12. FINANCIAL INFORMATION

12.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report as set out in Section 14 of this Prospectus, which deals with the audited combined financial statements of our Group for the same Financial Years Under Review.

You should read the historical audited combined financial information below together with:

- The Management's Discussion and Analysis of Financial Conditions and Results of Operations as set out in Section 12.3 of this Prospectus; and
- The Accountants' Report as set out in Section 14 of this Prospectus.

The historical audited combined financial information included in this Prospectus does not reflect our Group's result of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

(a) Historical audited combined statements of profit or loss and other comprehensive income of our Group

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Revenue	29,719	43,558	46,449
Cost of sales	(17,767)	(25,288)	(27,479)
GP	**11,952**	**18,270**	**18,970**
Other income (1)	638	228	5,519
Selling and distribution expenses	(363)	(1,956)	(3,117)
Net (impairment loss)/reversal of impairment loss on non-financial assets	(28)	81	-
Net impairment loss on receivables	(690)	(10)	(68)
Administrative expenses	(4,893)	(5,615)	(8,519)
Operating profits	6,616	10,998	12,785
Finance income	9	5	9
Finance costs	(180)	(219)	(543)
PBT	**6,445**	**10,784**	**12,251**
Tax expenses	(1,734)	(2,560)	(2,679)
PAT / Total comprehensive income for the financial years	**4,711**	**8,224**	**9,572**
Earnings before interest, tax, depreciation and amortisation ("**EBITDA**") (2)	7,963	12,509	14,983
Assumed number of Shares in issue (3) ('000)	391,627	391,627	391,627
Basic and diluted EPS (4) (Sen)	1.20	2.10	2.44
GP margin (5) (%)	40.22	41.94	40.84
EBITDA margin (6) (%)	26.79	28.72	32.26

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
PBT margin [7] (%)	21.69	24.76	26.38
PAT margin [8] (%)	15.85	18.88	20.61
Effective tax rate [9] (%)	26.90	23.74	21.87

Notes:

(1) Other income for the FYE 2021 includes mainly the amortisation of government grant of RM0.21 million and the wage subsidy income from the Government of RM0.23 million, while the other income for the FYE 2023 includes one-off net gain from the disposal of investment properties of RM4.11 million and a right-of-use asset of RM0.63 million. Please refer to Section 12.3.2(c) of this Prospectus for further details.

(2) EBITDA is calculated as follows:

		Audited		
		FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
PAT		4,711	8,224	9,572
Add:	Tax expense	1,734	2,560	2,679
	Depreciation	1,331	1,511	2,198
	Amortisation	16	-	-
	Finance costs	180	219	543
Less:	Finance income	(9)	(5)	(9)
EBITDA		**7,963**	**12,509**	**14,983**

(3) Based on the assumed number of Shares in issue of 391,627,000 after the Public Issue.

(4) Based on PAT divided by the assumed number of Shares in issue of 391,627,000 after the Public Issue. There are no potential dilutive securities in issue during the respective Financial Years Under Review.

(5) GP margin is calculated based on GP divided by revenue.

(6) EBITDA margin is calculated based on EBITDA divided by revenue.

(7) PBT margin is calculated based on PBT divided by revenue.

(8) PAT margin is calculated based on PAT divided by revenue.

(9) Effective tax rate is calculated based on income tax expense divided by PBT.

There were no exceptional or extraordinary items throughout the Financial Years Under Review. The audited combined financial statements of our Group for the Financial Years Under Review were not subject to any qualification or modification.

