM0.39 million or 56.52%, mainly fees incurred for the transfer listing of our Group from the LEAP Market to ACE market.

The abovementioned increase was offset by the decrease in bank charges of RM0.12 million or 27.27% attributable to lower bankers' acceptance fees as we drawdown less bankers' acceptance in FYE 2023 as compared to FYE 2022.

12.3.9 Finance costs

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
bankers' acceptance	862	64.28	948	66.71	841	59.14
term loans	381	28.41	348	24.49	335	23.56
bank overdrafts	82	6.12	113	7.95	240	16.88
hire purchase	16	1.19	12	0.85	6	0.42
Total	1,341	100.00	1,421	100.00	1,422	100.00

FYE 2022 compared to FYE 2021

Our total finance costs increased by RM0.08 million or 5.97% to RM1.42 million in FYE 2022 (FYE 2021: RM1.34 million), was mainly attributable to higher interests charged on bankers' acceptance of RM0.09 million in FYE 2022, resulting from higher utilisation of bankers' acceptance for purchase of supplies. We had drawn down a total of RM107.49 million bankers' acceptance for the purchase of supplies in FYE 2022 (FYE 2021: RM99.49 million).

FYE 2023 compared to FYE 2022

Our total finance costs for FYE 2023 recorded at RM1.42 million (FYE 2022: RM1.42 million).

12. FINANCIAL INFORMATION (CONT'D)

During the FYE 2023, we recorded higher interests charged on bank overdraft was attributable to higher utilisation of bank overdraft (as at 30 September 2023: RM5.97 million, as at 30 September 2022: RM0.22 million) for working capital purposes. The increase in interest charged on bank overdraft was offset by the decrease in interests charged on bankers' acceptance, attributable to lower utilisation of bankers' acceptance (FYE 2023: RM99.43 million, FYE 2022: RM107.49 million) coupled with higher repayment of bankers' acceptance made during FYE 2023.

12.3.10 Net impairment losses on financial assets

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Impairment losses on trade receivables	726	968	1,399
Reversal of impairment loss on trade receivables	(105)	(810)	(991)
Total	621	158	408

Impairment loss on trade receivables was provided based on expected credit losses in accordance with MFRS 9 Financial Instruments. Collective impairment was based on the credit risk and the days past due, while individual impairment was based on specific receivables that are credit impaired. Among the factors considered for credit risk include the historical payment trends and forward-looking information. For further details on the policy, please refer to Section 13 of this Prospectus.

FYE 2022 compared to FYE 2021

Our Group had net impairment loss on financial assets of RM0.16 million due to higher assessment on expected credit loss of trade receivables in accordance with the MFRS 9: Financial Instruments, representing impairment loss on trade receivables amounting to RM0.97 million. We measure the expected credit loss of trade receivables based on the payment profiles of past sales and the corresponding historical payment trends and adjust for reasonable and supportable forward-looking information. The impairment losses on trade receivables was offset by the reversal of impairment losses on trade receivables amounting to RM0.81 million due to subsequent collection for those were individually and collectively impaired in previous years.

FYE 2023 compared to FYE 2022

Our Group had net impairment loss on financial assets of RM0.41 million due to higher assessment on expected credit loss of trade receivables in accordance with the MFRS 9: Financial Instruments, representing impairment loss on trade receivables amounting to RM1.40 million. We measure the expected credit loss of trade receivables based on the payment profiles of past sales and the corresponding historical payment trends. The impairment losses on trade receivables was offset by the reversals of impairment losses on trade receivables amounting to RM0.99 million due to subsequent collection for those which were individually and collectively impaired in previous years.

12. FINANCIAL INFORMATION (CONT'D)**12.3.11 PBT, PAT and effective tax rate**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	10,881	11,394	12,882
PBT margin (%)	5.80	5.43	6.45
Total taxation (RM'000)	3,235	3,235	3,664
Effective tax rate (%)	29.73	28.39	28.44
PAT (RM'000)	7,646	8,159	9,218
PAT margin (%)	4.08	3.89	4.62

FYE 2022 compared to FYE 2021

Our PBT increased by RM0.51 million or 4.69% to RM11.39 million in FYE 2022 (FYE 2021: RM10.88 million) and our PAT increased by RM0.51 million or 6.67% to RM8.16 million in FYE 2022 (FYE 2021: RM7.65 million). The increase in both PBT and PAT was mainly due to the increase in our revenue and GP from Frozen and Chilled Food Products and lower net impairment loss on financial assets as explained in Sections 12.3.6 and 12.3.10 of this Prospectus, respectively.

Our PBT margin declined to 5.43% for FYE 2022 (FYE 2021: 5.80%) while our PAT margin decreased to 3.89% for FYE 2022 (FYE 2021: 4.08%). The decline was due to the lower GP margins from Frozen and Chilled Food Products as well as Ambient F&B Products. The decrease in other income also contributed to the lower PBT margin for FYE 2022. Please refer to Sections 12.3.6 and 12.3.7 of this Prospectus, respectively for further details on our GP margin by product categories and other income.

For FYE 2021, our effective tax rate was 29.73% which was higher than the statutory tax rate of 24.00%. This was mainly due to the net tax impact of an aggregated non-deductible tax expenses of RM0.52 million which depreciation for non-qualifying assets as well as the impairment loss on trade receivables. These non-deductible tax expenses are mainly from SCRB. In addition, there was a net tax impact of RM0.08 million on the deferred tax assets not recognised during the financial year due to deferred tax movement not recognised during the financial year mainly from SFS and SCRB, and under provision of taxation in previous financial year of RM0.05 million in FYE 2021 mainly from SFS and SCS.

For FYE 2022, our effective tax rate was 28.39% which was higher than the statutory tax rate of 24.00%. This was mainly due to certain expenses disallowed for tax purpose which includes depreciation expenses on non-qualifying assets, legal and professional fees and amortisation expenses. These non-deductible tax expenses are mainly from SCS. In addition, the above was offset by a net tax impact of RM0.06 million on the deferred tax assets not recognised during the financial year and over provision of taxation in previous financial year of RM0.04 million in FYE 2022 mainly from SCS.

FYE 2023 compared to FYE 2022

Our PBT increased by RM1.49 million or 13.08% to RM12.88 million in FYE 2023 (FYE 2022: RM11.39 million) and our PAT increased by RM1.06 million or 12.99% to RM9.22 million in FYE 2023 (FYE 2022: RM8.16 million). The increase in both PBT and PAT was mainly due to the increase in our revenue and GP from all product categories as explained in Sections 12.3.6 and 12.3.10 of this Prospectus, respectively, despite the increased administrative expense and net impairment loss in financial asset.

12. FINANCIAL INFORMATION (CONT'D)

Our PBT margin increased to 6.45% for FYE 2023 (FYE 2022: 5.43%) while our PAT margin increased to 4.62% for FYE 2023 (FYE 2022: 3.89%). The increase was due to the higher GP margins from all product categories, especially Frozen and Chilled Food Products. Please refer to Sections 12.3.6 of this Prospectus for further details on our GP margin by product categories.

