

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 14 April 2025. The formation of our Group was undertaken through the Acquisition which was completed on [●].

The audited consolidated financial statements of our Company for the FYE Under Review do not include CFH as it was incorporated on 14 April 2025. Our historical consolidated financial information for the FYE Under Review comprised CFI and CFI BV only.

Our consolidated financial information for the FYE Under Review has been extracted from the audited consolidated financial statements contained in the Accountants' Report included in Section 13 of this Prospectus. Our audited consolidated financial statements have been prepared in accordance with MFRS Accounting Standards and IFRS Accounting Standards.

Our consolidated financial information should be read in conjunction with:

- (i) the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 12.3 of this Prospectus; and
- (ii) the Accountants' Report together with its accompanying notes as set out in Section 13 of this Prospectus.

12.1.1 Historical audited consolidated statement of profit or loss and other comprehensive income

	Audited		
	FYE 2022	FYE2023	FYE 2024
	RM'000	RM'000	RM'000
Revenue	410,881	367,078	394,864
Cost of sales	(335,375)	(300,055)	(315,243)
GP	75,506	67,023	79,621
Other income	3,983	5,049	3,933
Selling and distribution expenses	(19,422)	(15,851)	(18,546)
Administrative expenses	(7,829)	(10,747)	(11,361)
Net gain/(loss) on impairment of financial instruments	502	(415)	191
Other expenses	(103)	(524)	(948)
Results from operating activities	52,637	44,535	52,890
Finance costs	(2,860)	(2,761)	(3,000)
PBT	49,777	41,774	49,890
Tax expense	(11,137)	(9,579)	(7,822)
PAT	38,640	32,195	42,068
Other comprehensive income / (expense), net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of:			
- property, plant and equipment	-	-	(309)
- right-of-use assets	-	-	5,534
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operation	9	12	(9)
Total comprehensive income for the year, net of tax	38,649	32,207	47,284

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	Audited		
	FYE 2022	FYE2023	FYE 2024
	RM'000	RM'000	RM'000
PAT attributable to:			
Owners of our Company	38,640	32,195	42,068
Total comprehensive income attributable to:			
Owners of our Company	38,649	32,207	47,284
EBITDA (RM'000) ⁽¹⁾	62,502	53,642	66,129
GP margin (%) ⁽²⁾	18.38	18.26	20.16
PBT margin (%) ⁽³⁾	12.11	11.38	12.63
PAT margin (%) ⁽⁴⁾	9.40	8.77	10.65
EBITDA margin (%) ⁽⁵⁾	15.21	14.61	16.75
Basic EPS (sen) ⁽⁶⁾	3.79	3.15	4.12

Notes:

- (1) The table below sets out the computation in arriving at the EBITDA of our Group for the respective financial years:

	Audited		
	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
PBT	49,777	41,774	49,890
<u>Less:</u>			
Finance income	(404)	(989)	(490)
<u>Add:</u>			
Finance costs	2,860	2,761	3,000
Depreciation	10,269	10,096	13,729
EBITDA	62,502	53,642	66,129

- (2) Computed based on GP over total revenue of our Group.
- (3) Computed based on PBT over total revenue of our Group.
- (4) Computed based on PAT over total revenue of our Group.
- (5) Computed based on EBITDA over total revenue of our Group.
- (6) Computed based on PAT attributable to owners of our Company divided by our entire enlarged total number of 1,020,823,025 Shares immediately after our IPO.

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12.1.2 Historical audited consolidated statement of financial position

	Audited		
	As at 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Total non-current assets	115,657	133,027	154,704
Total current assets	165,777	152,300	182,469
Total assets	281,434	285,327	337,173
Total non-current liabilities	48,885	49,832	60,666
Total current liabilities	124,538	95,278	95,006
Total liabilities	173,423	145,110	155,672
Net assets	108,011	140,217	181,501
Share capital	10,000	10,000	10,000
Reserves	98,011	130,217	171,501
Total equity	108,011	140,217	181,501

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12.2 CAPITALISATION AND INDEBTEDNESS

The table below sets out our capitalisation and indebtedness based on the latest unaudited financial information as at 31 July 2025 and after adjusting the effects of the Public Issue and use of proceeds.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 July 2025 and is provided for illustrative purposes only.

		(I)	(II)	(III)
	Unaudited as at 31 July 2025 RM'000	After the Acquisition RM'000	After (I) and Public Issue RM'000	After (II) and use of proceeds RM'000
Indebtedness				
<u>Current</u>				
<i>Secured and guaranteed</i>				
Term loans	6,607	6,607	6,607	6,607
Bankers' acceptances	16,624	16,624	16,624	16,624
Revolving credits	8,500	8,500	8,500	8,500
Hire purchase creditors	110	110	110	110
<i>Unsecured and guaranteed</i>				
Bankers' acceptances	11,017	11,017	11,017	11,017
<i>Unsecured and unguaranteed</i>				
Lease liabilities	2,489	2,489	2,489	2,489
<u>Non-current</u>				
<i>Secured and guaranteed</i>				
Term loans	43,004	43,004	43,004	[-]
Hire purchase creditors	309	309	309	309
<i>Unsecured and unguaranteed</i>				
Lease liabilities	1,448	1,448	1,448	1,448
Total indebtedness	90,108	90,108	90,108	[-]
Total capitalisation / shareholders' equity	197,002	197,002	[-]	[-]
Total capitalisation and indebtedness	287,110	287,110	[-]	[-]
Gearing ratio (times) ⁽¹⁾	0.46	0.46	[-]	[-]

Note:

(1) Computed based on total indebtedness over total capitalisation / shareholders' equity.

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12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

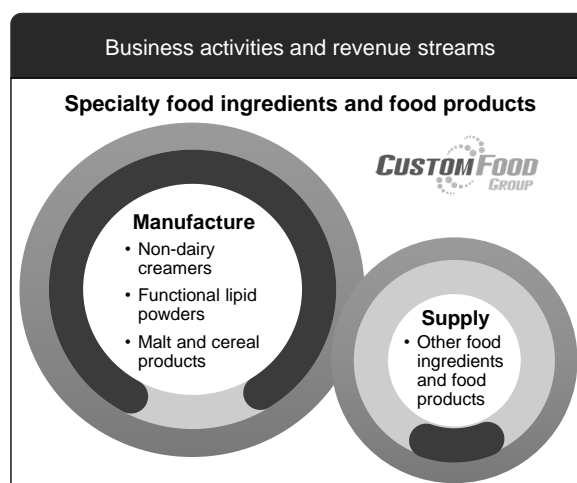
The following management's discussion and analysis of our Group's financial conditions and results of operations for the FYE Under Review should be read in conjunction with our consolidated financial statements and the accompanying notes as set out in the Accountants' Report which are included in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group. For further details on the accounting policies of our Group, please refer to the Accountants' Report as set out in Section 13 of this Prospectus.

12.3.1 Overview of our operations

We are principally a manufacturer of specialty food ingredients and food products focusing on non-dairy creamers, functional lipid powders, as well as malt and cereal products. For our manufacturing segment, the revenue generated is recognised at a point in time when the goods are delivered and accepted by our customers.

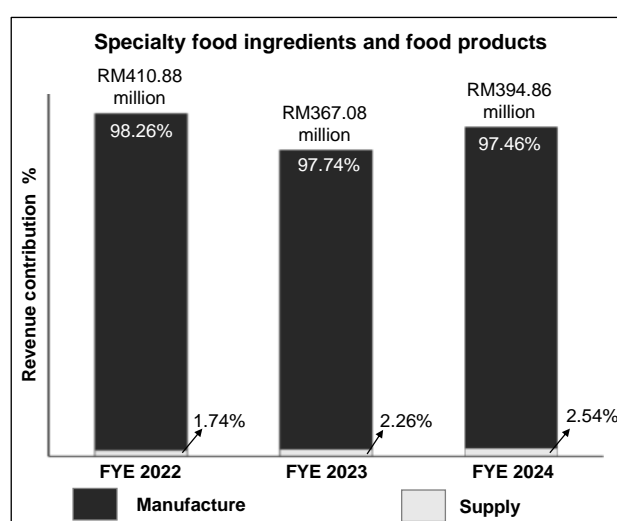
We are also involved in the supply of other food ingredients and food products that we do not manufacture and that are sourced from third party suppliers. This includes (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners. For our supply segment, the revenue generated is recognised at a point in time when the goods are delivered and accepted by our customers.



Please refer to Section 7 of this Prospectus for further details on our business overview.

We principally operate in Malaysia. For the FYE Under Review, we served customers in Malaysia as well as foreign countries in Asia, the Americas, Europe, the Middle East, Oceania and Africa.

Our revenue was mainly derived from export sales to foreign countries which accounted for 53.91%, 57.00%, and 51.17% of our total revenue for FYE 2022, FYE 2023 and FYE 2024 respectively. Meanwhile, domestic sales accounted for 46.09%, 43.00% and 48.83% of our total revenue for FYE 2022, FYE 2023 and FYE 2024 respectively.



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Domestic sales to our customers in Malaysia are mainly transacted in RM, while products exported to foreign countries are mainly transacted in USD and EUR. Meanwhile, our purchases of materials are mainly transacted in RM, USD and EUR. The foreign currency exchange rates that are mainly used in our consolidated financial statements for conversion of values denominated in foreign currencies to RM are summarised in the following table:

Average exchange rate relative to the following foreign currencies	FYE 2022	FYE 2023	FYE 2024	Change in the value of RM relative to the respective foreign currency ⁽¹⁾	
				FYE 2022-2023	FYE 2023-2024
	RM	RM	RM		
• EUR1.00	4.6253	4.9251	4.9525	6.48%	0.56%
• USD1.00	4.3954	4.5566	4.5732	3.67%	0.36%

Closing exchange rate relative to the following foreign currencies	FYE 2022	FYE 2023	FYE 2024	Change in the value of RM relative to the respective foreign currency ⁽¹⁾	
				FYE 2022-2023	FYE 2023-2024
	RM	RM	RM		
• EUR1.00	4.7099	5.0949	4.6402	8.17%	(8.92%)
• USD1.00	4.4150	4.5995	4.4600	4.18%	(3.03%)

Note:

- (1) A positive change in value indicates that the value of the RM depreciated relative to the respective foreign currencies, while a negative change in value indicates that the value of the RM appreciated relative to the respective foreign currencies.