(b) Historical audited combined statements of financial position of our Group

	Audited as at 31 May		
	2021 **RM'000**	**2022** **RM'000**	**2023** **RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	4,138	5,903	6,614
Right-of-use assets	4,557	17,901	17,178
Investment properties	5,370	5,390	220
Intangible assets	*	*	*
Other receivables (1)	-	-	18
Total non-current assets	**14,065**	**29,194**	**24,030**
Current assets			
Inventories	6,616	12,383	10,104
Trade receivables	6,096	4,146	4,465
Other receivables (1)	912	1,090	1,570
Tax recoverable	116	54	177
Deposits with licensed banks	480	372	381
Cash and bank balances	2,266	5,451	4,220
Total current assets	**16,486**	**23,496**	**20,917**
Total assets	**30,551**	**52,690**	**44,947**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital	1,400	1,400	1,400
Retained earnings	18,697	25,721	25,404
Total equity	**20,097**	**27,121**	**26,804**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	271	353	340
Borrowings	1,773	2,090	11,643
Lease liabilities	175	142	113
Total non-current liabilities	**2,219**	**2,585**	**12,096**
Current liabilities			
Trade payables	2,440	3,378	1,531
Other payables	1,453	16,259	1,547
Borrowings	3,553	2,750	2,509
Lease liabilities	135	99	37

	Audited as at 31 May		
	2021 RM'000	2022 RM'000	2023 RM'000
Tax payables	654	498	423
Total current liabilities	**8,235**	**22,984**	**6,047**
Total liabilities	**10,454**	**25,569**	**18,143**
Total equity and liabilities	**30,551**	**52,690**	**44,947**

Note:

* Less than RM1,000.

(1) The breakdown of other receivables are as follows:

	Audited as at 31 May		
	2021 RM'000	2022 RM'000	2023 RM'000
Non-current			
Third parties [(a)]	-	-	18
Current			
Third parties [(b)]	396	561	479
Amount due from related parties	357	4	-
Deposits [(c)]	743	1,105	1,644
Prepayments	10	14	30
	1,506	1,684	2,153
Less: Allowance for expected credit losses	(594)	(594)	(583)
	912	1,090	1,570

(a) Non-current other receivables comprise staff advances with more than 12 months' repayment periods.

(b) Current other receivables comprise mainly deposits paid to suppliers for purchasing of raw materials as well as staff advances which are less than 12 months' repayment periods.

(c) Comprise mainly deposits paid for the purchase of machines for our Rented Serendah Factory, renovation costs for our Rented Serendah Factory, deposits paid for the construction of our New Serendah Factory and rental and utility deposits.

12.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

(i) as at 31 August 2023 based on our unaudited combined statements of financial position, after taking into account the Acquisitions but before our Public Issue and utilisation of IPO proceeds; and

(ii) after adjusted for the proceeds arising from our Public Issue and utilisation of IPO proceeds.

	(Unaudited) As at 31 August 2023	After Acquisitions	After our Public Issue	After the utilisation of our IPO proceeds
	RM'000	**RM'000**	**RM'000**	**RM'000**
INDEBTEDNESS				
Current				
Secured:				
- Term loan	-	1,161	1,161	1,161
- Bank overdraft	-	379	379	379
- Bankers' acceptance	-	375	375	375
- Lease commitments	-	79	79	79
Unsecured:				
- Term loan	-	534	534	534
Non-current				
Secured:				
- Term loan	-	10,335	10,335	7,735
- Lease commitments	-	63	63	63
Unsecured:				
- Term loan	-	513	513	513
Total Indebtedness	-	13,439	13,439	10,839
CAPITALISATION				
Total equity	(1)	27,495	[●]	[●]
Total capitalisation and indebtedness	(1)	40,934	[●]	[●]
Gearing ratio (times) [(1)]	-	0.49	[●]	[●]

Note:

(1) Computed based on total indebtedness divided by total equity.

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

Investors should read the following management's discussion and analysis of our Group's financial conditions and results of operations in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus.

The management's discussion and analysis contains data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 9 of this Prospectus.

12.3.1 Overview of our operations

We are principally involved in the provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners, as well as the manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands, namely *Bonlife*, *GoHerb, Kids Vite, Zen Night*, *Sleepin' Beaute* and *EZ:Nitez*. Further, we are also involved in the provision of contract packing services of milk powder, tea leaves, honey, herb powder, fruit powder, and liquid chlorophyll into retail packaging sizes, and trading of milk powder and other activities. The principal activities of our Group are as follows:

(a) Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners;

(b) Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands; and

(c) Trading of milk powder and other activities.