For FYE 2023, our effective tax rate was 28.44% which was higher than the statutory tax rate of 24.00%. This was mainly due to certain expenses disallowed for tax purposes which include depreciation expenses on non-qualifying assets, amortisation expenses and legal and professional fees in relation to the Proposed Transfer of Listing. In addition, the above was offset by overprovision of taxation in previous financial year of RM0.02 million in FYE 2023 mainly from SCS.

Please refer to Section 13 Note 27 of this Prospectus for further details on the income tax expenses.

12.3.12 Review of financial positions**(i) Assets**

	Audited as at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	27,287	25,954	24,206
Investment properties	1,563	1,532	1,501
Right-of-use assets	7,472	7,253	7,044
Intangible assets	78	22	-
Goodwill	21,992	21,992	21,992
Total non-current assets	58,392	56,753	54,743
Current assets			
Inventories	32,097	29,177	25,191
Trade receivables	24,470	32,311	27,816
Other receivables, deposits and prepayments	1,769	413	341
Short-term investments	2,562	1,601	1,652
Current tax assets	683	1,467	207
Fixed deposit with licensed banks	1,573	1,373	1,400
Cash and bank balances	11,416	16,229	13,308
Total current assets	74,570	82,571	69,915
TOTAL ASSETS	132,962	139,324	124,658

2022 compared to 2021

Our total assets increased by RM6.36 million or 4.78% to RM139.32 million as at 30 September 2022 (30 September 2021: RM132.96 million). This was mainly attributable to the increase in the current assets of RM8.00 million and it was offset by the decrease in non-current assets of RM1.64 million.

The increase in current assets of RM8.00 million or 10.73% was mainly contributed by the following items:

- (a) increase in cash and bank balances of RM4.81 million mainly attributable to the higher balances from SCS arising from collections from customers; and
- (b) increase in trade receivables of RM7.84 million which was in line with the higher revenue in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

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

- (a) decrease in inventories of RM2.92 million, attributable to lower inventories of chilled food products; and
- (b) decrease in other receivables, deposits and prepayments of RM1.36 million, mainly attributable to the advance payment of RM1.24 million to few suppliers for the purchase of Frozen and Chilled Food Products as part of securing products booking for purchases. Subsequently, these advance payments formed part of our settlement for invoices issued when the products are delivered to us.

The increase in total asset was offset by the decrease in our non-current assets of RM1.64 million or 2.81% to RM58.39 million as at 30 September 2022 (30 September 2021: RM56.75 million). This was mainly contributed by the decrease in property, plant and equipment of RM1.34 million attributable to the higher depreciation relating to the 3-storey office cum warehouse located at Lot 842 which was completed in October 2020 together with its associated furniture, fittings and equipment as well as plant and machineries.

2023 compared to 2022

Our total assets decreased by RM14.66 million or 10.52% to RM124.66 million as at 30 September 2023 (30 September 2022: RM139.32 million). This was mainly attributable to the decrease in the current assets of RM12.65 million and non-current assets of RM2.01 million.

The decrease in current assets and non-current assets were mainly contributed by the following items:

- (a) decrease in property, plant and equipment of RM1.74 million attributable to depreciation charged in FYE 2023 of RM2.34 million and this was offset by the addition of property, plant and equipment of RM0.60 million (mainly comprising plant and machineries of RM0.22 million and cement works with floor hardener for freezer and chiller rooms at Lot 842 of RM0.24 million) in FYE 2023;
- (b) decrease in right-of-use assets of RM0.21 million attributable to the depreciation charged in FYE 2023;
- (c) decrease in inventories of RM3.99 million attributable to lesser inventories for lamb, mutton and buffalo meats maintained by our Group due to reduced sales of the aforementioned items in FYE 2023;
- (d) decrease in trade receivables of RM4.49 million which was in line with the lower revenue in FYE 2023 as compared to FYE 2022;
- (e) decrease in cash and bank balances of RM2.92 million mainly attributable to the payment on our Group's operating expenditure and higher repayment made to bankers' acceptance; and
- (f) decrease in current tax assets of RM1.26 million, attributable to receipt of tax refund from LHDN arising from overpayments made mainly by SFS and SCRB.

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

	Audited as at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	8,623	6,940	5,246
Deferred tax liability	726	745	562
Total non-current liabilities	9,349	7,685	5,808
Current liabilities			
Bank borrowings	37,646	41,859	23,370
Trade payables	4,448	3,601	3,466
Other payables and accrued expenses	3,949	3,409	4,015
Current tax liabilities	52	609	125
Total current liabilities	46,095	49,478	30,976
TOTAL LIABILITIES	55,444	57,163	36,784

2022 compared to 2021

Our total liabilities increased by RM1.72 million or 3.10% to RM57.16 million as at 30 September 2022 (30 September 2021: RM55.44 million), mainly attributable to the increase in the current liabilities of RM3.38 million and was offset by the decrease in non-current liabilities of RM1.66 million as at 30 September 2022.

The increase in the current liabilities of RM3.38 million or 7.33% was contributed by the increase in short term bank borrowings of RM4.21 million, attributable to the higher outstanding bankers' acceptance of RM5.19 million as at 30 September 2022. The increase in bankers' acceptance was offset by the decrease in bank overdraft of RM0.84 million. The bankers' acceptance was used to fund our purchases of supplies and bank overdraft was used to finance our working capital.

The increase in current liabilities was offset by the decrease in trade payables of RM0.85 million. The decrease in trade payables was attributable to timely payments made to suppliers which our trade payables turnover period reduced to 7 days in FYE 2022 (FYE 2021: 10 days).

The increase in current liabilities was offset by the decrease in non-current liabilities of RM1.66 million or 17.75%, contributed by the decrease in non-current bank borrowings of RM1.68 million which was attributable to scheduled repayment made for term loans.

2023 compared to 2022

Our total liabilities decreased by RM20.38 million or 35.65% to RM36.78 million as at 30 September 2023 (30 September 2022: RM57.16 million), attributable to the decrease in the current liabilities of RM18.50 million and non-current liabilities of RM1.88 million as at 30 September 2023.

The decrease in current liabilities of RM18.50 million or 37.39% was mainly contributed by the decrease in short-term bank borrowings of RM18.49 million. The decrease in short-term bank borrowings was mainly attributable to the lower outstanding bankers' acceptance of RM24.22 million as at 30 September 2023 and it was offset by the higher bank overdraft of RM5.75 million.

12. FINANCIAL INFORMATION (CONT'D)

The decrease in non-current liabilities of RM1.88 million or 24.45% was contributed by the decrease in bank borrowings of RM1.69 million, mainly attributable to repayment of term loans.

12.4 LIQUIDITY AND CAPITAL RESOURCES**12.4.1 Working capital**

Our business operations are financed by a combination of both internal and external sources of funds. Internal sources of funds comprised cash and bank balance, as well as cash generated from our operations, while external sources were mainly banking facilities from financial institutions. The utilisation of these funds was for our business operations and growth.

