
13. ACCOUNTANTS' REPORT

Custom Food Holding Berhad
(Registration No. 202501015766 (1617181-P))
(Incorporated in Malaysia)

**Accountants' Report on the
Financial Statements**



13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

(Registration No. 202501015766 (1617181-P))
(Incorporated in Malaysia)

Introduction

Custom Food Holding Berhad (the "Company") was incorporated as Custom Food Holding Sdn. Bhd. on 14 April 2025 as a private company and subsequently converted to a public company on 28 July 2025 for the purpose of a restructuring exercise, as part of the listing scheme in relation to the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing"), that will result in the Company becoming the holding company of Custom Food Ingredients Sdn. Bhd. ("CFI"). The restructuring will be accounted for using book value accounting in the consolidated financial statements of the Company for the period ending 31 December 2025. For the purpose of these financial statements, as the Company was incorporated subsequent to the latest reporting period presented (i.e. 31 December 2024), the financial information contained in this set of financial statements and the auditors' report thereon, relate solely to CFI and its subsidiary only ("CFI Group").

The financial statements of CFI Group have been prepared in connection with the Proposed Listing and for no other purpose.

The holding company as disclosed in Notes 12, 15 and 24 to these financial statements relates to the existing holding company of CFI before the restructuring exercise, Oriental Concept Sdn. Bhd..

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13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

(Registration No. 202501015766 (1617181-P))

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Consolidated statement of financial position

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Assets				
Property, plant and equipment	3	134,772,783	118,896,639	96,323,582
Right-of-use assets	4	19,808,323	13,978,939	19,333,289
Other investments	6	122,828	151,448	-
Total non-current assets		154,703,934	133,027,026	115,656,871
Inventories	7	69,273,806	54,811,646	65,003,274
Trade and other receivables	8	62,422,620	53,678,606	55,201,900
Current tax assets		1,321,959	90,550	71,389
Other investments	6	-	-	9,518,811
Cash and cash equivalents	9	49,450,769	43,719,406	35,981,901
Total current assets		182,469,154	152,300,208	165,777,275
Total assets		337,173,088	285,327,234	281,434,146
Equity				
Share capital	10	10,000,000	10,000,000	10,000,000
Reserves	11	171,501,285	130,217,324	98,010,663
Total equity attributable to owners of CFI		181,501,285	140,217,324	108,010,663
Liabilities				
Loans and borrowings	12	47,128,724	37,208,814	29,801,601
Lease liabilities		969,669	1,723,860	7,574,104
Deferred tax liabilities	13	8,889,215	6,202,082	5,793,457
Deferred income	14	3,678,275	4,697,112	5,715,950
Total non-current liabilities		60,665,883	49,831,868	48,885,112



13. ACCOUNTANTS' REPORT**Consolidated statement of financial position (continued)**

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Loans and borrowings	12	46,147,338	46,976,269	59,999,553
Lease liabilities		2,553,382	3,074,171	2,479,029
Current tax liabilities		-	1,624,136	3,727,723
Trade and other payables	15	46,305,200	43,603,466	58,332,066
Total current liabilities		<u>95,005,920</u>	<u>95,278,042</u>	<u>124,538,371</u>
Total liabilities		<u>155,671,803</u>	<u>145,109,910</u>	<u>173,423,483</u>
Total equity and liabilities		<u>337,173,088</u>	<u>285,327,234</u>	<u>281,434,146</u>

The notes on pages 13 to 56 are an integral part of these financial statements.



13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

(Registration No. 202501015766 (1617181-P))

(Incorporated in Malaysia)

Consolidated statement of profit or loss and other comprehensive income

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Revenue	16	394,863,651	367,078,297	410,880,960
Cost of sales		(315,242,736)	(300,055,396)	(335,375,185)
Gross profit		79,620,915	67,022,901	75,505,775
Other income		3,933,389	5,049,419	3,983,227
Selling and distribution expenses		(18,545,964)	(15,850,773)	(19,421,867)
Administrative expenses		(11,360,942)	(10,747,329)	(7,828,704)
Net gain/(loss) on impairment of financial instruments	17	191,166	(414,785)	502,289
Other expenses		(947,804)	(524,173)	(103,353)
Results from operating activities	17	52,890,760	44,535,260	52,637,367
Finance costs	18	(3,000,048)	(2,761,442)	(2,860,088)
Profit before tax		49,890,712	41,773,818	49,777,279
Tax expense	19	(7,822,433)	(9,579,360)	(11,137,034)
Profit for the year		42,068,279	32,194,458	38,640,245
Other comprehensive (expense)/income, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of:				
- property, plant and equipment		(309,486)	-	-
- right-of-use assets		5,534,413	-	-
	20	5,224,927	-	-



13. ACCOUNTANTS' REPORT**Consolidated statement of profit or loss and other comprehensive income (continued)**

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Item that is or may be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operation	20	(9,245)	12,203	8,460
Total other comprehensive income for the year, net of tax		<u>5,215,682</u>	<u>12,203</u>	<u>8,460</u>
Total comprehensive income for the year		<u>47,283,961</u>	<u>32,206,661</u>	<u>38,648,705</u>
Basic earnings per ordinary share (RM)	21	<u>4.21</u>	<u>3.22</u>	<u>3.86</u>
Diluted earnings per ordinary share (RM)	21	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

The notes on pages 13 to 56 are an integral part of these financial statements.



13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

(Registration No. 202501015766 (1617181-P))

(Incorporated in Malaysia)

Consolidated statement of changes in equity

	Attributable to owners of CFI				
	Non-distributable		Distributable		
	Share capital RM	Translation reserve RM	Revaluation reserve RM	Retained earnings RM	Total equity RM
At 1 January 2022	10,000,000	-	5,735,626	61,326,332	77,061,958
Total other comprehensive income for the year	-	8,460	-	-	8,460
- Foreign currency translation differences for foreign operation	-	-	-	38,640,245	38,640,245
Profit for the year	-	-	-	38,640,245	38,640,245
Total comprehensive income for the year	-	8,460	-	38,640,245	38,648,705
Distribution to and total transactions with owners of CFI	-	-	-	(7,700,000)	(7,700,000)
- Dividend to owners of CFI (Note 22)	-	-	-	111,070	-
Realisation of revaluation surplus	-	-	(111,070)	111,070	-
At 31 December 2022/1 January 2023	10,000,000	8,460	5,624,556	92,377,647	108,010,663
Total other comprehensive income for the year	-	12,203	-	-	12,203
- Foreign currency translation differences for foreign operation	-	-	-	32,194,458	32,194,458
Profit for the year	-	-	-	32,194,458	32,194,458
Total comprehensive income for the year	-	12,203	-	32,194,458	32,206,661
Reversal of realisation of revaluation surplus	-	-	111,070	(111,070)	-
Reversal of revaluation surplus	-	-	(259,081)	259,081	-
At 31 December 2023	10,000,000	20,663	5,476,545	124,720,116	140,217,324
	Note 10		Note 11		

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13. ACCOUNTANTS' REPORT**Consolidated statement of changes in equity (continued)**

	Attributable to owners of CFI				Total equity RM
	Share capital RM	Non-distributable Translation reserve RM	Distributable Revaluation reserve RM	Retained earnings RM	
At 1 January 2024	10,000,000	20,663	5,476,545	124,720,116	140,217,324
Foreign currency translation differences for foreign operation	-	(9,245)	-	-	(9,245)
Revaluation of:					
- property, plant and equipment	-	-	(309,486)	-	(309,486)
- right-of-use assets	-	-	5,534,413	-	5,534,413
Total other comprehensive (expense)/income for the year	-	(9,245)	5,224,927	-	5,215,682
Profit for the year	-	-	-	42,068,279	42,068,279
Total comprehensive (expense)/income for the year	-	(9,245)	5,224,927	42,068,279	47,283,961
Distribution to and total transactions with owners of CFI					
- Dividend to owners of CFI (Note 22)	-	-	-	(6,000,000)	(6,000,000)
At 31 December 2024	10,000,000	11,418	10,701,472	160,788,395	181,501,285
	Note 10		Note 11		

The notes on pages 13 to 56 are an integral part of these financial statements.