Our Company is an investment holding company. The principal activities of our subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities
Orient Biotech	Malaysia	Provision of manufacturing services of fortified F&B to third party brand owners; manufacturing of fortified F&B under its house brands; as well as trading of related products
Orient Laboratories	Malaysia	Product development and research and development for fortified F&B and dietary supplements; provision of manufacturing services of dietary supplements to third party brand owners; manufacturing of dietary supplements under its house brands; as well as packing of related products
Bonlife	Malaysia	Sales and marketing of fortified F&B and dietary supplements under its house brands

12.3.2 Review of operations

(a) Revenue

Revenue relating to sales of goods are recognised net of sales returns and discounts upon the transfer of control of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from our principal activities stated below are recognised at a point in time.

(i) Analysis of contribution to revenue by principal activities

The analyses of our financial results for the Financial Years Under Review below are segmented based on the following principal activities:

- Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners ("**Provision of manufacturing services**");

- Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands ("**Sales of house brands products**");

- Trading of milk powder; and

- other activities such as laboratory tests services, freight services, and the sales of packaging materials, pallets and face masks on an ad hoc basis ("**Trading of milk powder and other activities**").

A breakdown of our Group's revenue by principal activities for the Financial Years Under Review is as follows:

	Audited					
Revenue by principal activities	**FYE 2021**		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of manufacturing services (1)	22,488	75.67	32,871	75.46	34,776	74.87
Sales of house brands products	4,089	13.76	7,644	17.55	8,698	18.73
Trading of milk powder and other activities (2)	3,142	10.57	3,043	6.99	2,975	6.40
Total revenue	**29,719**	**100.00**	**43,558**	**100.00**	**46,449**	**100.00**

Notes:

(1) The provision of manufacturing services includes the manufacturing of fortified F&B for pets for our customers in Malaysia, which contributed 0.79%, 2.30% and 2.51% of our total revenue for the Financial Years Under Review, respectively. On 1 June 2023, we had ceased the manufacturing of fortified F&B for pets as part of our Group's strategy to focus on the core business activities, i.e. the manufacturing of fortified F&B and dietary supplements for human consumption.

(2) The trading of milk powder contributed 91.18%, 94.68% and 91.09% to our Group's trading of milk powder and other activities segment for the Financial Years Under Review. Our Group also undertakes other activities such as laboratory tests services, freight services, and the sales of packaging

materials, pallets and face masks on an ad hoc basis, which contributed the remaining 8.82%, 5.32% and 8.91%.

(ii) Analysis of contribution to revenue by geographical locations

A breakdown of our Group's revenue by geographical locations for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
Revenue by geographical locations [1]	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	28,031	94.32	42,694	98.02	41,424	89.18
Overseas:						
Hong Kong	454	1.53	122	0.28	3,817	8.22
Thailand	637	2.14	407	0.93	590	1.27
Singapore	312	1.05	280	0.64	347	0.75
China	-	-	-	-	223	0.48
Taiwan	285	0.96	55	0.13	23	0.05
Australia	-	-	-	-	25	0.05
	1,688	5.68	864	1.98	5,025	10.82
Total revenue	**29,719**	**100.00**	**43,558**	**100.00**	**46,449**	**100.00**

Note:

(1) Revenue by geographical locations based on the delivery locations determined by our customers.

(iii) Analysis of contribution to revenue by subsidiaries

A breakdown of our Group's revenue by subsidiaries for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
Revenue by subsidiaries	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Orient Biotech	27,769	93.44	39,512	90.71	41,237	88.78
Orient Laboratories	1,463	4.92	1,319	3.03	2,303	4.96
Bonlife	4,089	13.76	7,646	17.55	8,698	18.72
	33,321	112.12	48,477	111.29	52,238	112.46
Consolidation adjustment	(3,602)	(12.12)	(4,919)	(11.29)	(5,789)	(12.46)
Total revenue	**29,719**	**100.00**	**43,558**	**100.00**	**46,449**	**100.00**

Commentary:

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our revenue increased by RM13.84 million or 46.57% to RM43.56 million (FYE 2021: RM29.72 million), mainly due to the increase in revenue from the provision of manufacturing services segment by RM10.38 million or 46.15% to RM32.87 million for FYE 2022 (FYE 2021: RM22.49 million). The increased consumption of health products and dietary supplements during the COVID-19 and the marketing activities to promote our products through advertisement on social media platforms as well as third party e-commerce platforms during FYE 2022 had partially contributed to our revenue growth for FYE 2022.