Based on our audited consolidated statements of financial positions as at 30 September 2023, we have:

- (i) cash and bank balances with licensed banks of RM13.31 million (excluding fixed deposits placed and pledged to the bank); and
- (ii) working capital of RM38.94 million, being the difference between current assets of RM69.92 million and current liabilities of RM30.98 million.

As at the LPD, we have credit facilities, which mainly consist of term loans, bank overdraft and bankers' acceptance with a total credit limit of RM119.44 million, of which RM71.47 million has yet to be utilised.

After taking into consideration the funding requirements for our committed capital expenditures, our future plans as set out in Section 7.18 of this Prospectus, our existing level of cash and bank balances with licensed banks, expected cash flows to be generated from our operations, credit facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for 12 months from the date of this Prospectus.

12.4.2 Cash flow

The following is our cash flow for the Financial Years Under Review based on our audited Consolidated Financial Statements. This should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net cash (for) / from operating activities ⁽¹⁾	(10,818)	5,771	21,387
Net cash for investing activities	(5,725)	(121)	(615)
Net cash from / (for) financing activities	11,134	7	(29,433)
Net (decrease) / increase in cash and cash equivalents	(5,409)	5,657	(8,661)
Cash and cash equivalents at the beginning of the financial year	15,788	10,379	16,036
Cash and cash equivalents at end of the financial year	10,379	16,036	7,375

Our cash and cash equivalents are held in RM. There are no legal, financial or economic restrictions on our Subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances subject to the availability of distributable profits and reserves, and compliance with any applicable financial covenants.

12. FINANCIAL INFORMATION (CONT'D)**(i) Net cash (for) / from operating activities****FYE 2021**

For FYE 2021, our net cash for operating activities was RM10.82 million after taking into account the following:

- (a) increase in the inventory of RM19.33 million mainly attributable to higher inventories of Frozen and Chilled Food Products in line with the higher purchases in FYE 2021;
- (b) increase in trade and other receivables of RM3.67 million attributable to higher trade receivables of RM2.05 million which was in line with higher revenue in FYE 2021, and advance payment of RM1.24 million to few suppliers for the purchase of Frozen and Chilled Food Products as part of securing products booking for purchases. Subsequently, these advance payments formed part of our settlement for invoices issued when the products are delivered to us;
- (c) decrease in trade and other payables of RM0.20 million. This was because we made timely payments to suppliers which our trade payables turnover period reduced to 10 days in FYE 2021 (FYE 2020: 11 days); and this was offset by the higher accruals provided for commissions and bonus to existing employees; and
- (d) payment of income tax of RM3.48 million and interests paid of RM1.34 million.

For FYE 2021, the negative operating cashflow was mainly due to bulk purchase of supplies (mainly frozen lamb, mutton and buffalo meats under Frozen and Chilled Food Products) not only to cope with anticipation of additional sales but also to ensure sufficient supply of goods to our customers for FYE 2022. Our Group's revenue for FYE 2022 increased by RM22.41 million or 11.95%.

FYE 2022

For FYE 2022, our net cash from operating activities was RM5.77 million after taking into account the following:

- (a) decrease in inventories of RM0.87 million attributable to lower inventories of chilled food products;
- (b) increase in trade and other receivables of RM6.65 million mainly attributed to higher trade receivables of RM7.84 million which was in line with higher revenue in FYE 2022, and this was offset by the decrease in advance payment of RM1.24 million to few suppliers for the purchase of Frozen and Chilled Food Products in FYE 2021;
- (c) increase in trade and other payables of RM1.39 million, mainly attributed to timely payments made to suppliers which our trade payables turnover period reduced to 8 days in FYE 2022 (FYE 2021: 11 days); and
- (d) payment of income tax of RM3.44 million and interests paid of RM1.42 million.

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

For FYE 2023, our net cash from operating activities was RM21.39 million mainly after taking into account the following:

- (a) decrease in inventories of RM3.28 million mainly attributable to lower inventories of Frozen and Chilled Food Products as most purchases were made in the following month;
- (b) decrease in trade and other receivables of RM4.19 million mainly attributable to decrease in trade receivable which was in line with the lower revenue in FYE 2023 as compared to FYE 2022;
- (c) increase in trade and other payables of RM0.32 million, mainly attributable to higher accruals of RM0.41 million for commissions and bonus to existing employees;
- (d) payment of income tax of RM4.43 million and interests paid of RM1.42 million; and
- (e) income tax refunded of RM1.14 million due to overpayments made mainly by SFS and SCRB;
- (f) real property gain tax refunded of RM0.23 million for the disposal of Lot 1201 due to overassessment by LHDN.

(ii) Net cash for investing activities**FYE 2021**

For FYE 2021, our net cash for investing activities was RM5.73 million. This was attributable to the following:

- (a) cash payment of RM4.48 million for the purchase of the following:
 - (i) a freehold land and building by SFS which is located at Lot 1476;
 - (ii) construction works for our new warehousing facility comprising a 3-storey office cum warehouse at Lot 842. This capital work in progress was subsequently reclassified to buildings upon completion;
 - (iii) additional furniture, fittings and equipment for Lot 1476 and Lot 842; and
 - (iv) 7 units of motor vehicles and plant and machineries (including meat grinder machine, meat slicer machine and baking oven).
- (b) cash payment of RM2.50 million for the purchase of unit trust funds for short-term investments.

The above cash outflows were offset by the following cash inflows:

- (a) withdrawal of fixed deposits with tenure more than 3 months amounting to RM0.98 million; and
- (b) proceeds from disposal of property, plant and equipment of RM0.27 million, mainly 3 units of motor vehicles.

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

For FYE 2022, our net cash for investing activities was RM0.12 million. This was attributable to cash payment of RM1.18 million for the purchase of computer and office equipment for staff use as well as conference table and chairs for meeting room, 1 unit of motor vehicle and plant and machineries (including GudangSys WMS and 1 unit of indoor type electric platform lift).

The above cash outflows were offset by the disposal of short-term investments of RM1.00 million.

FYE 2023

For FYE 2023, our net cash for investing activities was RM0.62 million. This was attributable to cash payment of RM0.60 million for the purchase of property, plant and equipment (mainly comprising plant and machineries of RM0.22 million and cement works with floor hardener for freezer and chiller rooms at Lot 842 of RM0.24 million) and withdrawal of fixed deposits with tenure more than 3 months amounting to RM0.02 million.

(iii) Net cash from / (for) financing activities**FYE 2021**

For FYE 2021, our net cash from financing activities was RM11.13 million. This was attributable to the following:

- (a) proceeds from bank borrowings including term loans and banker' acceptance of RM101.56 million to finance the constructions cost for Lot 842, working capital and purchase of supplies; and
- (b) withdrawal of fixed deposits pledged with financial institutions amounting to RM1.52 million.

The above cash inflows were offset by the following:

- (a) repayment of bankers' acceptance, hire purchase and term loans, collectively RM87.93 million;
- (b) payment of dividend of RM3.00 million in respect of FYE 2020; and
- (c) payment of dividend of RM1.02 million in respect of FYE 2021.

FYE 2022

For FYE 2022, our net cash from financing activities was RM0.007 million. This was attributable to the following:

- (a) proceeds from banker' acceptance of RM107.49 million to finance our purchase of supplies; and
- (b) withdrawal of fixed deposits pledged with financial institutions amounting to RM0.15 million.

