



CARZO HOLDINGS BERHAD

Registration No: 202001026908 (1383228-K)
(Incorporated in Malaysia under the Companies Act 2016)

**ADDITIONAL INFORMATION ACCOMPANYING THE AUDITED FINANCIAL
STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

**(APPENDIX 6A, PART B OF THE LEAP MARKET LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD)**

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA
SECURITIES BERHAD (“BURSA SECURITIES”).**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY CARZO HOLDINGS BERHAD (“CARZO” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.

This Additional Information is dated 31 October 2023



PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

1. ANALYSIS OF FINANCIAL INFORMATION

(i) Revenue

The summary of the revenue of Carzo and its subsidiaries (collectively, the “**Group**”) based on its activities for the financial period ended (“**FPE**”) 30 June 2023 and financial year ended (“**FYE**”) 31 December 2021 is presented as follows:

(1) By business segment

	Audited			
	FPE 30.6.2023		FYE 31.12.2021	
	RM	%	RM	%
Distribution and retail	38,856,243	55.23	66,534,476	73.69
Retail chain stores	28,522,259	40.54	21,862,433	24.21
Convenience stores	49,730	0.07	532,293	0.59
E-commerce	204,778	0.29	541,798	0.60
Others*	421,262	0.60	824,659	0.91
Groceries**	2,296,484	3.26	-	0.00
Total	70,350,756	100.00	90,295,659	100.00

Notes:

* *Comprising hotels, hospitals, airline food provider and consumers who purchased through vending machines and at the Group’s display store.*

** *Sales from grocery outlets which commenced during the FPE 30 June 2023.*

PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

1. ANALYSIS OF FINANCIAL INFORMATION (CONT'D)

(i) Revenue (Cont'd)

(2) By product group

	Audited			
	FPE 30.6.2023		FYE 31.12.2021	
	RM	%	RM	%
Fresh fruits	67,845,864	96.44	89,763,557	99.41
Fruit products ⁽¹⁾	197,882	0.28	488,153	0.54
Other food products ⁽²⁾	10,526	0.01	43,979	0.05
Groceries ⁽³⁾	2,296,484	3.26	-	0.00
Total	70,350,756	100.00	90,295,689	100.00

Notes:

(1) *Comprising fruit juices, plant based drinks, pickled fruits, dried fruits, cut fruits, frozen fruits and ready-to-eat fruit products.*

(2) *Comprising frozen meat and seafood, nuts, vegetables, ready-to-eat food (e.g. soup, canned food, pre-mix sauces and pastes) and convenience food (e.g. instant noodles and snacks).*

(3) *Comprising groceries sold at the grocery outlets (Jii-Mart).*

The Group's revenue was mainly derived from the distribution and retail of fresh Fruits as well as retail of fruit products during the FPE 30 June 2023.

The Group recorded a total revenue of RM70.35 million for the FPE 30 June 2023, representing a decrease of RM19.95 million or 22.09% as compared to the FYE 31 December 2021 (FYE 31 December 2021: RM90.30 million) mainly due to lower sales of fresh fruits from all segments as follows:

- (a) decrease in sales from the distribution and retail segment, especially durian, to the Group's customers as the Group had discontinued sales to certain major distributors which are slow in collections;
- (b) significant decline in sales from convenience stores, e-commerce and others segments were mainly due to decrease in demand along with slow collections from certain Group customers;
- (c) decrease in sales to convenience stores was mainly due to absence of sales to myNEWS following the termination of the supply agreement;

**PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF
APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA
SECURITIES (CONT'D)**

1. ANALYSIS OF FINANCIAL INFORMATION (CONT'D)

(i) Revenue (*Cont'd*)

- (d) demand was especially low for e-commerce post Movement Control Order (“MCO”) as customers were more willing to purchase directly from fruit stalls as opposed to ordering online; and
- (e) no sales of fresh fruits to hotels and airline food providers during the first half of FPE 30 June 2023 which lead to the Group cutting off unprofitable business.

In line with decrease in revenue, the Group recorded a lower gross profit (“GP”) of RM6.22 million for the FPE 30 June 2023, representing a decrease of RM2.91 million or 31.87% (FYE 31 December 2021: RM9.13 million). The decrease in GP is also affected by lower market demand and sales of non-fresh fruits at a lower margin to clear off stocks on hand.

(ii) Loss before taxation (“LBT”) / Profit before taxation (“PBT”)

The Group recorded a LBT of RM18.56 million for the FPE 30 June 2023 as compared to a PBT of RM1.30 million in the FYE 31 December 2021, representing a decrease of RM19.86 million. The decrease in PBT was mainly due to:

- (a) significant increase in allowance for impairment losses of RM9.28 million due to slow collection from major customers;
- (b) higher administrative expenses incurred such as increase of depreciation of fixed assets and rights-of-use assets due to opening of groceries stores (Jii-Mart) during the financial period;
- (c) increase in realised loss on foreign exchange due to strengthening in United States Dollars (“USD”); and
- (d) lower profit margin as mentioned above.