The provision of manufacturing services segment was our largest revenue contributor, contributing RM32.87 million or 75.46% of our total revenue for FYE 2022 (FYE 2021: RM22.49 million or 75.67%).

The local market was our primary revenue contributor for FYE 2022, representing RM42.69 million, or 98.02% of our total revenue (FYE 2021: RM28.03 million or 94.32%).

Provision of manufacturing services

Revenue from the provision of manufacturing services segment increased by RM10.38 million or 46.15% to RM32.87 million for FYE 2022 (FYE 2021: RM22.49 million), mainly attributable to the following:

(i) Increase in fortified F&B by RM7.97 million or 42.64% to RM26.66 million for FYE 2022 (FYE 2021: RM18.69 million), mainly attributable to more orders secured from the sales of (a) fruit-based products of RM6.47 million, which primarily from an existing customer, who increased its sales to Vietnam; and (b) milk-based products of RM2.22 million which mainly from an existing customer; and

(ii) Increase in dietary supplements by RM1.65 million or 46.35% to RM5.21 million for FYE 2022 (FYE 2021: RM3.56 million), mainly attributable to more orders secured from sales of nutraceutical-based products of RM2.09 million, which largely from an existing customer. Such an increase was partially offset by the decrease in traditional medicines of RM0.44 million, mainly from 2 existing customers.

Sales of house brands products

Revenue from the sales of house brands products segment increased by RM3.55 million or 86.80% to RM7.64 million for FYE 2022 (FYE 2021: RM4.09 million), mainly attributable to the following:

(i) Increase in sales of fortified F&B by RM2.35 million or 62.67% to RM6.10 million for FYE 2022 (FYE 2021: RM3.75 million), mainly contributed by our sales of new product under *GoHerb*, namely GoHerb Antler Extract, which contributed to RM1.78 million for FYE 2022 and sales of our new products under *Bonlife,* namely (a) Vta C on The Go C5X Powder; (b) Bonlife Qing Guan Herbal Tea; and (c) Bonlife Purenat Mom Goat Milk Powder, which collectively contributed to RM0.64 million for FYE 2022. Such increases were partially offset by the decrease in sales of our existing product under *Bonlife*, namely Bonlife Purenat Gold Goat Milk Powder of RM0.12 million due to our Group's focus on promoting the abovementioned new products during FYE 2022; and

(ii) Increase in sales of dietary supplements by RM1.20 million or 352.94% to RM1.54 million for FYE 2022 (FYE 2021: RM0.34 million), mainly contributed by our sales of existing products under *Bonlife*, namely Bonlife Organic Sacha Inchi Oil 500 Mg Softgel, which increased by RM0.55 million for FYE 2022 resulting from the full-year revenue impact from this product during FYE 2022, which launched in the second half of FYE 2021. Such increase was also due to the sales from our new products under *Bonlife* for FYE 2022, namely (a) Bonlife Vta C Pro Vitamin C 1000 Plus Effervescent Tablet; (b) Bonlife Vta C Protect Vitamin C 1000 Plus Effervescent Tablet; and (c) Bonlife Kids Vitamin C 300 Plus Effervescent Tablet, which collectively contributed to RM0.48 million for FYE 2022.

Trading of milk powder and other activities

Revenue from trading of milk powder and other activities segment decreased marginally by RM0.10 million or 3.18% to RM3.04 million for FYE 2022 (FYE 2021: RM3.14 million), mainly attributable to the decrease in other activities of RM0.12 million as there was one-off sales of trading of bottles for FYE 2021.