Please refer to Note 26.6.1 of the Accountants' Report set out in Section 13 of this Prospectus for further details on the foreign exchange risk.

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12.3.2 Revenue

(i) Revenue by business activities and products

	FYE 2022		FYE 2023		FYE 2024	
	RM '000	%	RM '000	%	RM'000	%
Manufacturing of specialty food ingredients and food products	403,727	98.26	358,773	97.74	384,815	97.46
• Non-dairy creamers	304,664	74.15	246,579	67.17	249,008	63.06
• Functional lipid powders	50,660	12.33	60,637	16.52	75,281	19.07
• Malt and cereal products	48,403	11.78	51,557	14.05	60,526	15.33
Supply of other food ingredients and food products ⁽¹⁾	7,154	1.74	8,305	2.26	10,049	2.54
Total	410,881	100.00	367,078	100.00	394,864	100.00

Note:

- (1) Include food ingredients and food products that we do not manufacture and that are sourced from third party suppliers, which are mainly (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

(ii) Sales volume by business activities and products

	FYE 2022	FYE 2023	FYE 2024
	tonnes	tonnes	tonnes
Manufacturing of specialty food ingredients and food products	46,246	41,455	45,753
• Non-dairy creamers	36,171	30,383	31,952
• Functional lipid powders	4,068	5,122	6,522
• Malt and cereal products	6,007	5,950	7,279
Supply of other food ingredients and food products ⁽¹⁾	1,248	1,193	1,618

Note:

- (1) Include food ingredients and food products that we do not manufacture and that are sourced from third party suppliers, which are mainly (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

12. FINANCIAL INFORMATION**(iii) Revenue by geographical markets**

	FYE 2022		FYE 2023		FYE 2024	
	RM '000	%	RM '000	%	RM'000	%
Malaysia	189,360	46.09	157,841	43.00	192,797	48.83
Foreign countries	221,521	53.91	209,237	57.00	202,067	51.17
Asia	168,844	41.09	160,533	43.73	156,229	39.57
- <i>Taiwan</i>	22,755	5.54	32,303	8.80	31,275	7.92
- <i>Philippines</i>	29,848	7.26	35,088	9.56	27,550	6.98
- <i>Türkiye</i>	13,711	3.34	21,225	5.78	23,889	6.05
- <i>Vietnam</i>	24,881	6.05	22,955	6.25	23,217	5.88
- <i>Indonesia</i>	37,727	9.18	14,734	4.01	16,554	4.19
- <i>Others ⁽¹⁾</i>	39,922	9.72	34,228	9.33	33,744	8.55
The Americas ⁽²⁾	14,505	3.53	18,438	5.02	18,727	4.74
Europe ⁽³⁾	27,794	6.76	17,791	4.85	15,572	3.94
Others ⁽⁴⁾	10,378	2.53	12,475	3.40	11,539	2.92
Total	410,881	100.00	367,078	100.00	394,864	100.00

Notes:

- (1) Other countries in Asia include Thailand, China, Singapore, Pakistan, South Korea, Sri Lanka, Hong Kong, Bangladesh, India, Myanmar, and Armenia.
- (2) The Americas include Chile, Brazil, Panama, Colombia, the United States of America, Peru, Mexico, Argentina, Paraguay, Costa Rica, and Uruguay.
- (3) Europe includes the Netherlands, Germany, Lithuania, Poland, Belgium, Portugal, Greece, Russia, Italy, Serbia, and Malta.
- (4) Include the Middle East (such as the United Arab Emirates, Jordan, and Lebanon), Oceania (such as Australia), and Africa (such as South Africa, Egypt, and Tanzania).

12. FINANCIAL INFORMATION**(iv) Revenue by business activities, products, and geographical markets**

	FYE 2022		FYE 2023		FYE 2024	
	RM '000	%	RM '000	%	RM'000	%
Manufacturing of specialty food ingredients and food products	403,727	98.26	358,773	97.74	384,815	97.46
• Non-dairy creamers	304,664	74.15	246,579	67.17	249,008	63.06
- Malaysia	146,690	35.70	113,201	30.84	128,669	32.58
- Asia	132,094	32.15	117,479	32.00	106,972	27.09
- Europe	15,482	3.77	4,621	1.26	1,536	0.39
- Others ⁽¹⁾	10,398	2.53	11,278	3.07	11,831	3.00
• Functional lipid powders	50,660	12.33	60,637	16.52	75,281	19.07
- Asia	20,679	5.03	23,210	6.32	34,144	8.65
- The Americas	12,807	3.12	17,039	4.64	15,957	4.04
- Europe	9,445	2.30	10,143	2.77	12,262	3.11
- Malaysia	6,071	1.48	7,689	2.09	10,446	2.65
- Others ⁽²⁾	1,658	0.40	2,556	0.70	2,472	0.62
• Malt and cereal products	48,403	11.78	51,557	14.05	60,526	15.33
- Malaysia	29,553	7.19	28,884	7.87	44,103	11.17
- Asia	15,985	3.89	19,625	5.35	14,645	3.71
- Others ⁽³⁾	2,865	0.70	3,048	0.83	1,778	0.45
Supply of other food ingredients and food products ⁽⁴⁾	7,154	1.74	8,305	2.26	10,049	2.54
Total	410,881	100.00	367,078	100.00	394,864	100.00

Notes:

- (1) Include the Middle East, the Americas, Oceania, and Africa.
- (2) Include the Middle East, Oceania, and Africa.
- (3) Include Europe, the Middle East, and the Americas.
- (4) Include Malaysia and foreign markets such as Asia, the Americas, and Europe.

12. FINANCIAL INFORMATION**FYE 2023 compared to FYE 2022**

Our revenue decreased by RM43.80 million or 10.66% to RM367.08 million in FYE 2023 (FYE 2022: RM410.88 million), attributed to the decrease in revenue from our manufacturing segment.

(i) Manufacturing segment

Revenue from our manufacturing segment decreased by RM44.95 million or 11.13% to RM358.77 million in FYE 2023 (FYE 2022: RM403.73 million). This was attributed to the decrease in revenue from our non-dairy creamer range of products by RM58.09 million or 19.07% to RM246.58 million in FYE 2023 (FYE 2022: RM304.66 million). This was reflected in the decrease in sales volume of our non-dairy creamer range of products by 16.00% to 30,383 tonnes in FYE 2023 (FYE 2022: 36,171 tonnes), mainly attributed to reduced orders from our customers in Malaysia and lower export orders to Asia.

The decrease in revenue from our manufacturing segment was partially offset by the increase in revenue from our functional lipid powders by RM9.98 million or 19.69% to RM60.64 million in FYE 2023 (FYE 2022: RM50.66 million). This was reflected in the increase in sales volume of our functional lipid powders by 25.91% to 5,122 tonnes in FYE 2023 (FYE 2022: 4,068 tonnes), mainly attributed to higher export orders to the Americas and Asia, and increased orders from our customers in Malaysia.

(ii) Supply segment

Revenue from our supply segment increased by RM1.15 million or 16.09% to RM8.31 million in FYE 2023 (FYE 2022: RM7.15 million). This was mainly attributed to higher sales of coffee products, tea products, and oat-related products.

FYE 2024 compared to FYE 2023

Our revenue increased by RM27.79 million or 7.57% to RM394.86 million in FYE 2024 (FYE 2023: RM367.08 million), mainly attributed to the increase in revenue from our manufacturing segment.

(i) Manufacturing segment

Revenue from our manufacturing segment increased by RM26.04 million or 7.26% to RM384.81 million in FYE 2024 (FYE 2023: RM358.77 million). This was mainly attributed to the increase in revenue from our:

- (a) functional lipid powders by RM14.64 million or 24.15% to RM75.28 million in FYE 2024 (FYE 2023: RM60.64 million). This was reflected in the increase in sales volume of our functional lipid powders by 27.33% to 6,522 tonnes in FYE 2024 (FYE 2023: 5,122 tonnes), mainly attributed to higher export orders to Asia and increased orders from our customers in Malaysia; and
- (b) malt and cereal products by RM8.97 million or 17.40% to RM60.53 million in FYE 2024 (FYE 2023: RM51.56 million). This was reflected in the increase in sales volume of our malt and cereal products by 22.34% to 7,279 tonnes in FYE 2024 (FYE 2023: 5,950 tonnes), mainly attributed to increased orders from our customers in Malaysia.

12. FINANCIAL INFORMATION**(ii) Supply segment**

Revenue from our supply segment increased by RM1.74 million or 21.00% to RM10.05 million in FYE 2024 (FYE 2023: RM8.31 million). This was mainly attributed to higher sales of oat-related products.

12.3.3 Cost of sales**(i) Cost of sales by cost components**

	FYE 2022		FYE 2023		FYE 2024	
	RM '000	%	RM '000	%	RM'000	%
Material and product costs	293,290	87.45	250,339	83.43	260,022	82.48
Production overheads ⁽¹⁾	31,557	9.41	37,278	12.42	42,546	13.50
Labour costs	10,528	3.14	12,438	4.15	12,675	4.02
Total	335,375	100.00	300,055	100.00	315,243	100.00

Note:

- (1) Include utility expenses, depreciation of property, plant and equipment, and right-of-use assets, upkeep of machinery, and other factory overheads (such as handling materials, consumables, and rental expenses).