2. PROSPECTS

The Group is undergoing restructuring of its existing business models for the fruits business wherein it will prioritise on expanding its core fruits business on retail chain store segment in financial year ending 30 June 2024.



**PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF
APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA
SECURITIES (CONT'D)**

2. PROSPECTS (CONT'D)

Primary focus will be on the retail chain store segment as the Group's customers in this segment have better collections record compared to those from the distribution and retail segment. The Group's focus right now is to expand its sales network with good repayment customers.

Further, following the suppression of fruit selling prices during the FPE 30 June 2023 which resulted in a profit margin squeeze during the financial period, the Group is looking to reduce its variety of fruit offerings to focus on high margin products in order to improve the profitability of the Group and ensure sustainability of the business. Nevertheless, the Group still intends to maintain its other sales channels to increase source of revenue.

The Group's grocery business commenced on 3 June 2022 following the opening of the Group's first store in Seremban, Negeri Sembilan on the same day. As at the date of this report, the Group operates a total of 4 grocery stores throughout Negeri Sembilan. The Group is also assessing the viability and the continuation of its grocery business in certain locations such as closing non-performing grocery stores and will continue to evaluate the feasibility of setting up new grocery stores and fruits grocer in Klang Valley.

3. STATUS OF CORPORATE PROPOSALS

- (a) On 12 May 2022, the Company had announced the Share Issuance Scheme ("**SIS**") and had been approved by the Company's shareholders at the extraordinary general meeting held on 27 June 2022. On 28 July 2022, the Company announced that the effective date for the implementation of the SIS is on 28 July 2022. The Company has not granted any options under the SIS ("**SIS Options**") and there are no outstanding SIS Options which have been granted but unexercised as at the date of this report.
- (b) On 8 August 2022, the Company announced that it proposed to undertake the proposed private placement of up to 20% of the total number of issued shares of the Company ("**Carzo Shares**") (excluding treasury shares, if any) ("**Private Placement**").

Bursa Securities had, vide its letter dated 23 August 2022, noted that up to 17,654,000 new Carzo Shares arising from the Private Placement ("**Placement Shares**") will be listed and quoted on the LEAP Market of Bursa Securities in multiple tranches in the second half of 2022 and the first quarter of 2023. The Company has allotted and issued 7,142,700 units of Placement Shares as at the date of this report.

PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

3. STATUS OF CORPORATE PROPOSALS (CONT'D)

On 3 February 2023, the Company announced that it submitted an application to Bursa Securities seeking its approval for an extension of time from 23 February 2023 to 22 August 2023 for the Company to complete the implementation of the Private Placement whereby Bursa Securities had, vide its letter dated 21 February 2023, resolved to approve the application for extension of time of 6 months from 23 February 2023 until 22 August 2023 to complete the Private Placement.

On 22 August 2023, the Company announced that the deadline for the Company to implement the Private Placement has lapsed on 22 August 2023. The Company does not wish to seek any further extension of time for the implementation of the Private Placement.

Save for the above, there were no other corporate proposals announced but pending completion as at the date of this report.

4. UTILISATION OF PROCEEDS

The Group had fully utilised the proceeds of approximately RM4 million raised from the issuance of the Placement Shares pursuant to the Private Placement as at the date of this report as follows:

Utilisation purposes	Revised allocation after the variation RM'000	Actual utilisation of proceeds RM'000
Capital expenditure for the grocery business	775	650 ⁽¹⁾
Working capital requirements	3,100	3,289 ⁽¹⁾
Estimated expenses for the Private Placement	125	61
Total	4,000	4,000

Note:

- (1) The Group had varied and utilised an additional RM0.13 million allocated for the capital expenditure for the grocery business for the working capital requirements of the Group as additional working capital was required for its business operation at the time of utilisation.

5. DIVIDENDS

There was no dividend proposed, declared or paid by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend for the FPE 30 June 2023.

6. MATERIAL LITIGATION

The Group has filed a court case against 2 of its major customers namely, RTZ Fruits Distribution Sdn Bhd and EL Fruits Export Sdn Bhd on 24 October 2023. Both RTZ Fruits Distribution Sdn Bhd and EL Fruits Export Sdn Bhd have a long outstanding debts of RM5.48 million and RM2.22 million respectively. The total outstanding debts of RM7.70 million has been impaired during the FPE 30 June 2023. However, if the Group successfully recovered these outstanding debts, the impairment loss will be reversed once the amount is recovered.

7. EARNINGS PER SHARE

	Audited	
	FPE	FYE
	30.6.2023	31.12.2021
	RM	RM
(Loss)/Profit attributable to the owners of the Company	<u>(18,890,894)</u>	<u>324,551</u>
Weighted average number of ordinary shares in issue	<u>91,618,958</u>	<u>84,395,793</u>
(Loss)/ Earnings per share (sen)	<u>(20.62)</u>	<u>0.38</u>