<u>Comparison between FYE 2022 and FYE 2023</u>

For FYE 2023, our revenue increased by RM2.89 million or 6.63% to RM46.45 million (FYE 2022: RM43.56 million). The increase in our revenue for FYE 2023 was mainly due to the increase in revenue from provision of manufacturing services segment by RM1.91 million or 5.81% to RM34.78 million for FYE 2023 (FYE 2022: RM32.87 million), as well as revenue from the sales of house brands products segment which increased by RM1.06 million or 13.87% to RM8.70 million for FYE 2023 (FYE 2022: RM7.64 million).

The provision of manufacturing services segment continued as our largest revenue contributor, contributing RM34.78 million or 74.87% of our total revenue for FYE 2023 (FYE 2022: RM32.87 million or 75.46%).

The local market has remained our primary revenue contributor for FYE 2023, representing RM41.42 million, or 89.18% of our total revenue (FYE 2022: RM42.69 million, or 98.02%).

Provision of manufacturing services

Revenue from the provision of manufacturing services segment increased by RM1.91 million or 5.81% to RM34.78 million for FYE 2023 (FYE 2022: RM32.87 million), mainly attributable to the increase in dietary supplements by RM2.19 million or 42.03% to RM7.40 million for FYE 2023 (FYE 2022: RM5.21 million). The increase is mainly attributable to more orders secured from sales of nutraceutical-based products of RM3.44 million, which mainly from an existing customer and a new customer. However, such an increase was partially narrowed by the decrease in revenue from sales of traditional medicines of RM1.25 million, mainly from 2 existing customers.

Such increases in this segment were partially offset by the decrease in fortified F&B by RM0.45 million or 1.69% to RM26.21 million for FYE 2023 (FYE 2022: RM26.66 million), mainly attributable to lesser orders secured from the sales of milk-based products of RM4.69 million. The orders had decreased during the transition period following the acquisition of the milk powder business and brand of Fei Fah Medical Sdn Bhd by our new customer in Hong Kong, namely Nature One Dairy (Hong Kong) Limited. Such a decrease was partially offset by the increase in sales of (a) fruit-based products of RM3.78 million, which mainly from 2 existing customers; and (b) coffee-based beverages mix of RM0.45 million, which mainly from a new customer.

Sales of house brands products

Revenue from the sales of house brands products segment increased by RM1.06 million or 13.87% to RM8.70 million for FYE 2023 (FYE 2022: RM7.64 million), mainly attributable to the following:

(i) Increase in sales of fortified F&B by RM0.45 million or 7.38% to RM6.55 million for FYE 2023 (FYE 2022: RM6.10 million), mainly from the sale of our existing product under *GoHerb*, namely GoHerb Antler Extract, which increased by RM1.25 million for FYE 2023 as more orders were secured from sales via social media platforms during FYE 2023. Such an increase was partially offset by the decrease in sales of our existing products under *Bonlife,* namely (a) Bonlife Purenat Premium Goat Milk Powder; (b) Vta C on The Go C5X Powder; (c) Bonlife Purenat Gold Goat Milk Powder; and (d) Bonlife Qing Guan Herbal Tea, which collectively decreased by RM0.83 million for FYE 2023 mainly due to lower demand from retailers and distributor; and

(ii) Increase in sales of dietary supplements by RM0.61 million or 39.61% to RM2.15 million for FYE 2023 (FYE 2022: RM1.54 million), mainly from the sales of our existing products under *Bonlife*, namely (a) Bonlife Organic Sacha Inchi Oil 500 Mg Softgel; and (b) Bonlife SachaQ10 Plus Softgel, which collectively increased by RM0.81 million for FYE 2023. Such an increase was mainly attributed to the research collaboration effort with Universiti Sains Malaysia to undertake research on the development of sacha inchi oil supplementation for the improvement of hyperglycaemia, hypertension and hyperlipidaemia which enabled the Group to gain customer confidence in this product by providing third party verification on the product efficacy through scientific research. Such increase was partially narrowed by the decrease in sales of our existing products under *Bonlife*, namely Bonlife Vta C Pro Vitamin C 1000 Plus Effervescent Tablet and Bonlife Vta C Protect Vitamin C 1000 Plus Effervescent Tablet of collectively RM0.30 million, mainly due to lower demands during the post COVID-19 period.