13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

(Registration No. 202501015766 (1617181-P))

(Incorporated in Malaysia)

Consolidated statement of cash flows

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Cash flows from operating activities				
Profit before tax		49,890,712	41,773,818	49,777,279
Adjustments for:				
Depreciation of:				
- Property, plant and equipment	3	10,550,607	7,236,409	7,762,520
- Right-of-use assets	4	3,177,796	2,860,053	2,506,214
Amortisation of deferred income	14	(1,018,837)	(1,018,838)	(1,018,838)
(Gain)/Loss on:				
- Disposal of plant and equipment		(143,000)	8,527	(47,032)
- Derecognition of right-of-use assets	17	-	(108,885)	(11,882)
Net impairment (gain)/loss on financial instruments	17	(191,166)	414,785	(502,289)
Interest expense	18	3,000,048	2,761,442	2,860,088
Interest income	17	(490,221)	(988,505)	(403,531)
Negative goodwill	17	-	-	(195,194)
Plant and equipment written off	17	189,552	22,860	269,877
Fair value loss on other investments		28,620	15,502	-
Dividend income		(8,586)	(4,055)	-
Operating profit before changes in working capital		64,985,525	52,973,113	60,997,212
Change in inventories		(14,682,119)	10,254,794	(24,033,875)
Change in trade and other receivables		(8,566,700)	1,140,611	(14,798,121)
Change in trade and other payables		2,961,357	(7,149,636)	3,052,692
Cash generated from operations		44,698,063	57,218,882	25,217,908
Tax paid		(9,633,434)	(11,287,506)	(9,085,484)
Net cash from operating activities		35,064,629	45,931,376	16,132,424



13. ACCOUNTANTS' REPORT**Consolidated statement of cash flows (continued)**

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Cash flows from investing activities				
Purchase of property, plant and equipment	A	(25,759,891)	(29,034,529)	(27,944,221)
Interest received		490,221	988,505	403,531
Proceeds from disposal of plant and equipment		177,422	430	151,215
Cash inflow arising from acquisition of a subsidiary		-	-	322,865
Acquisition of other investments		-	(166,950)	-
Dividend received		8,586	4,055	-
Uplift of short-term funds		-	9,518,811	37,844,016
Net cash (used in)/from investing activities		(25,083,662)	(18,689,678)	10,777,406
Cash flows from financing activities				
Interest paid	18	(3,731,100)	(3,568,196)	(2,860,088)
Drawdown of term loans		18,778,413	12,686,276	11,926,921
Repayment of term loans		(6,500,296)	(5,029,458)	(10,669,603)
Repayment to hire purchase creditors		(215,060)	(159,708)	(137,113)
Changes in other bank borrowings		(3,539,078)	(13,113,181)	7,151,045
Payment of lease liabilities		(3,000,038)	(2,651,920)	(2,233,888)
Dividend paid		(6,000,000)	(7,700,000)	-
Net cash (used in)/from financing activities		(4,207,159)	(19,536,187)	3,177,274
Net increase in cash and cash equivalents		5,773,808	7,705,511	30,087,104
Effect of exchange rate fluctuation on cash and cash equivalents		(42,445)	31,994	8,460
Cash and cash equivalents at 1 January		43,719,406	35,981,901	5,886,337
Cash and cash equivalents at 31 December	9	49,450,769	43,719,406	35,981,901



13. ACCOUNTANTS' REPORT**Consolidated statement of cash flows (continued)****Cash outflows for leases as lessee**

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Included in net cash from operating activities				
Payment relating to short-term leases	17	1,420,548	879,538	141,657
Included in net cash (used in)/from financing activities				
Interest paid in relation to lease liabilities	18	189,438	201,890	280,338
Payment of lease liabilities		3,000,038	2,651,920	2,233,888
Total cash outflows for leases		4,610,024	3,733,348	2,655,883



13. ACCOUNTANTS' REPORT**Consolidated statement of cash flows (continued)****Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Term loans RM	Hire purchase creditors RM	Other bank borrowings RM	Lease liabilities RM	Total liabilities from financing activities RM
At 1 January 2022	33,428,923	244,064	47,656,917	2,161,531	83,491,435
Drawdown of term loans/Addition of new leases	11,926,921	200,000	-	10,289,356	22,416,277
Derecognition*	-	-	-	(163,866)	(163,866)
Net changes from financing activities	(10,669,603)	(137,113)	7,151,045	(2,233,888)	(5,889,559)
At 31 December 2022/1 January 2023	34,686,241	306,951	54,807,962	10,053,133	99,854,287
Drawdown of term loans/Addition of new leases	12,686,276	-	-	5,096,356	17,782,632
Derecognition*	-	-	-	(7,699,538)	(7,699,538)
Net changes from financing activities	(5,029,458)	(159,708)	(13,113,181)	(2,651,920)	(20,954,267)
At 31 December 2023/1 January 2024	42,343,059	147,243	41,694,781	4,798,031	88,983,114
Drawdown of term loans/Addition of new leases	18,778,413	567,000	-	-	19,345,413
Remeasurement#	-	-	-	1,725,058	1,725,058
Net changes from financing activities	(6,500,296)	(215,060)	(3,539,078)	(3,000,038)	(13,254,472)
At 31 December 2024	54,621,176	499,183	38,155,703	3,523,051	96,799,113

* Derecognition due to early termination of lease contracts.

Remeasurement due to extension of lease contracts.



13. ACCOUNTANTS' REPORT**Consolidated statement of cash flows (continued)****A. Purchase of property, plant and equipment**

CFI Group acquired property, plant and equipment as follows:

	Note	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Purchase of property, plant and equipment	3	26,326,891	29,034,529	28,144,221
Less: Acquired by means of hire purchase arrangements		(567,000)	-	(200,000)
Balance paid by cash		<u>25,759,891</u>	<u>29,034,529</u>	<u>27,944,221</u>

The notes on pages 13 to 56 are an integral part of these financial statements.



13. ACCOUNTANTS' REPORT**Custom Food Holding Berhad**

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Notes to the financial statements

Custom Food Holding Berhad (the "Company") is a public limited company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 24, Jalan Perusahaan 2B
Kawasan Perusahaan Kulim
09000 Kulim
Kedah Darul Aman

Registered office

No. D-09-02
Level 9, EXSIM Tower
Millerz Square @ Old Klang Road, Megan Legasi
No. 357, Jalan Kelang Lama
58000 Kuala Lumpur
Wilayah Persekutuan

The Company is principally engaged in investment holding activities, whilst CFI is principally engaged in manufacture and supply of specialty food ingredients and food products whilst the principal activities of its subsidiary is as stated in Note 5 to the financial statements.

The ultimate holding company of CFI during the financial year was Oriental Concept Sdn. Bhd., a company incorporated in Malaysia.

1. Basis of preparation**(a) Statement of compliance**

The financial statements of CFI and its subsidiary ("CFI Group") have been prepared in connection with the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Proposed Listing") and for no other purposes.

The consolidated financial statements of CFI for the financial years ended 31 December 2024, 31 December 2023 and 31 December 2022 have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").



13. ACCOUNTANTS' REPORT

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, interpretation and amendments of the MFRS Accounting Standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by CFI Group:

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments*
- Amendments that are part of Annual Improvements - Volume 11:
 - Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
 - Amendments to MFRS 7, *Financial Instruments: Disclosures*
 - Amendments to MFRS 9, *Financial Instruments*
 - Amendments to MFRS 10, *Consolidated Financial Statements*
 - Amendments to MFRS 107, *Statement of Cash Flows*
- Amendments to MFRS 9, *Financial Instruments* and MFRS 7, *Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after 1 January 2027

- MFRS 18, *Presentation and Disclosure in Financial Statements*
- MFRS 19, *Subsidiaries without Public Accountability: Disclosures*

MFRS Accounting Standards, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

CFI Group plans to apply the abovementioned accounting standards, interpretations and amendments where applicable, in the respective financial years when the accounting standards and amendments become effective.

The initial application of the above accounting standards, interpretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of CFI Group.



13. ACCOUNTANTS' REPORT**1. Basis of preparation (continued)****(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured based on the measurement bases stated below:

Items	Measurement bases
Property, plant and equipment - buildings	Fair value
Right-of-use assets - land	Fair value
Other investments at fair value through profit or loss	Fair value

(c) Functional and presentation currencies

These financial statements are presented in Ringgit Malaysia ("RM"), which is CFI's functional currency. All financial information is presented in RM, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 3.4 - valuation of property, plant and equipment and Note 4.3 - valuation of right-of-use assets.

2. Changes in material accounting policies**2.1 Classification of liabilities as current or non-current and non-current liabilities with covenants**

CFI Group has adopted the amendments to MFRS 101, *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants* from 1 January 2024. The amendments clarify certain requirement for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period (Note 12.2).

CFI Group has analysed all existing borrowings and determined that the new amendments did not result in a change in the classification of CFI Group's borrowings. There is also no retrospective impact on the comparative consolidated statement of financial position.