The above cash inflows were offset by the following:

- (a) repayment of bankers' acceptance, hire purchase and term loans, collectively RM104.11 million;

12. FINANCIAL INFORMATION (CONT'D)

(b) payment of dividend of RM2.50 million in respect of FYE 2021; and

(c) payment of dividend of RM1.02 million in respect of FYE 2022.

FYE 2023

For FYE 2023, our net cash for financing activities was RM29.43 million This was attributable to the following:

(a) repayment of bankers' acceptance, hire purchase and term loans, collectively RM125.36 million;

(b) payment of dividend of RM2.48 million in respect of FYE 2022; and

(c) payment of dividend of RM1.02 million in respect of FYE 2023.

The above cash outflows were offset by proceeds from banker' acceptance of RM99.43 million to finance our purchase of supplies.

12.4.3 Bank borrowings

As at 30 September 2023, our Group's total bank borrowings were set out below:

Type of borrowings	As at 30 September 2023		Total
	Repayable within 12 months	Repayable after 12 months	
	RM'000	RM'000	
Bankers' acceptances ⁽¹⁾	15,695	-	15,695
Bank overdrafts ⁽²⁾	5,966	-	5,966
Term loans ⁽³⁾	1,672	5,188	6,860
Hire purchase payables ⁽⁴⁾	37	58	95
Total	23,370	5,246	28,616
Gearing ratio ⁽⁵⁾			0.33

Notes:

(1) Mainly used to purchase of supplies.

(2) Mainly used to fund the working capital.

(3) Utilised to fund the purchase of land and buildings and working capital.

(4) Used to fund the purchase of motor vehicles.

(5) Calculated based on total borrowings divided by total equity.

Our Group has not defaulted on any payment of either principal sums and / or interest in relation to borrowings for the Financial Years Under Review and up to the LPD.

The following table sets out the contractual maturity profile (refer to cash repayments including principal and interest amounts within 1 year, more than 1 to 5 years and more than 5 years) of our borrowings as at 30 September 2023 are as follows:

12. FINANCIAL INFORMATION (CONT'D)

Maturity profile	Bankers' acceptance	Bank overdraft	Term loans	Hire purchase payables	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Within 1 year	16,416	6,425	1,946	39	24,826
More than 1 to 5 years	-	-	4,063	60	4,123
More than 5 years	-	-	1,209	-	1,209
Total	16,416	6,425	7,218	99	30,158

The details of the types of credit facilities that our Group uses and its unutilised balances as at LPD are as follows:

	Trade line	Bank overdraft	Term loans	Hire purchase payables	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Credit limit as at the LPD	92,371	13,100	13,891	78	119,440
Balance unutilised as at the LPD	58,367	13,100	-(1)	-(1)	71,467
Interest rates per annum	3.41% to 5.33%	7.45% to 7.95%	3.00% to 4.88%	4.09% to 7.44%	

Note:

(1) As at the LPD, our Group had fully drawn down the facility limit for term loans and hire purchases.

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 investments by holders of securities in our Company.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save as disclosed in Section 12.4.3 above, our Group did not use any other financial instruments.

Our Group's operations have been funded through cash and bank balance, cash generated from our operations, and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our local suppliers range from 30 days to 90 days during the Financial Years Under Review.

As at the LPD, our Group's banking facilities from financial institutions consist of term loans, bank overdrafts and banker's acceptance used to fund our operations. The interest rates for our bank borrowings are based on the market rates prevailing at the date of the respective transactions. As at the LPD, our Group has available banking facilities of RM119.44 million mainly including term loans, bank overdrafts and bankers' acceptance, of which RM71.47 million has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

12. FINANCIAL INFORMATION (CONT'D)

12.6 MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURE

As at the LPD, our Group's material commitments for capital expenditure are summarised below:

	Source of funds	
	(1) Commitment for capital expenditure RM'000	(2) Internally generated funds / others RM'000
Approved and contracted for:		
• Property, plant and equipment ⁽¹⁾	777	777

Note:

- (1) Relates to the purchase of 3 units of delivery trucks and 1 unit of passenger car which have yet to be delivered to us. These motor vehicles cost RM0.81 million, of which RM0.03 million has been paid as deposit. The remaining balance of RM0.78 million will be settled by our internally generated fund or via hire purchase arrangement.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

12.7.1 Material litigation

Save as disclosed below, our Group is not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.7.2 Contingent liabilities

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

12.8 KEY FINANCIAL RATIOS

Our key financial ratios for the Financial Years Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023
Trade receivable turnover period (days) ⁽¹⁾	45	49	55
Trade payable turnover period (days) ⁽²⁾	10	7	7
Inventories turnover (days) ⁽³⁾	58	66	63
Current ratio (times) ⁽⁴⁾	1.62	1.67	2.26
Gearing ratio (times) ⁽⁵⁾	0.60	0.59	0.33

Notes:

- (1) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years, and multiplied by 365 days.
- (2) Based on average trade payables as at the beginning and end of respective financial year over total cost of sales of the respective financial years, and multiplied by 365 days.
- (3) Based on average inventories as at the beginning and end of respective financial year over total purchases of the respective financial years, and multiplied by 365 days.
- (4) Based on current assets over current liabilities.
- (5) Based on total bank borrowings over total equity.

12. FINANCIAL INFORMATION (CONT'D)**12.8.1 Trade receivable turnover period**

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
Trade receivables	24,470	32,311	27,816
Trade receivable turnover period (days) ⁽¹⁾	45	49	55

Note:

- (1) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years and multiplied by 365.

We typically offer our customers a credit term period of 14 days to 90 days from the date of the invoice.

Our trade receivables turnover period increased from 45 days in FYE 2021 to 49 days in FYE 2022 and 55 days in FYE 2023. Despite the increase in our trade receivables turnover period, it still falls within the credit period granted.

In FYE 2022, our trade receivables turnover period increased to 49 days (FYE 2021: 45 days). This was due to higher credit terms given to the customers in FYE 2022 to remain competitive.

In FYE 2023, our trade receivable turnover period increased to 55 days (FYE 2022: 49 days) due to:

- (i) higher credit term given to the customers in FYE 2022 to remain competitive. During the year, approximately 45.56% of outstanding trade receivables carried a credit period of more than 60 days; and
- (ii) higher average trade receivables due to higher opening balance in FYE 2023 and lower revenue as compared to FYE 2022.

The ageing analysis of our Group's trade receivables as at 30 September 2023 is as follows:

	<u>Past Due</u>				<u>Total</u>
	<u>Not past due</u>	<u>1-30 days</u>	<u>31-90 days</u>	<u>More than 90 days</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Trade receivables	18,378	6,080	3,297	61	27,816
% contribution	66.07	21.86	11.85	0.22	100.00
Subsequent collections as at the LPD	17,710	6,066	3,079	61	26,916
Percentage collected	96.37	99.77	93.39	100.00	96.76
Net trade receivables after subsequent collections	668	14	218	-	900

As at the LPD, we have collected RM26.92 million or 96.76% of the total trade receivables which were outstanding as at 30 September 2023. The balance outstanding that past due between 1 and 30 days as well as past due between 31 and 90 days were RM0.01 million and RM0.22 million respectively. The balance outstanding that past due between 31 and 90 days was mainly attributable to 1 customer from Supreme Trading amounting to RM0.20 million. This customer faced tight cash flows in settling their outstanding balances to our Group and hence it took a longer time to make payments. Our Group is closely following up on collections and ensuring the recoverability of such receivable.