Trading of milk powder and other activities

Revenue from the trading of milk powder and other activities segment decreased marginally by RM0.06 million or 1.97% to RM2.98 million for FYE 2023 (FYE 2022: RM3.04 million).

(b) Cost of sales, GP and GP margin

Our cost of sales comprises mainly for the following:

- **Costs of materials consumed**

  Comprise mainly purchases of raw materials such as herbal plant powder and extract as well as plant oil; food ingredients such as excipients, milk powder and fruit and vegetable powder; and packaging materials such as boxes and aluminium foils.

- **Direct labour costs**

  Comprise mainly salaries and allowances, bonuses, sundry wages and Employees' Provident Fund contributions.

- **Factory overheads**

  Comprise mainly depreciation of property, plant and equipment, depreciation of right-of-use assets, utilities expenses, rental of factory and upkeep of factory and equipment.

(i) Analysis of cost of sales by cost component

A breakdown of our cost of sales by cost component for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
Type of cost component	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Costs of materials consumed	14,768	83.12	21,162	83.68	21,593	78.58
Direct labour costs	1,647	9.27	2,356	9.32	3,076	11.19
Factory overheads	1,352	7.61	1,770	7.00	2,810	10.23
Total cost of sales	**17,767**	**100.00**	**25,288**	**100.00**	**27,479**	**100.00**

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our cost of sales increased by RM7.52 million or 42.32% to RM25.29 million (FYE 2021: RM17.77 million). The increase in our cost of sales for FYE 2022 was mainly due to the increase in our costs of materials consumed of RM6.39 million or 43.26% to RM21.16 million for FYE 2022 (FYE 2021: RM14.77 million).

Costs of materials consumed

Our costs of materials consumed increased by RM6.39 million or 43.26% to RM21.16 million for FYE 2022 (FYE 2021: RM14.77 million), mainly attributable to higher materials consumed to meet the higher sales for products, thus increased in tandem with the increased revenue by 46.57%.

Direct labour costs

Our direct labour costs increased by RM0.71 million or 43.03% to RM2.36 million for FYE 2022 (FYE 2021: RM1.65 million), mainly attributable to the following:

(aa) Increase in salaries and allowances by RM0.41 million to RM1.67 million for FYE 2022 (FYE 2021: RM1.26 million), mainly due to annual salary increment and higher staff incentives for FYE 2022; and

(bb) Increase in sundry wages by RM0.24 million to RM0.39 million for FYE 2022 (FYE 2021: RM0.15 million), mainly due to the increase in monthly average part-time workers' headcount from 10 staff for FYE 2021 to 17 staff for FYE 2022 and increase in operation and production hour for part-time workers in order to meet the higher sales for products.

Factory overheads

Our factory overheads increased by RM0.42 million or 31.11% to RM1.77 million for FYE 2022 (FYE 2021: RM1.35 million), mainly attributable to the following:

(aa) Increase in depreciation of property, plant and equipment by RM0.24 million to RM0.81 million for FYE 2022 (FYE 2021: RM0.57 million), mainly due to additional plant and machines purchased during FYE 2022 for Selayang Factory and full-year impact on the depreciation of machines acquired during FYE 2021;

(bb) Increase in the upkeep of factory by RM0.06 million to RM0.19 million for FYE 2022 (FYE 2021: RM0.13 million), mainly due to set up costs for Rented Serendah Factory newly rented from March 2022;

(cc) There was a new rental of Rented Serendah Factory of RM0.05 million for FYE 2022 (FYE 2021: Nil) from March 2022; and

(dd) Increase in transportation charges by RM0.04 million to RM0.11 million for FYE 2022 (FYE 2021: RM0.07 million), which increased in tandem with the growth in our revenue.

<u>Comparison between FYE 2022 and FYE 2023</u>

For FYE 2023, our cost of sales increased by RM2.19 million or 8.66% to RM27.48 million (FYE 2022: RM25.29 million). The increase in total cost of sales for FYE 2023 was mainly due to the increase in our factory overheads of RM1.04 million or 58.76% to RM2.81 million for FYE 2023 (FYE 2022: RM1.77 million), as well as our direct labour costs increased by RM0.72 million or 30.51% to RM3.08 million for FYE 2023 (FYE 2022: RM2.36 million).