13. ACCOUNTANTS' REPORT**3. Property, plant and equipment**

	At valuation	At cost						
	Buildings RM	Buildings and building improvements RM	Furniture, fittings and equipment RM	Computer equipment RM	Plant and equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Cost								
At 1 January 2022	21,293,469	2,288,544	5,944,507	425,139	60,619,046	533,951	21,201,604	112,306,260
Additions	-	525,600	483,672	103,419	246,605	262,354	26,522,571	28,144,221
Disposals	-	-	(148,458)	(5,970)	(100,000)	-	-	(254,428)
Written off	-	-	(51,449)	-	(26,903)	-	(207,558)	(285,910)
Reclassifications	-	2,985	37,097	2,250	175,394	-	(217,726)	-
At 31 December 2022/ 1 January 2023	21,293,469	2,817,129	6,265,369	524,838	60,914,142	796,305	47,298,891	139,910,143
Additions	-	136,280	795,007	722,705	620,810	96,000	26,663,727	29,034,529
Borrowing costs capitalised	-	-	-	-	-	-	806,754	806,754
Disposals	-	-	(12,500)	-	-	-	-	(12,500)
Written off	(14,000)	-	(19,740)	-	(8,000)	-	-	(41,740)
Reclassifications	-	2,777,985	217,546	-	5,870,137	-	(8,865,668)	-
At 31 December 2023/ 1 January 2024	21,279,469	5,731,394	7,245,682	1,247,543	67,397,089	892,305	65,903,704	169,697,186
Additions	-	452,558	526,471	168,157	378,150	820,830	23,980,725	26,326,891
Borrowing costs capitalised	-	-	-	-	-	-	731,052	731,052
Disposals	-	-	-	-	-	-	(34,422)	(34,422)
Written off	(149,108)	-	(41,522)	-	(145,651)	-	-	(336,281)
Reclassifications	14,607,001	(3,323,083)	2,480,670	-	31,393,217	-	(45,157,805)	-
Revaluation	(2,737,362)	-	-	-	-	-	-	(2,737,362)
At 31 December 2024	33,000,000	2,860,869	10,211,301	1,415,700	99,022,805	1,713,135	45,423,254	193,647,064

13. ACCOUNTANTS' REPORT

3. Property, plant and equipment (continued)

	At valuation	At cost						Total RM
	Buildings RM	Buildings and building improvements RM	Furniture, fittings and equipment RM	Computer equipment RM	Plant and equipment RM	Motor vehicles RM	Capital work-in- progress RM	
Accumulated depreciation								
At 1 January 2022	674,418	4,022	2,811,910	271,037	32,111,912	117,020	-	35,990,319
Depreciation for the year	425,852	51,518	575,321	99,335	6,535,268	75,226	-	7,762,520
Disposals	-	-	(45,109)	(5,969)	(99,167)	-	-	(150,245)
Written off	-	-	(16,033)	-	-	-	-	(16,033)
At 31 December 2022/ 1 January 2023	1,100,270	55,540	3,326,089	364,403	38,548,013	192,246	-	43,586,561
Depreciation for the year	425,736	114,180	553,519	144,906	5,899,627	98,441	-	7,236,409
Disposals	-	-	(3,543)	-	-	-	-	(3,543)
Written off	(1,773)	-	(9,267)	-	(7,840)	-	-	(18,880)
At 31 December 2023/ 1 January 2024	1,524,233	169,720	3,866,798	509,309	44,439,800	290,687	-	50,800,547
Depreciation for the year	425,643	338,928	832,872	207,596	8,516,797	228,771	-	10,550,607
Written off	(15,000)	-	(15,146)	-	(116,583)	-	-	(146,729)
Reclassifications	395,268	(395,268)	-	-	-	-	-	-
Revaluation	(2,330,144)	-	-	-	-	-	-	(2,330,144)
At 31 December 2024	-	113,380	4,684,524	716,905	52,840,014	519,458	-	58,874,281



13. ACCOUNTANTS' REPORT**3. Property, plant and equipment (continued)**

	At valuation	At cost						
	Buildings RM	Buildings and building improvements RM	Furniture, fittings and equipment RM	Computer equipment RM	Plant and equipment RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Carrying amounts								
At 1 January 2022	20,619,051	2,284,522	3,132,597	154,102	28,507,134	416,931	21,201,604	76,315,941
At 31 December 2022/ 1 January 2023	20,193,199	2,761,589	2,939,280	160,435	22,366,129	604,059	47,298,891	96,323,582
At 31 December 2023/ 1 January 2024	19,755,236	5,561,674	3,378,884	738,234	22,957,289	601,618	65,903,704	118,896,639
31 December 2024	33,000,000	2,747,489	5,526,777	698,795	46,182,791	1,193,677	45,423,254	134,772,783

13. ACCOUNTANTS' REPORT**3. Property, plant and equipment (continued)****3.1 Assets under hire purchase arrangements**

The carrying amount of motor vehicles acquired under hire purchase arrangements is RM698,031 (31.12.2023: RM516,685; 31.12.2022: RM591,432).

3.2 Security

At 31 December 2024, certain property, plant and equipment with an aggregate carrying amount of RM119,073,686 (31.12.2023: RM103,949,405; 31.12.2022: RM77,820,498) is charged to a licensed bank for banking facilities granted to CFI Group (see Note 12).

3.3 Property, plant and equipment under revaluation model

The buildings are stated at Directors' valuation based on professional valuations carried out by a firm of professional valuers on an open market value basis conducted on 6 February 2025 (31.12.2023 and 31.12.2022: 20 November 2020). The revaluation was effected on 31 December 2024 (31.12.2023 and 31.12.2022: 31 December 2020). Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

Had the buildings been carried at historical cost less accumulated depreciation, the carrying amount of the buildings that would have been included in the financial statements at the end of the financial year is RM29,708,810 (31.12.2023: RM15,994,485; 31.12.2022: RM16,370,106).

3.4 Fair value information

The fair value of buildings is categorised as level 3 (31.12.2023 and 31.12.2022: level 3) in the fair value hierarchy. The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of similar properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Average price per square foot: RM152 (31.12.2023 and 31.12.2022: RM96).	The estimated fair value would increase/ (decrease) if the price per square foot is higher/ (lower).

13. ACCOUNTANTS' REPORT**3. Property, plant and equipment (continued)****3.5 Material accounting policy information****(a) Recognition and measurement**

Items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment under the revaluation model

CFI Group revalues its buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods based on their estimated useful lives are as follows:

Buildings and building improvements	2%
Furniture, fittings and equipment	10%
Computer equipment	40%
Plant and equipment	10% - 14%
Motor vehicles	10% - 20%

4. Right-of-use assets

	At valuation Land RM	At cost Forklifts RM	At cost Buildings RM	Total RM
At 1 January 2022	9,565,366	2,136,765	-	11,702,131
Additions	-	1,092,417	9,196,939	10,289,356
Depreciation	(147,390)	(672,720)	(1,686,104)	(2,506,214)
Derecognition*	-	(151,984)	-	(151,984)
At 31 December 2022	9,417,976	2,404,478	7,510,835	19,333,289

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13. ACCOUNTANTS' REPORT**4. Right-of-use assets (continued)**

	At valuation Land RM	← At cost → Forklifts RM	Buildings RM	Total RM
At 1 January 2023	9,417,976	2,404,478	7,510,835	19,333,289
Additions	-	812,546	4,283,810	5,096,356
Depreciation	(148,134)	(832,532)	(1,879,387)	(2,860,053)
Derecognition*	-	(233,102)	(7,357,551)	(7,590,653)
At 31 December 2023/ 1 January 2024	9,269,842	2,151,390	2,557,707	13,978,939
Depreciation	(151,964)	(688,593)	(2,337,239)	(3,177,796)
Remeasurement#	-	-	1,725,058	1,725,058
Revaluation	7,282,122	-	-	7,282,122
At 31 December 2024	16,400,000	1,462,797	1,945,526	19,808,323

* Derecognition due to early termination of lease contracts.

Remeasurement due to extension of lease contracts.

CFI Group leases a number of forklifts, buildings and a parcel of land that run between 2 years to 99 years.

4.1 Security

The land is charged to a licensed bank for banking facilities granted to CFI Group (see Note 12).

4.2 Land under revaluation model

The land is shown at Directors' valuation based on professional valuation carried out by a firm of professional valuers on an open market value basis conducted on 6 February 2025 (31.12.2023 and 31.12.2022: 20 November 2020). The revaluation was effected on 31 December 2024 (31.12.2023 and 31.12.2022: 31 December 2020). Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

Had the land been carried at historical cost less accumulated depreciation, the carrying amount of the land that would have been included in the financial statements at the end of the financial year is RM6,111,954 (31.12.2023: RM6,213,820; 31.12.2022: RM6,315,686).

4.3 Fair value information

The fair value of land is categorised as level 3 (31.12.2023 and 31.12.2022: level 3) in the fair value hierarchy. The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.