(ii) Cost of sales by business activities and products

	FYE 2022		FYE 2023		FYE 2024	
	RM '000	%	RM '000	%	RM'000	%
Manufacturing of specialty food ingredients and food products	329,596	98.28	293,392	97.78	306,970	97.38
• Non-dairy creamers	250,667	74.75	203,940	67.97	200,322	63.55
• Functional lipid powders	36,426	10.86	43,971	14.65	54,959	17.43
• Malt and cereal products	42,503	12.67	45,481	15.16	51,689	16.40
Supply of other food ingredients and food products ⁽¹⁾	5,779	1.72	6,663	2.22	8,273	2.62
Total	335,375	100.00	300,055	100.00	315,243	100.00

Note:

- (1) Include food ingredients and food products that we do not manufacture and that are sourced from third party suppliers, which are mainly (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

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(a) Material and product costs

Material and product costs accounted for 87.45%, 83.43% and 82.48% of our total cost of sales for FYE 2022, FYE 2023 and FYE 2024 respectively. Our material and product costs comprise the following:

- input materials for our manufacturing segment, including oils and fats, sugars and sweeteners, dairy and dairy alternatives, grain-based ingredients and derivatives, functional additives, and other materials (such as flavouring, colouring agents, and nutritional ingredients);
- packaging materials; and
- finished goods for our supply segment, including (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

FYE 2023 compared to FYE 2022

For FYE 2023, material and product costs decreased by RM42.95 million or 14.64% to RM250.34 million (FYE 2022: RM293.29 million). This was mainly attributed to lower input materials used for our manufacturing segment arising from the decrease in sales volume of our non-dairy creamer range of products in FYE 2023.

FYE 2024 compared to FYE 2023

For FYE 2024, material and product costs increased by RM9.68 million or 3.87% to RM260.02 million (FYE 2023: RM250.34 million). This was mainly attributed to higher input materials used for our manufacturing segment arising from the increase in sales volume of our functional lipid powders as well as malt and cereal products in FYE 2024.

(b) Production overheads

Production overheads mainly comprise utility expenses, depreciation of property, plant and equipment, and right-of-use assets, upkeep of machinery, and other factory overheads (such as handling materials, consumables, and rental expenses).

FYE 2023 compared to FYE 2022

For FYE 2023, production overheads increased by RM5.72 million or 18.13% to RM37.28 million (FYE 2022: RM31.56 million). This was mainly attributed to higher utility expenses driven by increased electricity costs, which were due to higher electricity tariff rate following the adjustment under the Imbalance Cost Pass-Through mechanism, effective 1 January 2023. In addition, the higher production overheads were also due to increased upkeep of machinery related to the maintenance and repair works for our Spray Dryer Plant 1 and Spray Dryer Plant 2.

FYE 2024 compared to FYE 2023

For FYE 2024, production overheads increased by RM5.27 million or 14.13% to RM42.55 million (FYE 2023: RM37.28 million). This was mainly attributed to the recognition of depreciation of plant and equipment relating to our Spray Dryer Plant 3 following the commencement of our operations in Spray Dryer Plant 3 in FYE 2024. In addition, the higher production overheads were also due to increased utility expenses resulting from higher production output in FYE 2024. Please refer to Section 7.9 of this Prospectus for further details on our production output.

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(c) Labour costs

Labour costs consist of salaries, wages, allowances, employee contributions, and other labour related costs relating to our operations to carry out quality assurance, warehouse and production, as well as cleaning and maintenance activities.

FYE 2023 compared to FYE 2022

For FYE 2023, labour costs increased by RM1.91 million or 18.14% to RM12.44 million (FYE 2022: RM10.53 million). This was mainly attributed to higher salaries and wages, and overtime costs arising from an increase in the headcount of our employees. Our warehouse and production workers have increased from 136 persons as at 31 December 2022 to 155 persons as at 31 December 2023, mainly to support the operations of our Spray Dryer Plant 1 and Spray Dryer Plant 2.

FYE 2024 compared to FYE 2023

For FYE 2024, labour costs increased by RM0.24 million or 1.91% to RM12.68 million (FYE 2023: RM12.44 million). This was mainly attributed to higher salaries and wages arising from an increase in the headcount of our employees. Our warehouse and production workers have increased from 155 persons as at 31 December 2023 to 164 persons as at 31 December 2024, mainly due to the commencement of operations of our Spray Dryer Plant 3 in FYE 2024.

12. FINANCIAL INFORMATION

12.3.4 GP and GP margin

(i) GP and GP margin by business activities and products

	FYE 2022			FYE 2023			FYE 2024		
	GP		GP margin	GP		GP margin	GP		GP margin
	RM '000	%	%	RM '000	%	%	RM'000	%	%
Manufacturing of specialty food ingredients and food products	74,131	98.18	18.36	65,381	97.55	18.22	77,845	97.77	20.23
• Non-dairy creamers	53,997	71.51	17.72	42,639	63.62	17.29	48,686	61.15	19.55
• Functional lipid powders	14,234	18.85	28.10	16,666	24.87	27.48	20,322	25.52	26.99
• Malt and cereal products	5,900	7.82	12.19	6,076	9.06	11.79	8,837	11.10	14.60
Supply of other food ingredients and food products ⁽¹⁾	1,375	1.82	19.22	1,642	2.45	19.77	1,776	2.23	17.67
Total	75,506	100.00	18.38	67,023	100.00	18.26	79,621	100.00	20.16

Note:

- (1) Include food ingredients and food products that we do not manufacture and that are sourced from third party suppliers, which are mainly (i) malt and cereal ingredients and products; (ii) coffee, tea and cocoa products; (iii) dairy and dairy alternatives; and (iv) sweeteners.

12. FINANCIAL INFORMATION**(ii) GP and GP margin by geographical markets**

	FYE 2022			FYE 2023			FYE 2024		
	GP		GP margin	GP		GP margin	GP		GP margin
	RM '000	%	%	RM '000	%	%	RM'000	%	%
Malaysia	28,465	37.70	15.03	24,243	36.17	15.36	36,188	45.45	18.77
Foreign markets	47,041	62.30	21.24	42,780	63.83	20.45	43,433	54.55	21.49
Asia ⁽¹⁾	30,640	40.58	18.15	30,745	45.87	19.15	31,026	38.97	19.86
The Americas ⁽²⁾	5,132	6.80	35.38	5,356	7.99	29.05	5,882	7.39	31.41
Europe ⁽³⁾	8,232	10.90	29.62	3,532	5.27	19.85	3,335	4.19	21.42
Others ⁽⁴⁾	3,037	4.02	29.26	3,147	4.70	25.23	3,190	4.00	27.65
Total	75,506	100.00	18.38	67,023	100.00	18.26	79,621	100.00	20.16

Notes:

- (1) Asia includes Taiwan, the Philippines, Türkiye, Vietnam, Indonesia, Thailand, China, Singapore, Pakistan, South Korea, Sri Lanka, Hong Kong, Bangladesh, India, Myanmar, and Armenia.
- (2) The Americas include Chile, Brazil, Panama, Colombia, the United States of America, Peru, Mexico, Argentina, Paraguay, Costa Rica, and Uruguay.
- (3) Europe includes the Netherlands, Germany, Lithuania, Poland, Belgium, Portugal, Greece, Russia, Italy, Serbia, and Malta.
- (4) Include the Middle East (such as the United Arab Emirates, Jordan, and Lebanon), Oceania (such as Australia), and Africa (such as South Africa, Egypt, and Tanzania).

12. FINANCIAL INFORMATION

FYE 2023 compared to FYE 2022

Our GP decreased by RM8.48 million or 11.23% to RM67.02 million in FYE 2023 (FYE 2022: RM75.51 million), attributed to the decrease in GP from our manufacturing segment. Our GP margin remained relatively consistent at 18.38% in FYE 2022 and 18.26% in FYE 2023.

(i) Manufacturing segment

GP

GP from our manufacturing segment decreased by RM8.75 million or 11.80% to RM65.38 million in FYE 2023 (FYE 2022: RM74.13 million). This was attributed to the decrease in GP from our non-dairy creamer range of products by RM11.36 million or 21.03% to RM42.64 million in FYE 2023 (FYE 2022: RM54.00 million). The decrease in GP from our non-dairy creamer range of products was also reflected in the decrease in revenue by 19.07% for this product range in FYE 2023.

The decrease in GP from our manufacturing segment was partially offset by the increase in GP from our functional lipid powders by RM2.43 million or 17.09% to RM16.67 million in FYE 2023 (FYE 2022: RM14.23 million). The increase in GP from our functional lipid powders was also reflected in the increase in revenue by 19.69% for this product range in FYE 2023.

GP margin

GP margin from our manufacturing segment remained relatively consistent at 18.36% in FYE 2022 and 18.22% in FYE 2023. The GP margin for our products is as follows:

- (a) GP margin from our non-dairy creamer range of products decreased marginally from 17.72% in FYE 2022 to 17.29% in FYE 2023, attributed to the decrease in our average selling price by 3.64%, while our average unit cost decreased by a lower percentage of 3.15%;
- (b) GP margin from our functional lipid powders decreased marginally from 28.10% in FYE 2022 to 27.48% in FYE 2023, attributed to the decrease in our average selling price by 4.93%, while our average unit cost decreased by a lower percentage of 4.12%; and
- (c) GP margin from our malt and cereal products decreased marginally from 12.19% in FYE 2022 to 11.79% in FYE 2023, attributed to the increase in our average unit cost by 8.03%, while our average selling price increased by a lower percentage of 7.53%.