12. FINANCIAL INFORMATION (CONT'D)

Our management closely monitors the recoverability of trade receivables on a regular basis, and, when appropriate, provides for specific impairment of these trade receivables. As at the LPD, an allowance for impairment losses amounting to RM1.71 million has been made for the trade receivables. Our Board is of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration our relationship with our customers, as well as our efforts to improve collection with various credit control measures to reduce the potential exposure on credit risk.

12.8.2 Trade payable turnover period

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
Trade payables	4,448	3,601	3,466
Trade payable turnover period (days) ⁽¹⁾	10	7	7

Note:

(1) *Based on average trade payables as at the beginning and end of the respective financial year over total cost of sales of the respective financial years, and multiplied by 365 days.*

We deal with our trade payables, which are mainly amounts owing to transporters, forwarding agent and local product suppliers, on credit terms. The normal credit terms given by our trade payable suppliers range from 30 to 90 days. Our major suppliers who are overseas (kindly refer to Section 7.15 of this Prospectus) do not grant any credit period. We are required to make full payment prior to the delivery of supplies. Hence, we have shorter trade payable turnover periods for the Financial Years Under Review.

Our trade payable turnover periods was 10 days, 7 days and 7 days for FYE 2021, FYE 2022 and FYE 2023 respectively which within the credit period given.

For FYE 2022, our trade payables turnover period decreased from 10 days in FYE 2021 to 7 days in FYE 2022 due to timely payment made to suppliers.

For FYE 2023, our trade payables turnover period remained consistent with FYE 2022.

The ageing analysis of our Group's trade payables as at 30 September 2023 is as follows:

	<u>Not past due</u>	<u>Past due</u>			<u>Total</u>
		<u>1 - 30 days</u>	<u>31 - 90 days</u>	<u>More than 90 days</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Trade payables	1,619	858	337	31	2,845
Refund liabilities	621	-	-	-	621
Total trade payables	2,240	858	337	31	3,466
% contribution	64.63	24.76	9.72	0.89	100.00
Subsequent payments as at the LPD	1,619	858	337	31	2,845
Percentage paid	72.28	100.00	100.00	100.00	82.08
Net trade payables after subsequent payments	621	-	-	-	621

As at the LPD, we have settled RM2.85 million or 82.08% of the total trade payables which were outstanding as at 30 September 2023. The remaining balance outstanding was RM0.62 million being the provision of refund to customers.

As at the LPD, we do not have any disputes in respect of our trade payables and no legal proceedings to demand for payment have been initiated by our suppliers against us.

12. FINANCIAL INFORMATION (CONT'D)**12.8.3 Inventories turnover**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Inventories as at 30 September	32,097	29,177	25,191
Total purchases during the FYE	148,034	168,819	156,167
Inventories turnover period (days)	58	66	63

Note:

- (1) *Based on average inventories as at the beginning and end of the respective financial year over total purchase of the respective financial years and multiplied by 365 days.*

The inventories of our Group as at 30 September 2021, 2022 and 2023 can be analysed as follows:

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Frozen and Chilled Food Products	28,577	24,165	21,139
Ambient F&B Products	3,004	4,493	3,379
Non-Food Products	-	-	158
	31,581	28,658	24,676
Rights to recover returned goods	516	519	515
Total inventories	32,097	29,177	25,191

Our Group practices weighted average cost method in computing the cost of inventories. The costs of supplies include invoiced value of supplies purchased and expenditure incurred in acquiring inventories and bringing the inventories to our warehouses.

Our inventories turnover periods for FYE 2021 FYE 2022 and FYE 2023 were 58 days, 66 days and 63 days, respectively. We also maintain an inventory level of approximately 2 months. Our inventories turnover days vary from year to year according to purchase orders from customers. For FYE 2022, our inventories turnover days increased to 66 days (FYE 2021: 58 days) due to higher average inventories as the opening balance of inventories in FYE 2022 was higher than FYE 2021. Further, the higher inventories in FYE 2021 were to cater additional sales in FYE 2022 upon the full reopening of Malaysia's economy towards the end of 2021.

For FYE 2023, our inventories turnover days decreased to 63 days (FYE 2022: 66 days) due to lower inventories of mainly frozen lamb, mutton and buffalo as well as frozen processed foods as compared to FYE 2022. The lower inventories amount in FYE 2023 was due to lesser inventories for lamb, mutton and buffalo meats as we experienced reduced sales of the aforementioned items. Further, we make more purchases in the following period to cater for upcoming sales order.

We conduct a weekly internal meeting to review our inventory level and inventory ageing. Approval is required from our management / Directors for the replenishment of supplies and any impairment on slow moving stocks and obsolete inventories.

12. FINANCIAL INFORMATION (CONT'D)**12.8.4 Current ratio**

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	74,570	82,571	69,915
Current liabilities	46,095	49,478	30,976
Current ratio (times) ⁽¹⁾	1.62	1.67	2.26

Note:

(1) Based on current assets over current liabilities.

Our current ratio ranged from 1.62 to 2.26 times during the Financial Years Under Review.

Our current ratio increased from 1.62 times as at 30 September 2021 to 1.67 times as at 30 September 2022. This was attributable to the higher outstanding trade receivables which was in line with the increase in revenue in FYE 2022. In addition, the higher cash and bank balances as a result of proceeds from disposal of short-term investment and collections from customers contributed to the increase in current ratio.

Our current ratio increased from 1.67 times as at 30 September 2022 to 2.26 times as at 30 September 2023. This was attributable to the decrease in short-term borrowings mainly from lower drawdown of bankers' acceptance and higher repayments of bankers' acceptance during FYE 2023. Our Group's short-term borrowings mainly comprised bankers' acceptance for purchase of supplies.

12.8.5 Gearing ratio

	Audited		
	As at 30 September		
	2021	2022	2023
	RM'000	RM'000	RM'000
Bank borrowings ⁽¹⁾	46,269	48,799	28,616
Total equity	77,518	82,161	87,874
Gearing ratio (times) ⁽²⁾	0.60	0.59	0.33

Notes:

(1) Consist of bankers' acceptance, bank overdrafts, term loans and hire purchases.

(2) Based on total bank borrowings over total equity.

Our gearing ratio was between 0.33 times and 0.60 times during the Financial Years Under Review.

In FYE 2022, our gearing ratio improved from 0.60 times as at 30 September 2021 to 0.59 times as at 30 September 2022, due to the increase in total equity as a result of the increased retained earnings from the PAT recorded in FYE 2022. Our retained earnings increased by RM4.64 million from RM17.65 million as at 30 September 2021 to RM22.29 million as at 30 September 2022. The increase in total equity was reduced by the higher drawdown of bankers' acceptance in FYE 2022.