13. ACCOUNTANTS' REPORT

4. Right-of-use assets (continued)

4.3 Fair value information (continued)

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of similar land in close proximity are adjusted for differences in key attributes such as property size, location, tenure etc. The most significant input into this valuation approach is price per square foot.	Average price per square foot: RM47 (31.12.2023 and 31.12.2022: RM28).	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

4.4 Extension options

Certain leases of buildings contain extension options exercisable by CFI Group up to one year before the end of the contract period. Where applicable, CFI Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by CFI Group and not by the lessors. CFI Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. CFI Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

	Lease liabilities recognised (discounted) RM	Historical rate of exercise of extension options %
31.12.2024		
Buildings	1,805,696	100
31.12.2023		
Buildings	1,810,518	100
31.12.2022		
Buildings	7,455,109	100



13. ACCOUNTANTS' REPORT**4. Right-of-use assets (continued)****4.5 Judgements and assumptions in relation to lease**

CFI Group assesses at lease commencement by applying judgement whether it is reasonably certain to exercise the extension options. CFI Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

CFI Group also applied judgement and assumptions in determining the incremental borrowing rates of the respective leases. Group entities first determine the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.6 Material accounting policy information**(a) Recognition and measurement**

All right-of-use assets are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

CFI Group revalues its right-of-use asset comprising land in a similar manner as property, plant and equipment under revaluation model (refer to Note 3.5(a)).

When the revalued right-of-use asset expires or the revalued asset is sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(b) Recognition exemption

CFI Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. CFI Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5. Subsidiary

Name of entity	Effective ownership interest and voting interest			Principal activities
	31.12.2024	31.12.2023	31.12.2022	
Custom Food Ingredients B.V*	100%	100%	100%	Supply of specialty food ingredients and food products.

* Not audited by KPMG PLT. The unaudited management accounts were consolidated in CFI Group's financial statements as the subsidiary was not required by its local legislations to have the financial statements audited.

The subsidiary is incorporated and having its principal place of business in the Netherlands.



13. ACCOUNTANTS' REPORT**6. Other investments**

	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Non-current			
Fair value through profit or loss			
- Shares	122,828	151,448	-
Current			
Amortised cost			
- Short term funds	-	-	9,518,811

6.1 Material accounting policy information**(a) Short term funds**

CFI Group classifies short term funds as other investments.

7. Inventories

	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Raw materials	26,008,562	20,748,636	36,330,726
Finished goods	43,265,244	34,063,010	28,672,548
	69,273,806	54,811,646	65,003,274

Recognised in profit or loss (included under cost of sales):

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Inventories recognised as cost of sales	313,644,046	298,507,002	334,512,863
Inventories written down	1,227,557	816,454	-
Inventories written off	371,133	731,940	862,322

7.1 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the first-in, first-out method.



13. ACCOUNTANTS' REPORT**8. Trade and other receivables**

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Trade				
Third parties		49,660,044	42,149,593	52,890,716
Amount due from a company in which certain Directors have substantial financial interests	8.1	345,650	809,337	581,235
Trade receivables from contracts with customers		50,005,694	42,958,930	53,471,951
Non-trade				
Other receivables		28,525	-	133,173
Deposits		824,198	827,222	504,690
Prepayments	8.2	11,564,203	9,892,454	1,092,086
		12,416,926	10,719,676	1,729,949
		<u>62,422,620</u>	<u>53,678,606</u>	<u>55,201,900</u>

8.1 Amount due from a company in which certain Directors have substantial financial interests

The trade amount due from a company in which certain Directors have substantial financial interests is unsecured, interest-free and with credit terms of 30 days to 120 days (31.12.2023: 30 days to 120 days; 31.12.2022: 30 days to 90 days).

8.2 Prepayments

Included in prepayments of CFI Group is RM2,055,461 (31.12.2023: RM827,205; 31.12.2022: RM679,346) and RM8,710,868 (31.12.2023: RM8,362,986; 31.12.2022: Nil) representing advance payments made to suppliers for the purchases of raw materials and plant and equipment respectively.

9. Cash and cash equivalents

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Short term funds	9.1	24,251,209	20,831,013	-
Short term deposits		4,202,565	11,400,176	11,050,941
Cash and bank balances		20,996,995	11,488,217	24,930,960
		<u>49,450,769</u>	<u>43,719,406</u>	<u>35,981,901</u>

9.1 Short term funds

Short term funds represent investments in fixed income funds which are redeemable within a period of less than 7 days.



13. ACCOUNTANTS' REPORT**10. Share capital**

	31.12.2024		31.12.2023		31.12.2022	
	Number of shares	Amount RM	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid-up ordinary shares with no par value classified as equity instruments	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of CFI.

11. Reserves

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Non-distributable				
Translation reserve	11.1	11,418	20,663	8,460
Revaluation reserve	11.2	10,701,472	5,476,545	5,624,556
		10,712,890	5,497,208	5,633,016
Distributable				
Retained earnings		160,788,395	124,720,116	92,377,647
		171,501,285	130,217,324	98,010,663

11.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operation.

11.2 Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.



13. ACCOUNTANTS' REPORT**12. Loans and borrowings**

	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Non-current			
Secured			
Term loans	46,754,420	37,191,225	29,654,359
Hire purchase creditors	374,304	17,589	147,242
	<u>47,128,724</u>	<u>37,208,814</u>	<u>29,801,601</u>
Current			
Secured			
Term loans	7,866,756	5,151,834	5,031,882
Hire purchase creditors	124,879	129,654	159,709
Bankers' acceptances	7,929,152	5,833,160	39,575,725
Revolving credits	5,500,000	-	-
	<u>21,420,787</u>	<u>11,114,648</u>	<u>44,767,316</u>
Unsecured			
Bankers' acceptances	24,726,551	35,861,621	15,232,237
	<u>46,147,338</u>	<u>46,976,269</u>	<u>59,999,553</u>

12.1 Securities

The secured borrowings are secured by legal charges over CFI Group's land and certain property, plant and equipment (see Notes 4.1 and 3.2) and are jointly and severally guaranteed by the holding company and a Director of CFI.

The hire purchase creditors are effectively secured as the rights to the assets will be reverted to the hire purchase creditors in the event of default.

12.2 Significant covenants**(a) Term loans 1 to 8**

CFI Group's term loans with a carrying amount of RM28,112,598 at 31 December 2024 (31.12.2023: RM33,222,894; 31.12.2022: RM34,686,241) contain a covenant that requires CFI Group to maintain a maximum gearing ratio of 3 times. The covenant is tested annually on 30 September.

As at 31 December 2024, CFI Group has complied with the threshold and has no indication that it will have difficulty complying with this covenant.



13. ACCOUNTANTS' REPORT**12. Loans and borrowings (continued)****12.2 Significant covenants (continued)****(b) Term loan 9**

CFI Group's term loan with a carrying amount of RM26,508,578 at 31 December 2024 (31.12.2023: RM9,120,165; 31.12.2022: Nil) contain covenants that require CFI Group:

- (i) to provide bank an official valuation report with a market value of not less than RM40 million within 6 months from the completion date of the relevant plant and machinery financed; and
- (ii) to maintain a maximum gearing ratio of 3 times.

The covenants are tested annually on 30 September.

As at 31 December 2024, CFI Group has complied with the threshold and has no indication that it will have difficulty complying with these covenants.

13. Deferred tax liabilities**Recognised deferred tax liabilities/(assets)**

	31.12.2024	31.12.2023	31.12.2022
	RM	RM	RM
Property, plant and equipment			
- revaluation	756,885	874,965	895,424
- others	7,120,430	4,938,200	4,766,871
Right-of-use assets			
- revaluation	2,460,391	724,761	737,978
- others	817,998	1,130,183	2,379,675
Lease liabilities	(845,532)	(1,151,528)	(2,412,752)
Provisions	(1,420,957)	(314,499)	(573,739)
	<u>8,889,215</u>	<u>6,202,082</u>	<u>5,793,457</u>



13. ACCOUNTANTS' REPORT

13. Deferred tax liabilities (continued)

Movements in temporary differences during the year

	At 1.1.2022 RM	Recognised in profit or loss (Note 19) RM	At 31.12.2022/ 1.1.2023 RM	Recognised in profit or loss (Note 19) RM	At 31.12.2023/ 1.1.2024 RM	Recognised in profit or loss (Note 19) RM	Recognised in other comprehensive income (Note 20) RM	At 31.12.2024 RM
Property, plant and equipment								
- revaluation	915,883	(20,459)	895,424	(20,459)	874,965	(20,348)	(97,732)	756,885
- others	5,076,733	(309,862)	4,766,871	171,329	4,938,200	2,182,230	-	7,120,430
Right-of-use assets								
- revaluation	751,195	(13,217)	737,978	(13,217)	724,761	(12,079)	1,747,709	2,460,391
- others	512,824	1,866,851	2,379,675	(1,249,492)	1,130,183	(312,185)	-	817,998
Lease liabilities	(518,767)	(1,893,985)	(2,412,752)	1,261,224	(1,151,528)	305,996	-	(845,532)
Provisions	(350,298)	(223,441)	(573,739)	259,240	(314,499)	(1,106,458)	-	(1,420,957)
	<u>6,387,570</u>	<u>(594,113)</u>	<u>5,793,457</u>	<u>408,625</u>	<u>6,202,082</u>	<u>1,037,156</u>	<u>1,649,977</u>	<u>8,889,215</u>

13.1 Temporary mandatory relief from deferred tax accounting

CFI Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

13.2 Material accounting policy information

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

13. ACCOUNTANTS' REPORT**14. Deferred income**

	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Non-current			
Government grants			
At 1 January	4,697,112	5,715,950	6,734,788
Amortised during the year (Note 17)	(1,018,837)	(1,018,838)	(1,018,838)
At 31 December	<u>3,678,275</u>	<u>4,697,112</u>	<u>5,715,950</u>

CFI Group received government grants of RM8,681,250 in 2018. The grants are amortised over the useful lives of the related plant and equipment. During the financial year, RM1,018,837 (31.12.2023: RM1,018,838; 31.12.2022: RM1,018,838) is amortised and recognised as other income in profit or loss.