(ii) Supply segment

GP from our supply segment increased by RM0.27 million or 19.42% to RM1.64 million in FYE 2023 (FYE 2022: RM1.38 million). This was mainly attributed to the increase in GP arising from higher sales of coffee products, tea products, and oat-related products.

GP margin from our supply segment improved slightly from 19.22% in FYE 2022 to 19.77% in FYE 2023. This was mainly attributed to the improvement in margin from oat-related products on the back of higher average selling price.

12. FINANCIAL INFORMATION

FYE 2024 compared to FYE 2023

Our GP increased by RM12.60 million or 18.80% to RM79.62 million in FYE 2024 (FYE 2023: RM67.02 million) while our GP margin increased from 18.26% in FYE 2023 to 20.16% in FYE 2024. The improvement in our GP and GP margin was mainly attributed to the increase in GP and GP margin from our manufacturing segment.

(i) Manufacturing segment

GP

GP from our manufacturing segment increased by RM12.46 million or 19.06% to RM77.85 million in FYE 2024 (FYE 2023: RM65.38 million). This was attributed to the increase in GP from our:

- (a) non-dairy creamer range of products by RM6.05 million or 14.18% to RM48.69 million in FYE 2024 (FYE 2023: RM42.64 million). This was mainly attributed to the lower average unit cost by 6.60% in FYE 2024 facilitated by economies of scale on the back of higher sales volume in FYE 2024;
- (b) functional lipid powders by RM3.66 million or 21.94% to RM20.32 million in FYE 2024 (FYE 2023: RM16.67 million). This was mainly attributed to higher sales from this product range as reflected in the increase in revenue by 24.15% in FYE 2024; and
- (c) malt and cereal products by RM2.76 million or 45.44% to RM8.84 million in FYE 2024 (FYE 2023: RM6.08 million). This was mainly attributed to higher sales from this product range as reflected in the increase in revenue by 17.40% in FYE 2024. In addition, the increase in GP from our malt and cereal products was also due to the lower average unit cost by 7.10% in FYE 2024 facilitated by economies of scale on the back of higher sales volume in FYE 2024.

GP margin

GP margin from our manufacturing segment improved from 18.22% in FYE 2023 to 20.23% in FYE 2024. This was attributed to the following:

- (a) GP margin from our non-dairy creamer range of products increased from 17.29% in FYE 2023 to 19.55% in FYE 2024, attributed to the lower average unit cost by 6.60% in FYE 2024 facilitated by economies of scale on the back of higher sales volume by 5.16% in FYE 2024; and
- (b) GP margin from our malt and cereal products increased from 11.79% in FYE 2023 to 14.60% in FYE 2024, attributed to the lower average unit cost by 7.10% in FYE 2024 facilitated by economies of scale on the back of higher sales volume by 22.34% in FYE 2024.

Meanwhile, the GP margin from our functional lipid powders remained relatively consistent at 27.48% in FYE 2023 and 26.99% in FYE 2024.

12. FINANCIAL INFORMATION**(ii) Supply segment**

GP from our supply segment increased by RM0.13 million or 8.16% to RM1.78 million in FYE 2024 (FYE 2023: RM1.64 million). This was mainly attributed to the increase in GP arising from the sales of cocoa powder.

GP margin from our supply segment decreased from 19.77% in FYE 2023 to 17.67% in FYE 2024. This was mainly attributed to the decrease in margin from oat-related products on the back of higher average unit costs.

12.3.5 Other income

Our other income for the FYE Under Review is set out below:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
• Amortisation of deferred income ⁽¹⁾	1,019	25.58	1,019	20.18	1,019	25.91
• Capital gains on short-term funds	222	5.57	-	-	725	18.43
• Insurance claims	12	0.30	736	14.58	644	16.37
• Finance income	404	10.14	989	19.59	490	12.46
• R&D income ⁽²⁾	142	3.57	233	4.61	431	10.96
• Scrap sales	256	6.43	253	5.01	408	10.37
• Gains on foreign exchange	1,693	42.51	1,662	32.92	-	-
• Negative goodwill ⁽³⁾	195	4.90	-	-	-	-
• Others ⁽⁴⁾	40	1.00	157	3.11	216	5.50
Total	3,983	100.00	5,049	100.00	3,933	100.00

Notes:

- (1) Refers to the amortisation of government grants received in 2018 amounting to RM8.68 million which were used to purchase plant and equipment. The grants are amortised over the useful lives of the related plant and equipment.
- (2) Mainly include the reimbursement of R&D costs incurred on behalf of our customers.
- (3) Refers to the excess of fair value of CFI BV's identified net assets over the purchase consideration paid to acquire 100.00% equity interest in CFI BV.
- (4) Others mainly include gains on disposal of property, plant and equipment, compensation received from vendors, and gain on derecognition of right-of-use assets.

FYE 2023 compared to FYE 2022

Our other income increased by RM1.07 million or 26.76% to RM5.05 million in FYE 2023 (FYE 2022: RM3.98 million). This was mainly attributed to the following:

- (a) increase of RM0.72 million in insurance claims received, mainly relating to the insurance claims received for the impact damage caused by the collapse of the racking system at our Kulim Factory; and
- (b) increase of RM0.59 million in finance income, mainly arising from higher interest rate and increased placement of short-term deposits in FYE 2023.

12. FINANCIAL INFORMATION**FYE 2024 compared to FYE 2023**

Our other income decreased by RM1.12 million or 22.10% to RM3.93 million in FYE 2024 (FYE 2023: RM5.05 million). This was mainly attributed to the absence of gains on foreign exchange in FYE 2024 compared to RM1.66 million in FYE 2023.

The decrease in other income was partially offset by the increase of RM0.73 million in capital gains on short-term funds arising from our investments in money market funds.

12.3.6 Selling and distribution expenses

Our selling and distribution expenses for the FYE Under Review are set out below:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
• Transportation charges ⁽¹⁾	14,632	75.34	8,491	53.57	10,574	57.01
• Consultancy fees ⁽²⁾	2,511	12.93	3,538	22.32	3,495	18.85
• Staff costs	1,163	5.99	1,507	9.51	1,656	8.93
• Marketing expenses ⁽³⁾	553	2.85	1,031	6.50	1,188	6.41
• Others ⁽⁴⁾	563	2.89	1,284	8.10	1,633	8.80
Total	19,422	100.00	15,851	100.00	18,546	100.00

Notes:

- (1) Refer to transportation charges for the delivery of goods to our customers, including air freight charges, sea freight charges, courier and local delivery charges, as well as handling charges.
- (2) Refer to consultancy and related fees charged for sales support services in foreign markets.
- (3) Include expenses for exhibition, advertisements, promotions, and the costs of product samples provided to our customers.
- (4) Others mainly include sales commission paid to external parties, travelling and entertainment expenses, handling-related fees, subscription fees for memberships and software, and profit-sharing amount allocated to a customer from products sold under a joint-development arrangement with that customer.

FYE 2023 compared to FYE 2022

Our selling and distribution expenses decreased by RM3.57 million or 18.39% to RM15.85 million in FYE 2023 (FYE 2022: RM19.42 million). This was mainly attributed to the decrease of RM6.14 million in transportation charges incurred for the delivery of goods to our domestic and foreign customers, which was reflected in the lower sales volume in FYE 2023. Further, the decrease in transportation charges was also due to lower sea freight rates, which was reflected in the decrease in our average sea freight cost per tonne by 56.64% to RM186 per tonne in FYE 2023.

The decrease in selling and distribution expenses was partially offset by the following:

- (a) increase of RM1.03 million in consultancy fees, attributed to higher consultancy and related fees charged for sales support services in foreign markets;

12. FINANCIAL INFORMATION

- (b) increase of RM0.48 million in marketing expenses, mainly attributed to higher exhibition expenses arising from participation in more trade exhibitions internationally in FYE 2023; and
- (c) increase of RM0.72 million in other selling and distribution expenses, mainly attributed to the profit-sharing amount allocated to a customer from products sold under a joint-development arrangement with that customer, as well as higher sales commission paid to an external party arising from increased sales to our customers in Sri Lanka.

FYE 2024 compared to FYE 2023

Our selling and distribution expenses increased by RM2.70 million or 17.00% to RM18.55 million in FYE 2024 (FYE 2023: RM15.85 million). This was mainly attributed to the increase of RM2.08 million in transportation charges incurred for the delivery of goods to our domestic and foreign customers, which was reflected in the higher sales volume in FYE 2024. Further, the increase in transportation charges was also due to higher sea freight rates, which was reflected in the increase in our average sea freight cost per tonne by 41.94% to RM264 per tonne in FYE 2024.

In addition, the increase in selling and distribution expenses was partially attributed to higher handling-related fees and sales commission.

12.3.7 Administrative and other expenses

Our administrative and other expenses for the FYE Under Review are set out below:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	7,829	98.70	10,747	95.35	11,361	92.30
• Staff costs	3,211	40.48	4,664	41.38	5,114	41.55
• Depreciation and upkeep	1,878	23.68	2,243	19.90	2,461	19.99
• Directors' remuneration and related expenses	715	9.01	697	6.18	698	5.67
• Insurance	323	4.07	523	4.64	676	5.49
• Office-related expenses	324	4.08	356	3.16	450	3.66
• Professional fees	271	3.42	517	4.59	429	3.49
• Travelling and entertainment expenses	403	5.08	382	3.39	367	2.98
• R&D expenses	204	2.57	421	3.74	351	2.85
• Rental and related expenses	81	1.02	288	2.56	310	2.52
• Tax and regulatory expenses	136	1.71	139	1.23	184	1.49
• Bank charges	180	2.27	231	2.05	210	1.71
• Others ⁽¹⁾	103	1.31	286	2.53	111	0.90
Other expenses ⁽²⁾	103	1.30	524	4.65	948	7.70
Total	7,932	100.00	11,271	100.00	12,309	100.00

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Notes:

- (1) Mainly include donation and stamp duty.
- (2) Include losses on foreign exchange, property, plant and equipment written off, fair value loss on other investments, and loss on disposal of plant and equipment.