In FYE 2023, our gearing ratio improved from 0.59 times as at 30 September 2022 to 0.33 times as at 30 September 2023, due to the increase in total equity as a result of the increased retained earnings from the PAT recorded in FYE 2023, and the decrease in borrowings mainly as a result

12. FINANCIAL INFORMATION (CONT'D)

of lower drawdown of bankers' acceptance and higher repayments of bankers' acceptance during FYE 2023. Our retained earnings increased by RM5.72 million from RM22.29 million as at 30 September 2022 to RM28.01 million as at 30 September 2023.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Our business is subject to the risks relating to government, economic, fiscal or monetary policies. Any unfavourable changes in the government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 9.2.3 of this Prospectus for further details.

12.10 IMPACT OF INFLATION

Our financial performances for the Financial Years Under Review were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

12.11 IMPACT OF INTEREST RATES, COMMODITY PRICES AND / OR FOREIGN EXCHANGE RATES ON OUR GROUP'S OPERATIONS

We are exposed to market risks arising from our operations and use of financial instruments. Our key market risk exposures are to interest rate risk, commodity price fluctuations and foreign exchange risk.

Interest rate risk

All our borrowings are interest bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on banking facilities including term loans, bank overdrafts, bankers' acceptance and hire purchases that are granted by banks and financial institutions. In this respect, we may be exposed to the liquidity risk that arises principally from our borrowings and the timing of costs incurred and collections from our customers.

As at 30 September 2023, our bank borrowings of RM28.62 million were interest bearing. Our finance cost increased from RM1.34 million in FYE 2021 to RM1.42 million in FYE 2022 and RM1.42 million in FYE 2023. In this respect, any increases in interest rates may impact on our financial performance. For the Financial Years Under Review and up to the LPD, we have not defaulted on any payments of either principal and / or interests in relation to our borrowings.

Commodity price fluctuation risk

Our Group distributes Frozen and Chilled Food Products, Ambient F&B Products as well as Non-F&B Products. Our Frozen and Chilled Food Products and Ambient F&B Products include commodities such as beef, buffalo, poultry, lamb, and seafood. The market prices of raw materials used to produce Frozen and Chilled Food Products and Ambient F&B Products are subject to global fluctuations in price.

Such fluctuations are attributable to, among other things, inflation, changes in the supply and demand of crops or other commodities, the weather and growing conditions as well as government-sponsored agricultural and livestock programmes. In particular, the availability and the price of fresh produce and other agriculture commodities, including meats, seafood and oils can be volatile. Additionally, epidemics in animal populations and local, national or international quarantines can also adversely affect commodity prices in the long and short-term. These fluctuations may adversely affect our Group's suppliers, who could be forced to raise their prices for our Group's products.

12. FINANCIAL INFORMATION (CONT'D)

Any significant fluctuation in the prices of these supplies may significantly increase our cost of sales, which may adversely affect our business, financial condition, results of operations and prospects should we fail to pass the increase in cost to our customers. Save for FYE 2022, we did not encounter any material increase in the cost of these purchases which substantially increase our cost of sales and lead to an adverse impact to our financial performance during the Financial Years Under Review and up to the LPD.

Foreign exchange risk

The breakdown of our revenue and purchases by currencies in the Financial Years Under Review are shown in the following tables.

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:						
RM	186,273	99.34	208,821	99.46	197,745	99.05
USD ⁽¹⁾	1,229	0.66	1,132	0.54	1,898	0.95
Total sales	187,502	100.00	209,953	100.00	199,643	100.00
Purchases denominated in:						
USD	96,633	58.65	113,473	68.40	90,697	59.65
RM	48,160	29.23	43,318	26.11	46,545	30.61
AUD	16,301	9.89	7,445	4.49	11,542	7.59
EURO	2,069	1.26	1,663	1.00	2,637	1.73
Others ⁽²⁾	1,607	0.97	-	-	634	0.42
Total purchases	164,770	100.00	165,899	100.00	152,055	100.00

Notes:

(1) Revenues generated from customers in Myanmar and Singapore.

(2) Others include purchases in RMB, SGD, BND and NZD.

For FYE 2021, FYE 2022 and FYE 2023, our revenue was mainly denominated in RM which contributed 99.34% 99.46% and 99.05% to our Group's total revenue, respectively.

For FYE 2021, FYE 2022 and FYE 2023, our purchases of supplies from our overseas suppliers were mainly denominated in USD, AUD and EURO which contributed 70.77%, 73.89% and 69.39% to our total purchases, respectively.

As such, we are exposed to foreign currency fluctuation risk. Any unfavourable fluctuation in foreign currency rates may have an adverse impact on our financial performance. A depreciation of the RM against the currencies which we transact will lead to higher revenue in RM after conversion, whereas it will also lead to higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to lower revenue and lower cost of purchases in RM after conversion.

For FYE 2021, FYE 2022 and FYE 2023, our net (loss) / gain from foreign exchange fluctuations are as follows:

Foreign exchange (loss) / gain	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Realised	(9)	(45)	65

12. FINANCIAL INFORMATION (CONT'D)

In order to mitigate the risk, we will continuously monitor the foreign currency fluctuation. However, despite our efforts to minimise the foreign currency risk, there can be no assurance that any future significant fluctuation in foreign currency will not have a material adverse impact on the financial performance of our Group.

12.12 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.

12.13 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.6 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in Section 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's revenue and / or profits save for those that have been disclosed in this section, industry overview as set out in Section 8 of this Prospectus and business strategies as set out in Section 7.18 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and risk factors in Section 9 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and risk factors in Section 9 of this Prospectus.

12.14 RECENT DEVELOPMENTS

Please refer to Note 34 of Section 13 of this Prospectus for further details on significant events subsequent to the FYE 2023 and Section 6.4 of this Prospectus for further details on our Subsidiaries.

12. FINANCIAL INFORMATION (CONT'D)**12.15 DIVIDENDS**

Our Group presently does not have a fixed dividend policy. Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is also subject to the discretion of our Board. Our Directors will take into consideration, amongst others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and / or commitments; and
- (vi) prior written consent from financial institutions, where required.

Subject to the applicable financial covenants in the relevant facility agreements, our subsidiaries (namely, SCS, SFS and BFL) will require its financiers' consent to declare and pay dividend to our Company. As at the LPD, save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries.