14.1 Material accounting policy information

CFI Group has elected to present government grants related to assets as deferred income.

15. Trade and other payables

	Note	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Trade				
Trade payables		28,166,751	27,196,209	34,164,172
Non-trade				
Amount due to:				
- holding company	15.1	-	50,035	-
- related companies	15.1	5,620	5,137	8,828
- a company in which a Director has substantial financial interest	15.1	-	6,794	-
Other payables		10,108,374	8,983,363	9,793,580
Accrued expenses		8,024,455	7,361,928	6,665,486
Dividend payable		-	-	7,700,000
		<u>18,138,449</u>	<u>16,407,257</u>	<u>24,167,894</u>
		<u>46,305,200</u>	<u>43,603,466</u>	<u>58,332,066</u>

15.1 Amounts due to holding company, related companies and a company in which a Director has substantial financial interest

Non-trade amounts due to holding company, related companies and a company in which a Director has substantial financial interest are unsecured, interest-free and payable on demand.



13. ACCOUNTANTS' REPORT**15. Trade and other payables (continued)****15.2 Derivative financial liabilities/(assets)**

	31.12.2024		31.12.2023		31.12.2022	
	Nominal value RM	Liabilities RM	Nominal value RM	Liabilities RM	Nominal value RM	Assets RM
Derivatives at fair value through profit or loss						
Forward exchange contracts	3,500,688	-*	-	-	2,115,866	-*

* Amount regarded as not material by the Directors and was not accounted for by CFI Group.

Forward exchange contracts are used to manage the foreign currency exposures arising from CFI Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

13. ACCOUNTANTS' REPORT**16. Revenue**

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Revenue from contracts with customers	<u>394,863,651</u>	<u>367,078,297</u>	<u>410,880,960</u>

16.1 Disaggregation of revenue from contracts with customers

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Major products			
Non-dairy creamers	249,007,225	246,579,070	304,664,082
Functional lipid powders	75,280,766	60,636,566	50,659,967
Malt and cereals	60,526,357	51,557,211	48,402,755
Other food ingredients	10,049,303	8,305,450	7,154,156
	<u>394,863,651</u>	<u>367,078,297</u>	<u>410,880,960</u>

Timing of recognition

- At a point in time	<u>394,863,651</u>	<u>367,078,297</u>	<u>410,880,960</u>
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Disaggregation of revenue based on geographical markets is disclosed in Note 25.

16.2 Nature of goods

Revenue from the sale of non-dairy creamers, functional lipid powders, malt and cereals and other food ingredients in the course of ordinary activities is typically recognised at a point in time when the goods are delivered and accepted by the customers. The significant payment terms granted to customers are ranging from 30 to 60 days from invoice date. There are no variable element in consideration, obligation for returns or refunds and warranty attached to the goods sold by CFI Group.

16.3 Transaction price allocated to the remaining performance obligations

CFI Group applies the practical expedient exemption in paragraph 121(a) of MFRS 15 on the exemption for disclosure of information on remaining performance obligations that have original expected durations of one year or shorter.



13. ACCOUNTANTS' REPORT**17. Results from operating activities**

Results from operating activities are arrived at after charging/(crediting):

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Auditors' remuneration:			
- Audit fees			
- KPMG PLT	112,000	112,000	-
- Other auditors	-	-	107,457
- Non-audit fees			
- Local affiliates of KPMG PLT	16,000	16,000	-
Material expense/(income)			
Depreciation of:			
- Property, plant and equipment	10,550,607	7,236,409	7,762,520
- Right-of-use assets	3,177,796	2,860,053	2,506,214
Amortisation of deferred income	(1,018,837)	(1,018,838)	(1,018,838)
Finance income (Note 17.1)	(490,221)	(988,505)	(403,531)
Inventories written down	1,227,557	816,454	-
Inventories written off	371,133	731,940	862,322
Directors' remuneration (key management personnel)			
- fees	-	12,000	15,000
- Wages, salaries and others			
- current Directors	533,218	551,376	519,782
- past Director	18,217	-	-
- Contributions to Employees' Provident Fund	63,840	63,840	60,120
Personnel expenses (excluding key management personnel)			
- Wages, salaries and others	16,404,630	14,593,305	11,181,277
- Contributions to Employees' Provident Fund	1,329,709	1,165,491	945,506
Plant and equipment written off	189,552	22,860	269,877
Negative goodwill (Note 28)	-	-	(195,194)
Net foreign exchange loss/(gain)	944,123	(1,229,546)	(1,693,343)
Gain on derecognition of right-of-use assets	-	(108,885)	(11,882)
Expenses arising from leases			
Expenses relating to short term leases (Note 17.2)	1,420,548	879,538	141,657
Net (gain)/loss on impairment of financial instruments			
Financial assets at amortised cost			
- Trade receivables	(191,166)	414,785	(502,289)



13. ACCOUNTANTS' REPORT**17. Results from operating activities (continued)**

- 17.1 Finance income represents interest income of financial assets calculated using the effective interest method that are at amortised cost.
- 17.2 CFI Group leases employees' hostels, forklifts and warehouses with contract term of 1 year or shorter. CFI Group has elected not to recognise right-of-use assets and lease liabilities for these short term leases.
- 17.3 The estimated monetary value of benefits receivable by certain Directors otherwise than in cash from CFI Group is RM252,250 (31.12.2023: RM104,682; 31.12.2022: RM101,998).

18. Finance costs

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Interest expense of financial liabilities that are not at fair value through profit or loss	3,541,662	3,366,306	2,579,750
Interest expense on lease liabilities	189,438	201,890	280,338
	<u>3,731,100</u>	<u>3,568,196</u>	<u>2,860,088</u>
Recognised in profit or loss	3,000,048	2,761,442	2,860,088
Interest expense of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:			
- property, plant and equipment	731,052	806,754	-
	<u>3,731,100</u>	<u>3,568,196</u>	<u>2,860,088</u>

19. Tax expense**Recognised in profit or loss****Major components of income tax expense include:**

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Current tax expense			
- Current year	6,590,051	9,325,067	12,139,401
- Prior year	195,226	(154,332)	(408,254)
Total current tax recognised in profit or loss	6,785,277	9,170,735	11,731,147



13. ACCOUNTANTS' REPORT**19. Tax expense (continued)****Recognised in profit or loss (continued)**

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Deferred tax expense			
- Origination and reversal of temporary differences	1,245,960	435,709	(249,213)
- Over provision in prior year	(208,804)	(27,084)	(344,900)
Total deferred tax recognised in profit or loss	1,037,156	408,625	(594,113)
Total income tax expense	7,822,433	9,579,360	11,137,034

Reconciliation of tax expense

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Profit before tax	49,890,712	41,773,818	49,777,279
Income tax calculated using Malaysian tax rate of 24%	11,973,771	10,025,716	11,946,546
Effect of different tax rates in other country	(5,232)	9,148	3,067
Non-deductible expenses	278,123	109,549	292,186
Non-taxable income	(609,890)	(566,702)	(476,786)
Tax incentive	(3,978,812)	(571,315)	-
Reversal of deferred tax on revaluation surplus	(32,427)	(33,676)	(33,676)
Others	210,478	788,056	158,851
	7,836,011	9,760,776	11,890,188
Over provision in prior year	(13,578)	(181,416)	(753,154)
	7,822,433	9,579,360	11,137,034



13. ACCOUNTANTS' REPORT

20. Other comprehensive (expense)/income

	1.1.2024 to 31.12.2024			1.1.2023 to 31.12.2023			1.1.2022 to 31.12.2022		
	Before tax RM	Tax expense RM	Net of tax RM	Before tax RM	Tax expense RM	Net of tax RM	Before tax RM	Tax expense RM	Net of tax RM
Items that will not be reclassified subsequently to profit or loss									
Revaluation of:									
- property, plant and equipment	(407,218)	97,732	(309,486)	-	-	-	-	-	-
- right-of-use assets	7,282,122	(1,747,709)	5,534,413	-	-	-	-	-	-
	<u>6,874,904</u>	<u>(1,649,977)</u>	<u>5,224,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Item that is or may be reclassified subsequently to profit or loss									
Foreign currency translation differences for foreign operation	<u>(9,245)</u>	<u>-</u>	<u>(9,245)</u>	<u>12,203</u>	<u>-</u>	<u>12,203</u>	<u>8,460</u>	<u>-</u>	<u>8,460</u>



13. ACCOUNTANTS' REPORT**21. Earnings per ordinary share*****Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Profit for the year attributable to owners of CFI	<u>42,068,279</u>	<u>32,194,458</u>	<u>38,640,245</u>
Weighted average numbers of ordinary shares as at 31 December	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Basic earnings per ordinary share (RM)	<u>4.21</u>	<u>3.22</u>	<u>3.86</u>

Diluted earnings per ordinary share

There is no dilution in earnings per share as there is no potential diluted ordinary share.