FYE 2023 compared to FYE 2022

Administrative expenses

Our administrative expenses increased by RM2.92 million or 37.27% to RM10.75 million in FYE 2023 (FYE 2022: RM7.83 million). This was mainly attributed to the following:

- (a) increase of RM1.45 million in staff costs, mainly due to higher salaries and wages arising from salary increments as well the increase in headcount of administrative staff from 40 persons as at 31 December 2022 to 44 as at 31 December 2023;
- (b) increase of RM0.37 million in depreciation and upkeep, mainly due to higher depreciation of right-of-use assets arising from higher rental for our Corporate Office;
- (c) increase of RM0.25 million in professional fees, mainly due to higher tax advisory fees and legal fees incurred in relation to banking facility used to purchase machinery and equipment;
- (d) increase of RM0.22 million in R&D expenses, mainly due to higher material and electricity costs incurred for our R&D activities in FYE 2023; and
- (e) increase of RM0.21 million in rental and related expenses, mainly due to the rental expenses incurred relating to the short-term lease of a residential unit.

Other expenses

Our other expenses increased by RM0.42 million or 408.74% to RM0.52 million in FYE 2023 (FYE 2022: RM0.10 million). This was mainly attributed to unrealised losses on foreign exchange of RM0.43 million arising from our bank balances and trade receivables balances denominated in USD, reflecting the depreciation of the USD against the RM towards the end of FYE 2023.

FYE 2024 compared to FYE 2023

Administrative expenses

Our administrative expenses increased by RM0.61 million or 5.71% to RM11.36 million in FYE 2024 (FYE 2023: RM10.75 million). This was mainly attributed to the following:

- (a) increase of RM0.45 million in staff costs, mainly attributed to higher salaries and wages arising from an increase in headcount of administrative staff from 44 employees as at 31 December 2023 to 50 administrative staff as at 31 December 2024, as well as higher bonuses; and
- (b) increase of RM0.22 million in depreciation and upkeep, mainly pertaining to the recognition of depreciation of the building in which our Spray Dryer Plant 3 is located, following the commencement of its operations in FYE 2024.

12. FINANCIAL INFORMATION**Other expenses**

Our other expenses increased by RM0.42 million or 80.92% to RM0.95 million in FYE 2024 (FYE 2023: RM0.52 million). This was mainly attributed to an increase of RM0.51 million in losses on foreign exchange arising from realised losses relating to the collection of sales proceeds denominated in USD.

12.3.8 Net gain/(loss) on impairment of financial instruments

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Net gain/(loss) on impairment of financial instruments	502	(415)	191

There was a net gain on impairment of financial instruments comprising trade receivables amounting to RM0.50 million in FYE 2022, which was attributed to the reversal of impairment losses previously recognised under general impairment. The net reversal of RM0.50 million of impairment losses on trade receivables was mainly contributed by improved credit risk profile of our customers, which led to a reduction in expected credit losses under the general impairment model.

There was a net loss on impairment of financial instruments comprising trade receivables amounting to RM0.42 million in FYE 2023, which was mainly attributed to the impairment of trade receivables from a customer with an outstanding balance past due of over 120 days related to the sale of non-dairy creamers, malt, and coffee products.

There was a net gain on impairment of financial instruments comprising trade receivables amounting to RM0.19 million in FYE 2024, which was attributed to the net reversal of impairment losses amounting to RM0.13 million that was previously recognised under general impairment, and recovery of outstanding balance from a customer amounting to RM0.06 million. The net reversal of RM0.13 million of impairment losses on trade receivables was mainly contributed by improved credit risk profile of our customers, which led to a reduction in expected credit losses under the general impairment model.

12.3.9 Finance costs

Our finance costs for the FYE Under Review are set out below:

	FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
• term loans	1,061	37.10	866	31.36	1,422	47.40
• bankers' acceptances	1,504	52.59	1,651	59.80	1,247	41.57
• lease liabilities	280	9.79	202	7.32	189	6.30
• revolving credits	-	-	32	1.16	118	3.93
• hire purchase creditors	15	0.52	10	0.36	24	0.80
Total	2,860	100.00	2,761	100.00	3,000	100.00

12. FINANCIAL INFORMATION**FYE 2023 compared to FYE 2022**

Our finance costs decreased by RM0.10 million or 3.46% to RM2.76 million in FYE 2023 (FYE 2022: RM2.86 million). This was mainly attributed to the following:

- (a) decrease of RM0.20 million in interest expenses on term loans due to the repayment made in FYE 2023; and
- (b) decrease of RM0.08 million in interest expenses on lease liabilities, mainly due to lower balance of lease liabilities in FYE 2023 arising from the derecognition of a right-of-use asset pertaining to a residential unit, and lease payments made in FYE 2023.

The decrease in finance costs was partially offset by an increase of RM0.15 million in interest expenses on bankers' acceptances, mainly arising from the increase in interest rates.

FYE 2024 compared to FYE 2023

Our finance costs increased by RM0.24 million or 8.66% to RM3.00 million in FYE 2024 (FYE 2023: RM2.76 million). This was mainly attributed to the increase of RM0.56 million in interest expenses on term loans due to the drawdown in FYE 2024, which were used for the purchase of machinery and construction of our Spray Dryer Plant 4. In addition, this was partly attributed to the increase of RM0.09 million in interest expenses on revolving credits due to utilisation in FYE 2024 for working capital purposes.

The increase in finance costs was partially offset by the decrease of RM0.40 million in interest expenses on bankers' acceptances due to the net repayment of the said facility in FYE 2024.

12.3.10 PBT and PAT

	FYE 2022	FYE 2023	FYE 2024
PBT (RM'000)	49,777	41,774	49,890
PBT margin	12.11%	11.38%	12.63%
Tax expense (RM'000)	11,137	9,579	7,822
Effective tax rate	22.37%	22.93%	15.68%
PAT (RM'000)	38,640	32,195	42,068
PAT margin	9.40%	8.77%	10.65%

FYE 2023 compared to FYE 2022

Our PBT decreased by RM8.00 million or 16.08% to RM41.77 million in FYE 2023 (FYE 2022: RM49.78 million), while PBT margin decreased from 12.11% in FYE 2022 to 11.38% in FYE 2023. Similarly, our PAT decreased by RM6.45 million or 16.68% to RM32.20 million in FYE 2023 (FYE 2022: RM38.64 million), while PAT margin decreased from 9.40% in FYE 2022 to 8.77% in FYE 2023.

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The decrease in our PBT and PAT were mainly attributed to lower GP and higher administrative expenses in FYE 2023. This was partially offset by lower selling and distribution expenses in FYE 2023. Please refer to Sections 12.3.4, 12.3.6, and 12.3.7 of this Prospectus for further details on our GP, selling and distribution expenses, and administrative expenses, respectively.

For FYE 2022, our effective tax rate was 22.37%, which was lower than the statutory tax rate of 24.00%. This was mainly due to the tax effect arising from the following:

- (a) over-provision of current tax expense in the prior year of RM0.41 million, mainly arising from incentives not claimed as well as tax deductibility of bonus provision that was disregarded in FYE 2021;
- (b) over-provision of deferred tax expense in the prior year of RM0.34 million, mainly attributed to higher non-qualifying assets and tax written-down values in FYE 2021; and
- (c) non-taxable income of RM0.48 million, mainly comprising amortisation of deferred income, distribution income and capital gains from short-term funds, and unrealised gains on foreign exchange.

This was partially offset by non-deductible expenses of RM0.29 million, mainly comprising depreciation of non-qualifying assets, interest expense on loans and borrowings, and professional fees.

For FYE 2023, our effective tax rate was 22.93%, which was lower than the statutory tax rate of 24.00%. This was mainly due to the tax effect arising from the following:

- (a) tax incentive amounting to RM0.57 million in relation to the reinvestment allowance claimed for the capital expenditure incurred for our drum dryer for the production of baby cereal;
- (b) non-taxable income of RM0.57 million, mainly comprising amortisation of deferred income and distribution income from short-term funds; and
- (c) over-provision of current tax expense in prior year of RM0.15 million, mainly arising from tax deductibility of bonus provision that was disregarded in FYE 2022.

This was partially offset by unadjusted over-provision of deferred tax liabilities amounting to RM0.79 million.

FYE 2024 compared to FYE 2023

Our PBT increased by RM8.12 million or 19.43% to RM49.89 million in FYE 2024 (FYE 2023: RM41.77 million), while PBT margin increased from 11.38% in FYE 2023 to 12.63% in FYE 2024. Similarly, our PAT increased by RM9.87 million or 30.67% to RM42.07 million in FYE 2024 (FYE 2023: RM32.20 million), while PAT margin increased from 8.77% in FYE 2023 to 10.65% in FYE 2024.

The improvement in our PBT and PAT was mainly attributed to higher GP. This was partially offset by lower other income and higher selling and distribution expenses in FYE 2024. Please refer to Sections 12.3.4, 12.3.5, and 12.3.6 of this Prospectus for further details on our GP, other income, and selling and distribution expenses, respectively.

For FYE 2024, our effective tax rate was 15.68%, which was lower than the statutory tax rate of 24.00%. This was mainly due to the tax effect arising from the tax incentive of RM3.98 million in relation to the reinvestment allowance claimed for the capital expenditure incurred for our Spray Dryer Plant 3.