We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. Please refer to Section 9.3.3 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

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

Notwithstanding our Group presently does not have a fixed dividend policy, we envisage a dividend payout of up to 50.00% of our future net profits to our shareholders in each financial year. Details of the dividends declared and paid during the Financial Years Under Review and up to the LPD were as follows:

	Audited			From 1 October 2023 and up to the LPD
	FYE 2021	FYE 2022	FYE 2023	
	RM'000	RM'000	RM'000	RM'000
PAT	7,646	8,159	9,218	-
Dividends declared	(1)(2) 4,020	(3)(4) 3,516	(5)(6) 3,504	(7)2,484
Dividends paid	(1)(2) 4,020	(3)(4) 3,516	(5)(6) 3,504	(7)2,484
Dividend payout rate	52.58	43.09	38.01	-

Notes:

- (1) RM3.00 million was declared on 27 November 2020 and paid on 15 January 2021 in respect of FYE 2020.
- (2) RM1.02 million was declared on 20 May 2021 and paid on 15 June 2021 in respect of FYE 2021.
- (3) RM2.50 million was declared on 29 November 2021 and paid on 26 January 2022 in respect of FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

- (4) *RM1.02 million was declared on 30 May 2022 and paid on 24 June 2022 in respect of FYE 2022.*
- (5) *RM2.48 million was declared on 29 November 2022 and paid on 17 January 2023 in respect of FYE 2022.*
- (6) *RM1.02 million was declared on 11 May 2023 and paid on 20 June 2023 in respect of FYE 2023.*
- (7) *RM2.48 million was declared on 30 November 2023 and paid on 26 January 2024 in respect of FYE 2023.*

All our dividends paid are funded via internally generated funds.

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12. FINANCIAL INFORMATION (CONT'D)

12.16 INDEPENDENT ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



Date: **20 MAR 2024**

The Board of Directors
Supreme Consolidated Resources Bhd.
Lot 919, Block 7, Muara Tebas Land District,
Demak Laut Industrial Park, Sejingkat,
93050 Kuching, Sarawak.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
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Malaysia
Tel +6 082 552 688 / 266 988
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www.crowe.my

Dear Sirs

SUPREME CONSOLIDATED RESOURCES BHD. (“Supreme” or the “Company”) REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Supreme and its subsidiaries (collectively known as the “Group”) as at 30 September 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the listing of Supreme on the ACE market of Bursa Malaysia Securities Berhad (“the Listing”).

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

The Pro Forma Consolidated Statements of Financial Position has been compiled by the Board of Directors to illustrate the impact of the transactions as set out in notes thereon to the Pro Forma Consolidated Statements of Financial Position as if the transactions have been in existence throughout the financial year. As part of this process, information about the financial position has been extracted by the Board of Directors from the Group’s audited consolidated financial statements as at 30 September 2023.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Consolidated Statements of Financial Position as set out in notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (CONT'D)**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

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

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis set out in notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines, involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

OPINION

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

OTHER MATTERS

This letter has been prepared solely for the purpose of inclusion in the Prospectus of Supreme in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

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

Chai Tze Chek
02699/06/2025 J
Chartered Accountant

Kuching

12. FINANCIAL INFORMATION (CONT'D)

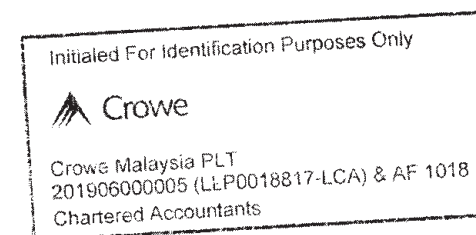
Appendix A

SUPREME CONSOLIDATED RESOURCES BHD.

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	Note	Audited as at 30 September 2023 *	Material Subsequent Event	Bonus Issue	Pro Forma I	Public Issue	Pro Forma II	Utilisation of Proceeds	Pro Forma III
					After Material Subsequent Event and Bonus Issue		After Pro Forma I and Public Issue		After Pro Forma I and II and Utilisation of Proceeds
					RM		RM		RM
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment		24,205,717			24,205,717		24,205,717		24,205,717
Investment properties		1,501,307			1,501,307		1,501,307		1,501,307
Right-of-use assets		7,043,877			7,043,877		7,043,877		7,043,877
Goodwill		21,991,831			21,991,831		21,991,831		21,991,831
		54,742,732			54,742,732		54,742,732		54,742,732

* Extracted from the Group's audited consolidated financial statements as at 30 September 2023.



12. FINANCIAL INFORMATION (CONT'D)

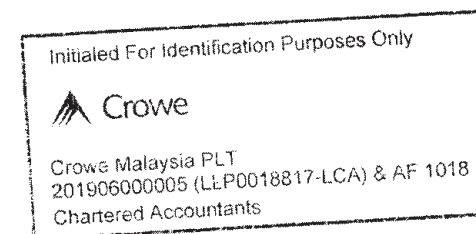
Appendix A

SUPREME CONSOLIDATED RESOURCES BHD.

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

	Note	Audited as at 30 September 2023 *	Material Subsequent Event	Bonus Issue	Pro Forma I	Public Issue	Pro Forma II	Utilisation of Proceeds	Pro Forma III
					After Material Subsequent Event and Bonus Issue		After Pro Forma I and Public Issue		After Pro Forma I and II and Utilisation of Proceeds
					RM		RM		RM
CURRENT ASSETS									
Inventories		25,191,047			25,191,047		25,191,047		25,191,047
Trade receivables		27,816,113			27,816,113		27,816,113		27,816,113
Other receivables, deposits and prepayments		340,995			340,995		340,995		340,995
Short-term investments		1,651,980			1,651,980		1,651,980		1,651,980
Current tax assets		206,733			206,733		206,733		206,733
Fixed deposits with licensed banks		1,399,936			1,399,936		1,399,936		1,399,936
Cash and bank balances	6a	13,308,588	(2,484,000)		10,824,588	[]	[]	[]	[]
		69,915,392			67,431,392		[]		[]
TOTAL ASSETS		124,658,124			122,174,124		[]		[]

* Extracted from the Group's audited consolidated financial statements as at 30 September 2023.



12. FINANCIAL INFORMATION (CONT'D)

Appendix A

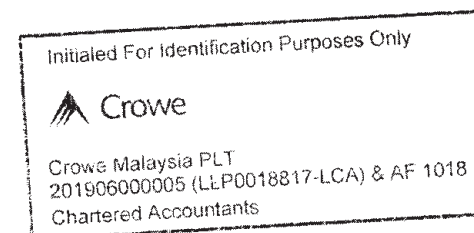
SUPREME CONSOLIDATED RESOURCES BHD.

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

	Note	Audited as at 30 September 2023 *	Material Subsequent Event	Bonus Issue	Pro Forma I	Public Issue	Pro Forma II	Utilisation of Proceeds	Pro Forma III
					After Material Subsequent Event and Bonus Issue		After Pro Forma I and Public Issue		After Pro Forma I and II and Utilisation of Proceeds
					RM		RM		RM
CURRENT LIABILITIES									
Bank borrowings		23,369,513			23,369,513		23,369,513		23,369,513
Trade payables		3,466,131			3,466,131		3,466,131		3,466,131
Other payables and accruals		4,015,467			4,015,467		4,015,467		4,015,467
Current tax liabilities		124,738			124,738		124,738		124,738
		30,975,849			30,975,849		30,975,849		30,975,849
TOTAL LIABILITIES		36,783,646			36,783,646		36,783,646		36,783,646
TOTAL EQUITY AND LIABILITIES		124,658,124			122,174,124		[]		[]

Number of ordinary shares in issue	120,000,000		360,000,000		430,000,000		430,000,000
NA (RM)	87,874,478		85,390,478		[]		[]
NA per share (RM)	0.73		0.24		[]		[]
Earnings per share (sen)	7.68		2.56		[]		[]

* Extracted from the Group's audited consolidated financial statements as at 30 September 2023.