22. Dividend

Dividend recognised by CFI is as follows:

	Sen per ordinary share	Total amount RM	Date of payment
31.12.2022			
Interim 2022 ordinary	77	<u>7,700,000</u>	18 August 2023
31.12.2023			
Interim 2023 ordinary	-	<u>-</u>	-
31.12.2024			
Interim 2024 ordinary	60	<u>6,000,000</u>	26 December 2024



13. ACCOUNTANTS' REPORT**23. Capital commitments**

	31.12.2024 RM	31.12.2023 RM	31.12.2022 RM
Property, plant and equipment			
- Contracted but not provided for	<u>21,703,000</u>	<u>25,190,000</u>	<u>19,777,000</u>

24. Related parties**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of CFI Group are shown below. The balances related to the below transactions are shown below and in Notes 8 and 15.

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
(i) Transactions with holding company			
Dividend paid and payable	4,800,000	-	6,160,000
Lease payments	<u>600,000</u>	<u>100,000</u>	<u>-</u>
(ii) Transactions with related companies			
Expenses relating to short term leases	60,000	60,000	-
Lease payments	1,848,000	1,848,000	1,694,000
Purchases	-	-	7,466,543
Sales	7,380	6,286	771,693
Management fee paid and payable	-	-	204,000
Labour charges	<u>-</u>	<u>-</u>	<u>1,042,772</u>
(iii) Transactions with companies in which certain Directors have substantial financial interests			
Sales	5,104,524	5,704,594	5,684,577
Purchases	-	215,587	349,551
Expenses relating to short term leases	180,000	165,000	-
Lease payments	<u>-</u>	<u>10,000</u>	<u>110,000</u>
(iv) Lease liability balances with :			
- holding company	49,832	634,936	-
- related companies	1,952,704	1,958,316	7,138,517
- a company in which a Director has substantial financial interest	<u>-</u>	<u>-</u>	<u>463,540</u>
(v) Transactions with Directors and key management personnel			

There were no transactions with the Directors and key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment as disclosed in Note 17 to the financial statements.



13. ACCOUNTANTS' REPORT**25. Operating segments**

CFI Group is principally involved in the manufacturing and sale of non-dairy creamers, functional lipid powders, malt and cereals and other food ingredients which are primarily carried out in Malaysia. Chief operating decision maker monitors CFI Group's operating results as one business unit due to the similar nature and economic characteristics of the products. The products within the business unit do not require materially different operational and marketing strategies. Accordingly, information by operating segments on CFI Group's operations as required by MFRS 8 is not presented.

Geographical information

Revenue and non-current assets information are based on the geographical location of customers and assets respectively. The amounts of non-current assets do not include financial instruments.

	Revenue RM	Non-current assets RM
31.12.2024		
Malaysia	192,797,236	154,692,916
Asia (excluding Malaysia)	156,229,041	-
The Americas	18,726,740	-
Europe	15,572,070	11,018
Others	11,538,564	-
	<u>394,863,651</u>	<u>154,703,934</u>
31.12.2023		
Malaysia	157,840,732	133,027,026
Asia (excluding Malaysia)	160,533,354	-
The Americas	18,437,617	-
Europe	17,790,902	-
Others	12,475,692	-
	<u>367,078,297</u>	<u>133,027,026</u>
31.12.2022		
Malaysia	189,359,575	115,656,871
Asia (excluding Malaysia)	168,844,426	-
Europe	27,794,456	-
The Americas	14,504,486	-
Others	10,378,017	-
	<u>410,880,960</u>	<u>115,656,871</u>



13. ACCOUNTANTS' REPORT**26. Financial instruments****26.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9; and
(b) Amortised cost ("AC").

	Carrying amount RM	Mandatorily at FVTPL RM	AC RM
31.12.2024			
Financial assets			
Other investments	122,828	122,828	-
Trade and other receivables (excluding prepayments)	50,858,417	-	50,858,417
Cash and cash equivalents	49,450,769	-	49,450,769
	<u>100,432,014</u>	<u>122,828</u>	<u>100,309,186</u>
Financial liabilities			
Loans and borrowings	93,276,062	-	93,276,062
Trade and other payables	46,305,200	-	46,305,200
	<u>139,581,262</u>	<u>-</u>	<u>139,581,262</u>
31.12.2023			
Financial assets			
Other investments	151,448	151,448	-
Trade and other receivables (excluding prepayments)	43,786,152	-	43,786,152
Cash and cash equivalents	43,719,406	-	43,719,406
	<u>87,657,006</u>	<u>151,448</u>	<u>87,505,558</u>
Financial liabilities			
Loans and borrowings	84,185,083	-	84,185,083
Trade and other payables	43,603,466	-	43,603,466
	<u>127,788,549</u>	<u>-</u>	<u>127,788,549</u>



13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

	Carrying amount RM	Mandatorily at FVTPL RM	AC RM
31.12.2022			
Financial assets			
Other investments	9,518,811	-	9,518,811
Trade and other receivables (excluding prepayments)	54,109,814	-	54,109,814
Cash and cash equivalents	35,981,901	-	35,981,901
	<u>99,610,526</u>	<u>-</u>	<u>99,610,526</u>
Financial liabilities			
Loans and borrowings	89,801,154	-	89,801,154
Trade and other payables	58,332,066	-	58,332,066
	<u>148,133,220</u>	<u>-</u>	<u>148,133,220</u>

26.2 Net gains and losses arising from financial instruments

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM
Net gains/(losses) on:			
Financial assets at FVTPL:			
- net loss due to change in fair value	(28,620)	(15,502)	-
- dividend income	8,586	4,055	-
	<u>(20,034)</u>	<u>(11,447)</u>	<u>-</u>
Financial assets at AC:			
- interest income	490,221	988,505	403,531
- net foreign exchange (loss)/gain	(990,845)	515,642	1,127,483
- net impairment gain/(loss) on financial assets	191,166	(414,785)	502,289
	<u>(309,458)</u>	<u>1,089,362</u>	<u>2,033,303</u>
Financial liabilities at AC:			
- interest expense	(2,810,610)	(2,559,552)	(2,579,750)
- net foreign exchange gain	46,722	713,904	565,860
	<u>(2,763,888)</u>	<u>(1,845,648)</u>	<u>(2,013,890)</u>
	<u>(3,093,380)</u>	<u>(767,733)</u>	<u>19,413</u>



13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.3 Financial risk management**

CFI Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. CFI Group's exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Trade receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally, credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, CFI Group assesses whether any of the trade receivables is credit impaired.

The gross carrying amount of credit impaired trade receivables is written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when CFI Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that is written off could still be subject to enforcement activities.

There are no significant changes as compared to previous years.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the consolidated statement of financial position.

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographical region was:

	31.12.2024	31.12.2023	31.12.2022
	RM	RM	RM
Asia	37,935,507	35,739,191	37,502,255
Europe	6,790,561	5,127,265	12,345,677
The Americas	5,123,578	1,496,022	3,306,056
Others	156,048	596,452	317,963
	<u>50,005,694</u>	<u>42,958,930</u>	<u>53,471,951</u>

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13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.4 Credit risk (continued)****Trade receivables (continued)***Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, CFI Group manages their debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. CFI Group's debt recovery processes are as follows:

- a) Above 30 days past due, CFI Group's management will start to monitor and follow up with a debt repayment process; and
- b) Above 120 days past due, the matter will be escalated to the senior management whereby discussion and a structured debt recovery process will be initiated and monitored closely.