12. FINANCIAL INFORMATION

12.3.11 Significant factors materially affecting our operations and financial results

The significant factors affecting our operations and financial results are set out below:

(i) Fluctuations in input materials prices and shortage of input materials

Our main input materials include palm-based and coconut-based oils and fats, glucose syrup (mainly made from corn), and acid casein. As these input materials are globally traded commodities, therefore it will be subject to fluctuation in global prices. Sustained price increases or adverse price fluctuations could lead to increased costs. If we are unable to pass on these price increases to our customers, it could negatively impact our financial performance.

Further, any disruptions to the supply of these main input materials, whether due to adverse weather conditions, geopolitical factors, export restrictions, labour shortages, logistics constraints, or shifts in global demand, could lead to input materials shortages. A prolonged or unexpected shortage of these main input materials may result in production delays, increased procurement costs, or an inability to meet customer orders, all of which could adversely affect our business operations and financial performance.

(ii) Fluctuations in sea freight rates

We rely on sea freight for the delivery of products to our foreign customers and for the delivery of input materials sourced from our foreign suppliers. As such, sea freight rates have an impact on the overall costs of our business. For the FYE Under Review, our average sea freight cost per tonne decreased by 56.64% to RM186 per tonne in FYE 2023, and subsequently increased by 41.94% to RM264 per tonne in FYE 2024.

On 18 September 2025, the weekly sea freight rate for 40-foot equivalent unit ("FEU") containers was USD1,913 per FEU, down from its recent peak of USD5,937 per FEU on 18 July 2024 following the resolution of the Red Sea Crisis and the easing of conflicts in the Middle East. (Source: IMR report)

Any sustained increases of sea freight rates may increase our cost price which in turn may have an impact on our financial performance.

(iii) Impact of foreign exchange fluctuations

For the FYE Under Review, our revenue was derived from various geographical markets in various foreign countries in Asia, the Americas, Europe, the Middle East, Oceania and Africa, and most transactions were conducted in USD and EUR. Our revenue transacted in foreign currencies accounted for 53.83%, 57.13% and 51.12% of our total revenue for FYE 2022, FYE 2023 and FYE 2024 respectively.

In addition, we also purchased materials from foreign countries, and most transactions were conducted in USD and EUR. Our purchases transacted in foreign currencies accounted for 21.05%, 28.85% and 26.89% of our total purchases of materials for FYE 2022, FYE 2023 and FYE 2024 respectively.

As such, any significant fluctuations in exchange rates between RM and foreign currencies may have a significant impact, either positive or negative, on our financial performance through the transactions conducted in foreign currencies.

12. FINANCIAL INFORMATION

Details of our realised and unrealised gains or losses on foreign exchange for the FYE Under Review are set out below:

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Net realised gain/(loss) on foreign exchange	1,420	1,662	(931)
Net unrealised gain/(loss) on foreign exchange	273	(432)	(13)
Net gain/(loss) on foreign exchange	1,693	1,230	(944)

We do not have a hedging policy. As at the LPD, we have foreign currency hedging facilities to manage our exposure to fluctuations in foreign currencies. In addition, we have cross-currency profit rate swaps executed in conjunction with certain bankers' acceptances, which allow our Group to receive proceeds and settle these bankers' acceptances in RM. Further, we also maintain bank accounts in RM, USD, EUR, SGD, RMB and AUD, such that collections can be used to settle payments in the same currency where possible. To a certain extent, this provides a natural hedge against any fluctuations in foreign currency exchange rates. Please refer to Note 26.6.1 of the Accountants' Report set out in Section 13 of this Prospectus for further details on the foreign exchange risk.

(iv) Impact of interest rates

All of our loans and borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance costs comprise interest expenses on hire purchase creditors, bankers' acceptances, revolving credits, and term loans that are granted by financial institutions. As at 31 December 2024, our total loans and borrowings were RM93.28 million, all of which are interest-bearing with RM54.62 million based on floating rates and RM38.66 million fixed rates. Hence, any increase in interest rates may impact our financial performance. For the FYE Under Review, our interest coverage ratio was 18.26 times, 15.77 times and 17.47 times for FYE 2022, FYE 2023 and FYE 2024 respectively.

The weighted effective interest rates of our loans and borrowings for the FYE Under Review were set out below:

Weighted average effective interest rates per annum			
	As at 31 December 2022	As at 31 December 2023	As at 31 December 2024
Fixed rate:			
Hire purchase creditors	2.10% - 4.53%	2.10% - 4.53%	2.10% - 4.46%
Bankers' acceptances	2.89% - 3.66%	3.53% - 3.79%	3.60% - 3.89%
Revolving credits	-	-	3.65%
Floating rate:			
Term loans	2.88% - 4.80%	4.45% - 4.65%	4.64% - 4.71%

(v) Impact of inflation

Our financial performance for the FYE Under Review was not materially affected by the impact of inflation. Nevertheless, there is no assurance that inflation may not affect our future results of operations and financial performance.

12. FINANCIAL INFORMATION**(vi) Government/economic/fiscal/monetary policies**

Our business is subject to the risk relating to government, economic, fiscal or monetary policies in Malaysia and in countries that we operate and/or transact business. Any unfavourable changes in such government, economic, fiscal or monetary policies may materially affect our operations.

12.3.12 Liquidity and capital resources**(i) Working capital**

Our business operations were financed by a combination of both internal and external sources of funds. Our internal sources of funds comprise shareholders' equity and cash generated from our operations, while external sources were mainly credit facilities from financial institutions. These funds were used for our business operations and growth.

Based on our audited consolidated statement of financial position as at 31 December 2024, we have:

- (a) cash and cash equivalents of RM49.45 million;
- (b) working capital of RM87.46 million, being the difference between current assets of RM182.47 million and current liabilities of RM95.01 million; and
- (c) available banking facilities of RM106.00 million for working capital purposes, of which RM65.13 million has yet to be utilised.

After taking into consideration our Group's funding requirements for our capital expenditures amounting to RM55.14 million, repayment of bank borrowings, our existing level of cash and cash equivalents, the banking facilities currently available, expected cash flows to be generated from our operations, and the estimated net proceeds from the Public Issue, our Board is of the view that we have sufficient working capital for 12 months from the date of this Prospectus.

(ii) Cash flow

The following is our cash flow for the FYE Under Review based on our audited consolidated financial statements. This should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	Audited		
	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Net cash from operating activities	16,132	45,931	35,065
Net cash from / (used in) investing activities	10,778	(18,690)	(25,084)
Net cash from / (used in) financing activities	3,177	(19,536)	(4,207)
Net increase in cash and cash equivalents	30,087	7,705	5,774
Effect of exchange rate differences	9	32	(42)
Cash and cash equivalents at the beginning of the financial year	5,886	35,982	43,719
Cash and cash equivalent at the end of the financial year	35,982	43,719	49,451

12. FINANCIAL INFORMATION

All of our cash and cash equivalents are held in RM and foreign currencies including USD, EUR, SGD, RMB, and AUD. Save for any applicable financial covenants and requirements in the Act, there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances.

(a) Net cash from operating activities

FYE 2022

For FYE 2022, our net cash from operating activities was RM16.13 million after taking into account of the following:

- increase of RM24.03 million in inventories, mainly attributed to higher inventory of raw materials and finished goods as at 31 December 2022. This was due to increased purchases of materials for our manufacturing segment and a higher inventory of finished goods. In addition, the inventories as at 31 December 2022 also included malt and cereal products, following our acquisition of the malt and cereal products manufacturing business from Family Cereal in the first quarter of FYE 2022;
- increase of RM14.80 million in trade and other receivables, mainly attributed to higher outstanding trade receivables as at 31 December 2022 arising from the increase in sales in FYE 2022;
- increase of RM3.05 million in trade and other payables, mainly attributed to higher other payables for the purchase of plant and equipment, and upkeep and maintenance costs, as well as accruals for transportation charges and utilities as at 31 December 2022; and
- tax paid of RM9.09 million.

FYE 2023

For FYE 2023, our net cash from operating activities was RM45.93 million after taking into account of the following:

- decrease of RM10.25 million in inventories, mainly attributed to lower inventory of raw materials as at 31 December 2023. This was reflected in the decrease in purchases of materials from RM305.78 million in FYE 2022 to RM229.06 million in FYE 2023;
- decrease of RM7.15 million in trade and other payables, mainly attributed to lower outstanding trade payables as at 31 December 2023 arising from timely payments to our suppliers as well as decrease in purchases of materials in FYE 2023;
- decrease of RM1.14 million in trade and other receivables, mainly attributed to lower outstanding trade receivables as at 31 December 2023 arising from timely collections from our customers as well as decrease in sales in FYE 2023; and
- tax paid of RM11.29 million.

12. FINANCIAL INFORMATION**FYE 2024**

For FYE 2024, our net cash from operating activities was RM35.07 million after taking into account of the following:

- increase of RM14.68 million in inventories, mainly attributed to higher inventory of raw materials and finished goods as at 31 December 2024. This was reflected in the increase in purchases of materials from RM229.06 million in FYE 2023 to RM258.83 million in FYE 2024;
- increase of RM8.57 million in trade and other receivables, mainly attributed to higher outstanding trade receivables as at 31 December 2024 arising from the increase in sales in FYE 2024;
- increase of RM2.96 million in trade and other payables, mainly attributed to higher other payables including deposits received from our customers. In addition, there were higher outstanding trade payables as at 31 December 2024 arising from increase in purchases of materials in FYE 2024; and
- tax paid of RM9.63 million.

(b) Net cash from / used in investing activities**FYE 2022**

For FYE 2022, our net cash from investing activities was RM10.78 million. This was mainly attributed to RM37.84 million for the upliftment of short-term funds.

The net cash from investing activities was partially offset by RM27.94 million used for the purchase of property, plant and equipment, mainly comprising RM26.52 million of capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3 and Spray Dryer Plant 4, and the purchase of a baby cereal drum dryer.