12. FINANCIAL INFORMATION (CONT'D)**Appendix A****SUPREME CONSOLIDATED RESOURCES BHD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023****1. INTRODUCTION**

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

2. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of the Group is prepared based on the audited consolidated financial statements of the Group as at 30 September 2023, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the audited financial statements and accounting policies of the Group.

The Pro Forma Consolidated Statements of Financial Position together with the related notes thereon, has been prepared solely for illustrative purposes only to show the effects of the transactions as disclosed in Notes 3, 4, 5 and 6 to the Pro Forma Consolidated Statements of Financial Position as at 30 September 2023 had the transactions been effected on 30 September 2023. As part of this process, information about the financial position has been extracted by the Board of Directors from the audited consolidated financial statements as at 30 September 2023.

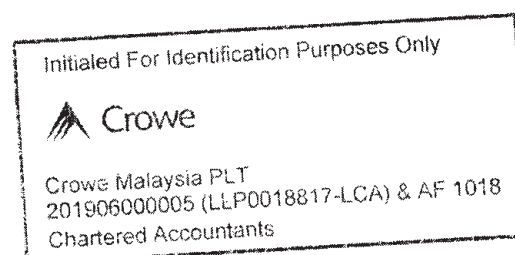
The audited consolidated financial statements used in the preparation of this Pro Forma Consolidated Statements of Financial Position were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Consolidated Statements of Financial Position are not necessarily indicative of the financial positions that would have been attained had the Listing actually occurred at the respective dates. The Pro Forma Consolidated Statements of Financial Position has been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual financial position of the Group.

3. MATERIAL SUBSEQUENT EVENT OCCURING AFTER 30 SEPTEMBER 2023

On 30 November 2023, the Company declared an interim dividend of 2.07 sen per ordinary share amounting to RM2,484,000 for the financial year ended 30 September 2023, payable on 26 January 2024, to shareholders whose names appeared in the record of depositors on 29 December 2023.

The dividend is illustrated in the Pro Forma in accordance with Paragraph 9.20 of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines.



12. FINANCIAL INFORMATION (CONT'D)

Appendix A

SUPREME CONSOLIDATED RESOURCES BHD**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)****4. LISTING SCHEME****4.1. Bonus Issue of Shares**

The Proposed Bonus Issue of Shares will entail the issuance of 2 bonus Shares for every 1 existing Share. The number of Shares in issuance is 240,000,000. Upon the completion of the Bonus Issue of Shares, the enlarged issued shares of the Company will be 360,000,000 Shares.

4.2. Public Issue of Shares

The Company will undertake the Proposed Issuance which entails the issuance of 70,000,000 new Shares, representing approximately 16% of the enlarged issued share capital of the Company at [] per share.

4.3. Listing

Upon completion of the IPO, the Company's entire enlarged issued share capital of 430,000,000 Shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**5.1 Pro Forma I**

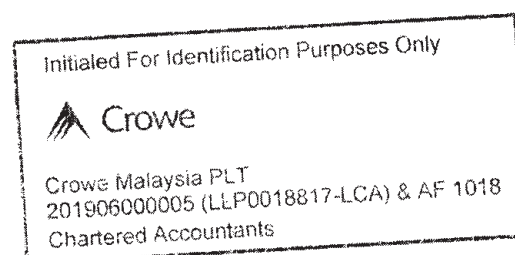
Pro Forma I incorporates the effects of material subsequent event and bonus issue as set out in Section 3 and Section 4.1 respectively.

5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the effects of the public issue as set out in Section 4.2.

5.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the effects of the utilisation of proceeds from the public issue.



12. FINANCIAL INFORMATION (CONT'D)

Appendix A

SUPREME CONSOLIDATED RESOURCES BHD**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)****5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5.3 Pro Forma III (Cont'd)**

The proceeds from the public issue will be utilised as follows:-

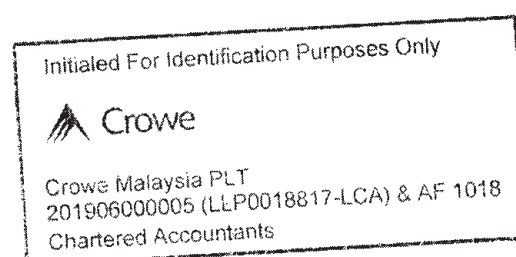
Purpose	RM	% of proposed utilisation	Estimated time frame for utilisation (from listing date)
Expansion of warehouse facility #	[]	[]	Within 24 months
Working capital #	[]	[]	Within 24 months
Estimated listing expenses *	[]	[]	Immediate
	<u>[]</u>	<u>100.00</u>	

As at the latest practicable date, the Group did not enter into any contractual binding arrangements in relation to the above purposes. Accordingly, the use of proceeds earmarked for these purposes are not reflected in the Pro Forma Consolidated Statements of Financial Position.

* The estimated listing expenses comprise the following:

	RM
Professional fees	[]
Brokerage and underwriting fees	[]
Regulatory fees	[]
Printing, translation and other miscellaneous expenses	[]
	<u>[]</u>

The estimated listing expenses of [] directly attributable to the Public Issue will be set off against share capital under the Companies Act 2016, Malaysia and the remaining estimated listing expenses of [] will be expensed off to profit or loss and this represents a one-off expenditure in conjunction with the Listing.



12. FINANCIAL INFORMATION (CONT'D)

Appendix A

SUPREME CONSOLIDATED RESOURCES BHD**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023 (CONT'D)****6. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****(a) Movement in cash and bank balances**

	RM
Balance as at 30 September 2023	13,308,588
Effects of Pro Forma I:	
- After material subsequent event	[]
Pro Forma I	[]
Effects of Pro Forma II:	
- After public issue	[]
Pro Forma II	[]
Effects of Pro Forma III:	
- Utilisation of proceeds	[]
Pro Forma III	[]


(b) Movement in share capital

	RM
Balance as at 30 September 2023/Pro Forma I	59,866,944
Effects of Pro Forma II:	
- After public issue	[]
Pro Forma II	[]
Effects of Pro Forma III:	
- Utilisation of proceeds	[]
Pro Forma III	[]

(c) Movement in retained profits

	RM
Balance as at 30 September 2023	28,007,534
Effects of Pro Forma I:	
- After material subsequent event	[]
Pro Forma I/Pro Forma II	[]
Effects of Pro Forma III:	
- Utilisation of proceeds	[]
Pro Forma III	[]

Initialed For Identification Purposes Only

 Crowe

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

12. FINANCIAL INFORMATION (CONT'D)


Appendix A

SUPREME CONSOLIDATED RESOURCES BHD.

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Supreme Consolidated Resources Bhd. in accordance with a resolution dated **20 MAR 2024**

On behalf of the Board of Directors,



Dato Richard Wee Liang Huat @

Richard Wee Liang Chiat



Ting Ing Thai