CFI Group adopts the simplified approach and uses an allowance matrix to measure expected credit losses ("ECLs") of trade receivables. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. CFI Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) CFI Group's view of economic conditions over the expected lives of the receivables. Nevertheless, CFI Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

	Gross carrying amount RM	Loss allowances RM	Net balance RM
31.12.2024			
Current (not past due)	32,514,258	-	32,514,258
1 - 30 days past due	12,522,740	-	12,522,740
31 - 60 days past due	4,830,325	-	4,830,325
61 - 90 days past due	138,371	-	138,371
	50,005,694	-	50,005,694
Credit impaired			
91 - 120 days past due	111,196	(111,196)	-
More than 120 days past due	54,479	(54,479)	-
Individually impaired	357,785	(357,785)	-
	50,529,154	(523,460)	50,005,694



13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.4 Credit risk (continued)****Trade receivables (continued)***Recognition and measurement of impairment loss (continued)*

	Gross carrying amount RM	Loss allowances RM	Net balance RM
31.12.2023			
Current (not past due)	28,061,669	-	28,061,669
1 - 30 days past due	12,005,657	-	12,005,657
31 - 60 days past due	2,642,424	-	2,642,424
61 - 90 days past due	338,109	(88,929)	249,180
	<u>43,047,859</u>	<u>(88,929)</u>	<u>42,958,930</u>
Credit impaired			
91 - 120 days past due	86,824	(86,824)	-
More than 120 days past due	124,088	(124,088)	-
Individually impaired	414,785	(414,785)	-
	<u>43,673,556</u>	<u>(714,626)</u>	<u>42,958,930</u>
31.12.2022			
Current (not past due)	28,658,036	(51,708)	28,606,328
1 - 30 days past due	15,521,498	(61,563)	15,459,935
31 - 60 days past due	7,125,502	(84,021)	7,041,481
61 - 90 days past due	2,252,833	(93,649)	2,159,184
	<u>53,557,869</u>	<u>(290,941)</u>	<u>53,266,928</u>
Credit impaired			
91 - 120 days past due	213,923	(8,900)	205,023
	<u>53,771,792</u>	<u>(299,841)</u>	<u>53,471,951</u>

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

	Trade receivables Lifetime ECL RM	Credit impaired RM	Total RM
At 1 January 2022	802,130	-	802,130
Net remeasurement of loss allowance	(502,289)	-	(502,289)
At 31 December 2022	<u>299,841</u>	<u>-</u>	<u>299,841</u>



13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.4 Credit risk (continued)****Trade receivables (continued)***Recognition and measurement of impairment loss (continued)*

	Trade receivables		
	Lifetime ECL RM	Credit impaired RM	Total RM
At 1 January 2023	299,841	-	299,841
Net remeasurement of loss allowance	-	414,785	414,785
At 31 December 2023/1 January 2024	299,841	414,785	714,626
Net remeasurement of loss allowance	(134,166)	(57,000)	(191,166)
At 31 December 2024	165,675	357,785	523,460

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the consolidated statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, CFI Group is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for buildings leased and utilities. These deposits will be received at the end of each lease terms. CFI Group manages the credit risk together with the leasing arrangements.

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amounts in the consolidated statement of financial position.

As at the end of the reporting period, CFI Group is of the view that the loss allowance is not material and hence, it is not provided for.

26.5 Liquidity risk

Liquidity risk is the risk that CFI Group will not be able to meet its financial obligations as they fall due. CFI Group's exposures to liquidity risk arise principally from its various payables, loans and borrowings.

CFI Group maintains a level of cash and bank balances and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.



13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of CFI Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ Discount rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31.12.2024							
<i>Non-derivative financial liabilities</i>							
Term loans	54,621,176	4.64 - 4.71	66,111,609	10,201,204	8,442,022	21,909,775	25,558,608
Hire purchase creditors	499,183	2.10 - 4.46	545,715	144,434	126,732	274,549	-
Lease liabilities	3,523,051	2.59 - 4.30	3,635,250	2,639,480	713,840	281,930	-
Bankers' acceptances	32,655,703	3.60 - 3.89	32,655,703	32,655,703	-	-	-
Revolving credits	5,500,000	3.65	5,500,000	5,500,000	-	-	-
Trade and other payables	46,305,200	-	46,305,200	46,305,200	-	-	-
	<u>143,104,313</u>		<u>154,753,477</u>	<u>97,446,021</u>	<u>9,282,594</u>	<u>22,466,254</u>	<u>25,558,608</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
- Outflow	3,562,837	-	3,562,837	3,562,837	-	-	-
- Inflow	(3,500,457)	-	(3,500,457)	(3,500,457)	-	-	-
	*		*	*	-	-	-
	<u>143,104,313</u>		<u>154,753,477</u>	<u>97,446,021</u>	<u>9,282,594</u>	<u>22,466,254</u>	<u>25,558,608</u>

* Amount regarded as not material by the Directors and was not accounted for by CFI Group.

13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rate/ Discount rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31.12.2023							
<i>Non-derivative financial liabilities</i>							
Term loans	42,343,059	4.45 - 4.65	52,479,290	6,607,510	5,771,129	12,192,983	27,907,668
Hire purchase creditors	147,243	2.10 - 4.53	150,691	132,989	17,702	-	-
Lease liabilities	4,798,031	2.59 - 4.04	4,976,730	3,189,480	945,480	833,390	8,380
Bankers' acceptances	41,694,781	3.53 - 3.79	41,694,781	41,694,781	-	-	-
Trade and other payables	43,603,466	-	43,603,466	43,603,466	-	-	-
	<u>132,586,580</u>		<u>142,904,958</u>	<u>95,228,226</u>	<u>6,734,311</u>	<u>13,026,373</u>	<u>27,916,048</u>

13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rate/ Discount rate per annum %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
31.12.2022							
<i>Non-derivative financial liabilities</i>							
Term loans	34,686,241	2.88 - 4.80	41,968,598	6,450,340	6,373,220	12,639,852	16,505,186
Hire purchase creditors	306,951	2.10 - 4.53	320,383	169,692	132,989	17,702	-
Lease liabilities	10,053,133	2.59 - 3.84	10,608,560	2,719,080	2,700,480	5,189,000	-
Bankers' acceptances	54,807,962	2.89 - 3.66	54,807,962	54,807,962	-	-	-
Trade and other payables	58,332,066	-	58,332,066	58,332,066	-	-	-
	<u>158,186,353</u>		<u>166,037,569</u>	<u>122,479,140</u>	<u>9,206,689</u>	<u>17,846,554</u>	<u>16,505,186</u>
<i>Derivative financial liabilities</i>							
Forward exchange contracts (gross settled):							
- Outflow	2,082,016	-	2,082,016	2,082,016	-	-	-
- Inflow	(2,115,866)	-	(2,115,866)	(2,115,866)	-	-	-
	*		*	*	-	-	-
	<u>158,186,353</u>		<u>166,037,569</u>	<u>122,479,140</u>	<u>9,206,689</u>	<u>17,846,554</u>	<u>16,505,186</u>

* Amount regarded as not material by the Directors and was not accounted for by CFI Group.

13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect CFI Group's financial position or cash flows.

26.6.1 Currency risk

CFI Group is exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the functional currency of CFI Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and European Dollar ("EURO").

Risk management objectives, policies and processes for managing the risk

It is generally CFI Group's practice not to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currency.

Exposure to foreign currency risk

CFI Group's exposure to foreign currency (a currency which is other than the functional currency of CFI Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	USD RM	Denominated in EURO RM	Total RM
31.12.2024			
Trade and other receivables	13,939,152	708,879	14,648,031
Cash and cash equivalents	8,759,329	1,801,909	10,561,238
Trade and other payables	(5,376,542)	(1,843,947)	(7,220,489)
Net exposure	17,321,939	666,841	17,988,780
31.12.2023			
Trade and other receivables	14,122,124	330,899	14,453,023
Cash and cash equivalents	15,365,205	134,963	15,500,168
Trade and other payables	(5,061,054)	(1,627,425)	(6,688,479)
Net exposure	24,426,275	(1,161,563)	23,264,712
31.12.2022			
Trade and other receivables	17,596,626	2,469,353	20,065,979
Cash and cash equivalents	29,112,370	2,420,752	31,533,122
Trade and other payables	(1,429,723)	(4,233)	(1,433,956)
Net exposure	45,279,273	4,885,872	50,165,145



13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.6 Market risk (continued)****26.6.1 Currency risk (continued)***Currency risk sensitivity analysis*

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

A 5% (31.12.2023 and 31.12.2022: 5%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that CFI Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

	1.1.2024 to 31.12.2024 RM	1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2023 RM
Profit or loss			
USD	(658,234)	(928,198)	(1,720,612)
EURO	<u>(25,340)</u>	<u>44,139</u>	<u>(185,663)</u>

A 5% (31.12.2023 and 31.12.2022: 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

26.6.2 Interest rate risk

CFI Group's fixed rate deposits and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. CFI Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

CFI Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. CFI Group manages its interest rate risk by having a combination of borrowings with floating and fixed rates.