FYE 2023

For FYE 2023, our net cash used in investing activities was RM18.69 million. This was mainly attributed to RM29.03 million used for the purchase of property, plant and equipment, mainly comprising RM26.66 million of capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3 and Spray Dryer Plant 4, and the upgrading works for our pilot vacuum belt dryer.

The net cash used in investing activities was partially offset by RM9.52 million for the upliftment of short-term funds.

FYE 2024

For FYE 2024, our net cash used in investing activities was RM25.08 million. This was mainly attributed to RM25.76 million used for the purchase of property, plant and equipment, mainly comprising RM23.98 million of capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3, Spray Dryer Plant 4, and the waste water treatment plant at our SJ Factory.

12. FINANCIAL INFORMATION

(c) Net cash from / used in financing activities

FYE 2022

For FYE 2022, our net cash from financing activities was RM3.18 million. This was mainly attributed to the following:

- (a) drawdown of term loans amounting to RM11.93 million mainly for the purchase of machinery and construction of our Spray Dryer Plant 3, and the purchase of a baby cereal drum dryer; and
- (b) net drawdown of bankers' acceptances amounting to RM7.15 million for working capital purposes.

The net cash from financing activities was partially offset by the following:

- (a) RM10.67 million used for repayment of term loans;
- (b) RM2.86 million used for interest payments; and
- (c) RM2.23 million used for payment of lease liabilities mainly pertaining to the renting of SJ Factory, SJ Warehouse and forklifts.

FYE 2023

For FYE 2023, our net cash used in financing activities was RM19.54 million. This was mainly attributed to the following:

- (a) RM13.11 million used for the net repayment of bankers' acceptances;
- (b) RM7.70 million used for dividend payments;
- (c) RM5.03 million used for repayment of term loans;
- (d) RM3.57 million used for interest payments; and
- (e) RM2.65 million used for payment of lease liabilities mainly pertaining to the renting of SJ Factory, SJ Warehouse, OCSB Warehouse and forklifts.

The net cash used in financing activities was partially offset by the drawdown of term loans amounting to RM12.69 million mainly for the purchase of machinery and construction of our Spray Dryer Plant 4 and Spray Dryer Plant 3.

FYE 2024

For FYE 2024, our net cash used in financing activities was RM4.21 million. This was mainly attributed to the following:

- (a) RM9.04 million used for the net repayment of bankers' acceptances;
- (b) RM6.50 million used for repayment of term loans;
- (c) RM6.00 million used for dividend payments;
- (d) RM3.73 million used for interest payments; and

12. FINANCIAL INFORMATION

- (e) RM3.00 million used for payment of lease liabilities mainly pertaining to the renting of SJ Factory, SJ Warehouse, OCSB Warehouse and forklifts.

The net cash used in financing activities was partially offset by the following:

- (a) drawdown of term loans amounting to RM18.78 million mainly to finance the purchase of machinery and construction of our Spray Dryer Plant 4; and
- (b) net drawdown of revolving credits amounting to RM5.50 million for working capital purposes.

(iii) Loans and borrowings

As at 31 December 2024, our Group's total loans and borrowings are as set out below:

Type of loans and borrowings ⁽¹⁾	As at 31 December 2024		
	Payable within 12 months	Payable after 12 months	Total
	RM'000	RM'000	RM'000
Term loans ⁽²⁾	7,867	46,754	54,621
Bankers' acceptances ⁽³⁾	32,656	-	32,656
Revolving credits ⁽³⁾	5,500	-	5,500
Hire purchase creditors ⁽⁴⁾	125	374	499
Total	46,148	47,128	93,276
Gearing ratio ⁽⁵⁾			0.51

Notes:

- (1) Refer to loans and borrowings from financial institutions.
- (2) Term loans were mainly used to finance the purchase of machinery and construction of our Spray Dryer Plant 4, Spray Dryer Plant 3, and Spray Dryer Plant 2, purchase of a baby cereal drum dryer and a vacuum belt dryer, as well as the construction of warehouse in our Kulim Factory.
- (3) Bankers' acceptances and revolving credits were used for working capital purposes.
- (4) Hire purchase was used to fund the purchase of motor vehicles.
- (5) Based on total loans and borrowings over total equity.

The currency profile of our loans and borrowings as at 31 December 2024 is denominated in RM.

12. FINANCIAL INFORMATION

As at 31 December 2024, all loans and borrowings are interest-bearing with RM54.62 million based on floating rates and RM38.66 million fixed rates. The maturity profile and average interest rates of our loans and borrowings as at 31 December 2024 are set out below:

		As at 31 December 2024			
	Weighted average effective interest rates	Within 1 Year	1-5 Years	Over 5 Years	Total
		RM'000	RM'000	RM'000	RM'000
Term loans	4.64% - 4.71%	7,867	23,958	22,796	54,621
Bankers' acceptances	3.60% - 3.89%	32,656	-	-	32,656
Revolving credits	3.65%	5,500	-	-	5,500
Hire purchase creditors	2.10% - 4.46%	125	374	-	499
Total		46,148	24,332	22,796	93,276

Our Group has not defaulted on any payment of either principal sums and/or interest in relation to the loans and borrowings for the FYE Under Review and from 1 January 2025 up to the LPD.

There is no seasonality in our loans and borrowings trend and save for the permitted purpose provided under the banking facilities, there is no restriction on the use of our committed facilities.

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

12.3.13 Key financial ratios

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

	FYE 2022	FYE 2023	FYE 2024
Trade receivables turnover period (days) ⁽¹⁾	48	43	46
Trade payables turnover period (days) ⁽²⁾	37	33	33
Inventories turnover period (days) ⁽³⁾	71	67	80
Current ratio (times) ⁽⁴⁾	1.33	1.60	1.92
Gearing ratio (times) ⁽⁵⁾	0.83	0.60	0.51

12. FINANCIAL INFORMATION**Notes:**

- (1) Based on closing trade receivables (net of impairment losses) of the respective financial years over total revenue, and multiplied by the number of days in the financial year.
- (2) Based on closing trade payables of the respective financial years over total cost of sales, and multiplied by the number of days in the financial year.
- (3) Based on closing inventories of the respective financial years over total cost of sales, and multiplied by the number of days in the financial year.
- (4) Based on current assets over current liabilities.
- (5) Based on total loans and borrowings over total equity.

(i) Trade receivables turnover period

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Trade receivables	53,472	42,959	50,006
Revenue	410,881	367,078	394,864
Trade receivables turnover period (days) ⁽¹⁾	48	43	46

Note:

- (1) Based on closing trade receivables (net of impairment losses) of the respective financial years over total revenue, and multiplied by the number of days in the financial year.

We generally deal with our customers on credit term of 30 days to 60 days, which are granted to our customers after they are assessed and approved by our management on a case-by-case basis.

Our trade receivables turnover period decreased from 48 days as at 31 December 2022 to 43 days as at 31 December 2023, which fall within the credit term granted to our customers. The decrease was mainly due to timely collections from our customers.

Our trade receivables turnover period increased from 43 days as at 31 December 2023 to 46 days as at 31 December 2024, which fall within the credit term granted to our customers. The increase was mainly due to slower collections from our customers.

12. FINANCIAL INFORMATION

The ageing analysis of our Group's trade receivables as at 31 December 2024 is as follows:

	Not past due	Past due			Total
		1-30 days	31-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	32,515	12,523	4,968	-	50,006
% of total trade receivables	65.02%	25.04%	9.94%	-	100.00%
Subsequent collections up to the LPD	32,515	12,521	4,863	-	49,899
Outstanding trade receivables as at the LPD	-	2	105	-	107
% of total trade receivables	-	*	0.21%	-	0.21%

Note:

* Insignificant amount

As at 31 December 2024, the impairment losses on trade receivables were RM0.52 million. Please refer to Note 26.4 of the Accountants' Report set out in Section 13 of this Prospectus for further details.

As at the LPD, we have collected approximately RM49.90 million or 99.79% of the total trade receivables which were outstanding as at 31 December 2024.

(ii) Trade payables turnover period

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Trade payables	34,164	27,196	28,167
Cost of sales	335,375	300,055	315,243
Trade payables turnover period (days) ⁽¹⁾	37	33	33

Note:

(1) Based on closing trade payables of the respective financial years over total cost of sales, and multiplied by the number of days in the financial year.

Generally, the normal credit term granted by our suppliers range from 30 to 60 days.

Our trade payables turnover period decreased from 37 days as at 31 December 2022 to 33 days as at 31 December 2023, mainly due to timely payments to suppliers.

Our trade payables turnover period remained relatively consistent at 33 days as at 31 December 2023 and 31 December 2024.

12. FINANCIAL INFORMATION

The ageing analysis of our Group's trade payables as at 31 December 2024 is as follows:

	Not past due	Past due			Total
		1-30 days	31-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	18,482	9,196	374	115	28,167
<i>% of total trade payables</i>	<i>65.62%</i>	<i>32.65%</i>	<i>1.33%</i>	<i>0.40%</i>	<i>100.00%</i>
Subsequent payments up to the LPD	18,482	9,196	374	115	28,167
Outstanding trade payables as at the LPD	-	-	-	-	-
<i>% of total trade payables</i>	-	-	-	-	-

As at the LPD, we have settled all of the trade payables which were outstanding as at 31 December 2024.

(iii) Inventories turnover period

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Closing inventories	65,003	54,812	69,274
• <i>Raw materials</i>	<i>36,331</i>	<i>20,749</i>	<i>26,009</i>
• <i>Finished goods</i>	<i>28,672</i>	<i>34,063</i>	<i>43,265</i>
Cost of sales	335,375	300,055	315,243
Inventories turnover period (days) ⁽¹⁾	71	67	80

Note:

- (1) Based on closing inventories of the respective financial years over total cost of sales, and multiplied by the number of days in the financial year.