13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.6 Market risk (continued)****26.6.2 Interest rate risk (continued)***Exposure to interest rate risk*

The interest rate profile of CFI Group's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	31.12.2024	31.12.2023	31.12.2022
	RM	RM	RM
Fixed rate instruments			
Financial assets	4,202,565	11,400,176	11,050,941
Financial liabilities	(42,177,937)	(46,640,055)	(65,168,046)
	<u>(37,975,372)</u>	<u>(35,239,879)</u>	<u>(54,117,105)</u>
Floating rate instruments			
Financial assets	24,251,209	20,831,013	9,518,811
Financial liabilities	(54,621,176)	(42,343,059)	(34,686,241)
	<u>(30,369,967)</u>	<u>(21,512,046)</u>	<u>(25,167,430)</u>

*Interest rate risk sensitivity analysis***(a) Fair value sensitivity analysis for fixed rate instruments**

CFI Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50 bp increase RM	50 bp decrease RM
31.12.2024		
Floating rate instruments	<u>(115,406)</u>	<u>115,406</u>
31.12.2023		
Floating rate instruments	<u>(81,746)</u>	<u>81,746</u>
31.12.2022		
Floating rate instruments	<u>(95,636)</u>	<u>95,636</u>



13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.7 Fair value information

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the consolidated statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	RM	RM
	RM	RM	RM	RM	RM	RM	RM	RM		
Financial assets										
31.12.2024										
Other investments	122,828	-	-	122,828	-	-	-	-	122,828	122,828
31.12.2023										
Other investments	151,448	-	-	151,448	-	-	-	-	151,448	151,448
31.12.2022										
Other investments	-	-	-	-	-	-	-	-	-	-

13. ACCOUNTANTS' REPORT

26. Financial instruments (continued)

26.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
Financial liabilities										
31.12.2024										
Term loans	-	-	-	-	-	-	54,621,000	54,621,000	54,621,000	54,621,176
Hire purchase creditors	-	-	-	-	-	-	499,000	499,000	499,000	499,183
	-	-	-	-	-	-	55,120,000	55,120,000	55,120,000	55,120,359
31.12.2023										
Term loans	-	-	-	-	-	-	42,343,000	42,343,000	42,343,000	42,343,059
Hire purchase creditors	-	-	-	-	-	-	147,000	147,000	147,000	147,243
	-	-	-	-	-	-	42,490,000	42,490,000	42,490,000	42,490,302
31.12.2022										
Term loans	-	-	-	-	-	-	34,686,000	34,686,000	34,686,000	34,686,241
Hire purchase creditors	-	-	-	-	-	-	307,000	307,000	307,000	306,951
	-	-	-	-	-	-	34,993,000	34,993,000	34,993,000	34,993,192

13. ACCOUNTANTS' REPORT**26. Financial instruments (continued)****26.7 Fair value information (continued)****Policy on transfer between levels**

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

There has been no transfer between the fair value levels during the financial year (31.12.2023 and 31.12.2022: no transfer in either directions).

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets that the entity can access at the measurement date.

Level 3 fair value*Non-derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The fair value of the loans and borrowings is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

26.8 Material accounting policy information

CFI Group applies trade date accounting for regular way purchase or sale of financial assets.

27. Capital management

CFI Group's objectives when managing capital are to maintain a strong capital base and safeguard CFI Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

	31.12.2024	31.12.2023	31.12.2022
	RM	RM	RM
Loans and borrowings	93,276,062	84,185,083	89,801,154
Lease liabilities	3,523,051	4,798,031	10,053,133
Less: Cash and cash equivalents (Note 9)	(49,450,769)	(43,719,406)	(35,981,901)
Net debts	<u>47,348,344</u>	<u>45,263,708</u>	<u>63,872,386</u>
Total equity	<u>181,501,285</u>	<u>140,217,324</u>	<u>108,010,663</u>
Debt-to-equity ratio	<u>0.26</u>	<u>0.32</u>	<u>0.59</u>

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



13. ACCOUNTANTS' REPORT**28. Acquisition of a subsidiary**

On 1 August 2022, CFI acquired all the shares in Custom Food Ingredients B.V for RM449, satisfied in cash. The subsidiary is involved in marketing and retail of food ingredients. The acquisition of Custom Food Ingredients B.V had further expanded CFI Group's operation into The Netherlands. In the 4 months to 31 December 2022, the subsidiary contributed revenue of RM1,866,690 and loss of RM10,067.

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

Fair value of consideration transferred

	31.12.2022 RM
Cash and bank balances	<u>323,314</u>

Identifiable assets acquired and liabilities assumed

Inventories	745,214
Trade and other receivables	648,783
Cash and bank balances	323,314
Trade and other payables	(1,516,673)
Current tax liabilities	(4,995)
Total identified net assets	<u>195,643</u>

Net cash inflow/(outflow) arising from acquisition of subsidiary

	1.1.2022 to 31.12.2022 RM
Purchase consideration settled in cash and bank balances	(449)
Cash and bank balances acquired	323,314
	<u>322,865</u>

Goodwill

	1.1.2022 to 31.12.2022 RM
Negative goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	449
Fair value of identified net assets	(195,643)
Negative goodwill	<u>(195,194)</u>



13. ACCOUNTANTS' REPORT**29. Subsequent events****(i) Acquisition of CFI**

On 14 July 2025, the Company entered into a conditional share sale agreement ("SSA") to acquire the entire issued share capital of CFI of RM10 million comprising 10,000,000 ordinary shares from the shareholders of CFI, namely Oriental Concept Sdn. Bhd. ("OCSB") and Sabroso Group Sdn. Bhd. ("SGSB"), for a purchase consideration of RM181,501,285. The said purchase consideration will be fully satisfied by the issuance of 181,501,285 new ordinary shares of the Company at an issue price of RM1.00 per share, which will be issued to the shareholders of CFI.

The completion of the SSA is conditional upon certain conditions precedent being fulfilled, which includes the approval-in-principle from the Securities Commission for the Proposed Listing.

(ii) Proposed Listing

The Company has submitted an application to the Securities Commission Malaysia for the Proposed Listing. As at the date of this report, the Company has yet to obtain the approval from Bursa Securities and the Securities Commission Malaysia in relation to the Company's Proposed Listing.

30. Change of status

On 28 July 2025, the Company has converted from a private limited liability company to a public limited company under the name of Custom Food Holding Berhad.



13. ACCOUNTANTS' REPORT



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Pulau Pinang

DRAFT FOR THE PURPOSE OF
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EXPOSURE

[•] 2025

Dear Sirs,

Reporting Accountants' opinion on the consolidated financial statements of Custom Food Ingredients Sdn. Bhd. ("CFI") contained in the Accountants' Report of Custom Food Holding Berhad

Custom Food Holding Berhad ("CFH" or the "Company") was incorporated as Custom Food Holding Sdn. Bhd. on 14 April 2025 as a private company and subsequently converted to a public company on 28 July 2025 for the purpose of a restructuring exercise, as part of the listing scheme in relation to the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing"). For the purpose of the financial statements included in this Accountants' Report, as the Company was incorporated subsequent to the latest reporting period presented (i.e. 31 December 2024), the financial information contained in this Accountants' Report relates solely to CFI and its subsidiary ("CFI Group").

Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of CFI, which comprise the consolidated statement of financial position as at 31 December 2024, 31 December 2023 and 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information, as set out on pages 2 to 56. The consolidated financial statements of CFI have been prepared for inclusion in the Company's draft prospectus in connection with the proposed listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Securities and for no other purposes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial positions of CFI as at 31 December 2024, 31 December 2023 and 31 December 2022, and of its consolidated financial performance and cash flows for the years then ended in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

13. ACCOUNTANTS' REPORT

Custom Food Holding Berhad ("CFH" or the "Company")
 Accountants' Report on the
 Financial Statements

DRAFT FOR THE PURPOSE OF
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Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Company and of CFI 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.

Responsibilities of the Directors for the Consolidated Financial Statements

The Board of Directors of CFH (the "Directors") are responsible for the preparation of consolidated financial statements of CFI that give a true and fair view in accordance with MFRS Accounting Standards and IFRS Accounting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements of CFI that are free from material misstatement, whether due to fraud or error.

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

Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements of CFI, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

13. ACCOUNTANTS' REPORT



Custom Food Holding Berhad ("CFH" or the "Company")
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Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of CFI Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of CFI Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements of CFI or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CFI Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of CFI, including the disclosures, and whether the consolidated financial statements of CFI represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CFI Group to express an opinion on the consolidated financial statements of CFI. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the Company's draft prospectus in connection with the proposed listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lim Su Ling
Approval Number : 03098/12/2025 J
Chartered Accountant