Our inventories mainly comprise the following:

- (a) raw materials, including (i) input materials such as oils and fats, sugar and sweeteners, dairy and dairy alternatives, grain-based ingredients and derivatives, functional additives, and other materials (such as flavouring, colouring agents, and nutritional ingredients); and (ii) packaging materials; and
- (b) finished goods that we manufacture and pack.

Our inventories turnover period decreased from 71 days as at 31 December 2022 to 67 days as at 31 December 2023. This was mainly attributed to lower inventory of raw materials arising from lower purchases of materials in FYE 2023.

Our inventories turnover period increased from 67 days as at 31 December 2023 to 80 days as at 31 December 2024. This was mainly attributed to higher inventory of finished goods and raw materials arising from higher purchases of materials in FYE 2024.

12. FINANCIAL INFORMATION**(iv) Current ratio**

	Audited		
	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Current assets	165,777	152,300	182,469
Current liabilities	124,538	95,278	95,006
Current ratio (times) ⁽¹⁾	1.33	1.60	1.92

Note:

(1) Based on current assets over current liabilities.

Our current ratio increased from 1.33 times as at 31 December 2022 to 1.60 times as at 31 December 2023. This was mainly due to the decrease in current liabilities arising from:

- (a) absence of dividend payable as at 31 December 2023 compared to RM7.70 million as at 31 December 2022;
- (b) lower trade payables as at 31 December 2023, mainly attributed to timely payments to our suppliers and decrease in purchases of materials in FYE 2023; and
- (c) lower loans and borrowings as at 31 December 2023, mainly attributed to the repayment of bankers' acceptances.

Our current ratio further increased from 1.60 times as at 31 December 2023 to 1.92 times as at 31 December 2024. This was mainly due to the increase in current assets arising from:

- (a) higher inventories of finished goods and raw materials as at 31 December 2024, mainly attributed to the increase in purchases of materials in FYE 2024;
- (b) higher trade receivables as at 31 December 2024, mainly attributed to the increase in sales in FYE 2024; and
- (c) increase in cash and cash equivalents from RM43.72 million as at 31 December 2023 to RM49.45 million as at 31 December 2024.

12. FINANCIAL INFORMATION**(v) Gearing ratio**

	Audited		
	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Loans and borrowings ⁽¹⁾	89,801	84,185	93,276
- Term loans	34,686	42,343	54,621
- Hire purchase creditors	307	147	499
- Bankers' acceptances	54,808	41,695	32,656
- Revolving credits	-	-	5,500
Total equity	108,011	140,217	181,501
Gearing ratio (times) ⁽²⁾	0.83	0.60	0.51

Notes:

(1) Refer to loans and borrowings from financial institutions.

(2) Based on total loans and borrowings over total equity.

Our gearing ratio decreased from 0.83 times as at 31 December 2022 to 0.60 times as at 31 December 2023. This was mainly due to the increase in reserves from RM98.01 million as at 31 December 2022 to RM130.22 million as at 31 December 2023 arising from higher retained earnings.

Our gearing ratio further decreased from 0.60 times as at 31 December 2023 to 0.51 times as at 31 December 2024. This was mainly due to the increase in reserves from RM130.22 million as at 31 December 2023 to RM171.50 million as at 31 December 2024 arising from higher retained earnings and revaluation reserve.

12.3.14 Capital expenditure and divestitures**Capital expenditure**

Our capital expenditure for the FYE Under Review and from 1 January 2025 up to the LPD is as set out below:

	FYE 2022	FYE 2023	FYE 2024	1 January 2025 and up to LPD
	RM'000	RM'000	RM'000	RM'000
Capital work-in-progress	26,523	26,664	23,981	13,369
Motor vehicles	262	96	821	-
Furniture, fittings and equipment	484	795	526	221
Buildings and building improvements	526	136	453	15
Plant and equipment	247	621	378	107
Computer equipment	102	723	168	30
Total	28,144	29,035	26,327	13,742

12. FINANCIAL INFORMATION**FYE 2022**

For FYE 2022, our capital expenditure of RM28.14 million mainly comprised RM26.52 million used for capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3 and Spray Dryer Plant 4 at our Kulim Factory, and the purchase of a baby cereal drum dryer for our SJ Factory.

FYE 2023

For FYE 2023, our capital expenditure of RM29.04 million mainly comprised RM26.66 million used for the capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3 and Spray Dryer Plant 4 at our Kulim Factory, and the upgrading works for our pilot vacuum belt dryer at our innovation centre in SJ Factory.

FYE 2024

For FYE 2024, our capital expenditure of RM26.33 million mainly comprised RM23.98 million used for the capital work-in-progress. This included the cost of purchase of machinery and construction of our Spray Dryer Plant 3 and Spray Dryer Plant 4 at our Kulim Factory, and the waste water treatment plant at our SJ Factory.

1 January 2025 and up to the LPD

Our capital expenditure between 1 January 2025 and up to the LPD of RM13.74 million mainly comprised RM13.37 million used for the capital work-in-progress. This included the cost of purchase of machinery and construction for our Spray Dryer Plant 4 at our Kulim Factory.

Capital divestiture

Our capital divestiture for the FYE Under Review and from 1 January 2025 up to the LPD is as set out below:

	FYE 2022	FYE 2023	FYE 2024	1 January 2025 and up to LPD
	RM'000	RM'000	RM'000	RM'000
Capital work-in-progress	-	-	34	-
Furniture, fittings and equipment	148	13	-	-
Plant and equipment	100	-	-	-
Computer equipment	6	-	-	-
Total	254	13	34	-

For the FYE Under Review and from 1 January 2025 up to the LPD, our capital divestiture mainly comprised the following:

- (i) furniture, fittings and equipment including a racking system and a fully electric stacker; and
- (ii) plant and equipment including an air compressor.

12. FINANCIAL INFORMATION**12.3.15 Material commitment for capital expenditure**

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

	Capital commitment	Source of funds	
		Internally generated funds / loans and borrowings	Proceeds from the Public Issue
	RM'000	RM'000	RM'000
Approved and/or contracted for:			
Property, plant and equipment ⁽¹⁾	11,015	11,015	-
Approved but not contracted for:			
Establishment of a New Factory ⁽²⁾	[●]	12,000	[●]
Purchase of new machinery and equipment for our Kulim Factory and New Factory ⁽³⁾	[●]	5,000	[●]
Investment in IT and automation systems for our Kulim Factory, OCSB Warehouse, and New Factory ⁽⁴⁾	[●]	1,000	[●]
Investment in R&D infrastructure for our innovation centre in SJ Factory ⁽⁵⁾	5,000	5,000	-
Total	[●]	34,015	[●]

Notes:

- (1) Mainly include capital commitments for our Spray Dryer Plant 4 at our Kulim Factory.
- (2) The total estimated cost for establishing a New Factory is RM[●] million. As at the LPD, we have yet to incur any capital expenditure.
- (3) The total estimated cost for the purchase of new machinery and equipment is RM[●] million. As at the LPD, we have yet to incur any capital expenditure.
- (4) The total estimated cost for the investment in IT and automation systems is RM[●] million. As at the LPD, we have yet to incur any capital expenditure.
- (5) The total estimated cost for the investment in R&D infrastructure for the expansion of our product range is RM5.00 million. As at the LPD, we have yet to incur any capital expenditure.

12. FINANCIAL INFORMATION

12.3.16 Trend information

Save as disclosed in this Prospectus, and to our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, liquidity or capital resources, financial condition, and results of operations or make our historical consolidated financial statements not indicative of our future financial performance and position.

12.3.17 Treasury policies and objectives

Our Group's operations have been funded by shareholders' equity, cash generated from our operations, external sources of funds and credit extended by our suppliers. The external sources of funds mainly include loans and borrowings. The normal credit terms granted by our suppliers range from 30 to 60 days.

The interest rates for our loans and borrowings are based on the market rates prevailing at the dates of the respective transactions.

The main objective of our capital management is to ensure a sustainable shareholders' equity to support and grow our business in order to maximise our shareholders' value.

12.4 ORDER BOOK

Generally, our sales are derived from purchase orders issued by our customers. In this respect, we do not maintain an order book due to the nature of our business.

12.5 DIVIDEND POLICY

We target a payout ratio of at least 30.0% of our PAT attributable to owners of our Company for each financial year on a consolidated basis. Our ability to declare and pay dividends is subject to our Board's discretion. Our Directors will take into consideration, amongst others, the following factors when recommending or declaring any dividends:

- (i) availability of retained earnings;
- (ii) our profitability and cash flow position;
- (iii) our capital expenditure and strategic investment requirements;
- (iv) our working capital needs and debt servicing obligations;
- (v) the prevailing economic and market conditions; and
- (vi) any other relevant regulatory and contractual constraints.

As at the LPD, save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries.

12. FINANCIAL INFORMATION

The dividends declared and paid by our Group for the FYE Under Review are as follows:

	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000
Dividends declared	7,700	-	6,000
Dividends paid	-	7,700 ⁽¹⁾	6,000 ⁽²⁾
PAT	38,640	32,195	42,068
Dividend payout ratio (%) ⁽³⁾	19.93	-	14.26

Notes:

(1) Paid on 18 August 2023.

(2) Paid on 26 December 2024.

(3) Computed as dividends declared divided by PAT.

During the FYE Under Review, dividends paid were funded via internally generated funds which were in excess of our funding requirements for our business operations. From 1 January 2025 up to the LPD, no dividend was declared and paid.

As at the LPD, our Company has no intention to declare any further dividends up to the completion of our Listing.