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Costs of materials consumed

Our cost of materials consumed increased by RM0.43 million or 2.03% to RM21.59 million for FYE 2023 (FYE 2022: RM21.16 million), mainly attributable to higher materials consumed to meet the higher sales for products, thus increased in tandem with the increased revenue by 6.63%.

Direct labour costs

Our direct labour costs increased by RM0.72 million or 30.51% to RM3.08 million for FYE 2023 (FYE 2022: RM2.36 million), mainly attributable to the increase in salaries and allowances of RM0.70 million to RM2.37 million for FYE 2023 (FYE 2022: RM1.67 million), resulting from the increase in our average monthly staff headcount from 77 staff for FYE 2022 to 111 staff for FYE 2023 and the full-year impact from the increase in the basic salaries from RM1,200 to RM1,500 in compliance with the minimum wages requirements since April 2022. Such an increase was partially offset by the decrease in sundry wages by RM0.11 million to RM0.28 million for FYE 2023 (FYE 2022: RM0.39 million), mainly due to the less reliance on part-time workers as more foreign workers were hired for FYE 2023.

Factory overheads

Our factory overheads increased by RM1.04 million or 58.76% to RM2.81 million for FYE 2023 (FYE 2022: RM1.77 million), mainly attributable to the following:

(aa) Increase in depreciation of property, plant and equipment by RM0.51 million to RM1.32 million for FYE 2023 (FYE 2022: RM0.81 million), primarily due to the additional plant and machines purchased during FYE 2023 for setting up our Rented Serendah Factory and full-year impact on the depreciation of machines acquired during FYE 2022;

(bb) Increase in factory rental of RM0.24 million to RM0.29 million for FYE 2023 (FYE 2022: RM0.05 million) due to the rental paid for our Rented Serendah Factory;

(cc) Increase in depreciation of right-of-use assets by RM0.15 million to RM0.20 million for FYE 2023 (FYE 2022: RM0.05 million), mainly due to the depreciation of our New Serendah Land; and

(dd) Increase in utilities by RM0.13 million to RM0.40 million for FYE 2023 (FYE 2022: RM0.27 million), mainly due to utilities incurred in our Rented Serendah Factory.

(ii) Analysis of cost of sales, GP and GP margin by principal activities

The breakdown of our cost of sales by principal activities for the Financial Years Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of manufacturing services	12,745	71.73	19,312	76.37	21,529	78.35
Sales of house brands products	2,225	12.52	3,150	12.46	3,365	12.24
Trading of milk powder and other activities	2,797	15.75	2,826	11.17	2,585	9.41
Total cost of sales	**17,767**	**100.00**	**25,288**	**100.00**	**27,479**	**100.00**

The breakdown of our GP and GP margin by principal activities for the Financial Years Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
GP	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Provision of manufacturing services	9,743	81.52	13,559	74.21	13,247	69.83
Sales of house brands products	1,864	15.60	4,494	24.60	5,333	28.11
Trading of milk powder and other activities	345	2.88	217	1.19	390	2.06
Total GP	**11,952**	**100.00**	**18,270**	**100.00**	**18,970**	**100.00**
GP margin		**%**		**%**		**%**
Provision of manufacturing services		43.33		41.25		38.09
Sales of house brands products		45.59		58.79		61.31
Trading of milk powder and other activities		10.98		7.13		13.11
Overall GP margin		**40.22**		**41.94**		**40.84**

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our cost of sales increased by RM7.52 million or 42.32% to RM25.29 million (FYE 2021: RM17.77 million), mainly attributable to the higher cost of sales from the provision of manufacturing services segment, which grew in tandem with our revenue growth rate of 46.57%.

Correspondingly, our GP increased by RM6.32 million or 52.89% to RM18.27 million for FYE 2022 (FYE 2021: RM11.95 million), mainly attributable to the increase in GP from the provision of manufacturing services segment.

Our GP margin increased from 40.22% for FYE 2021 to 41.94% for FYE 2022, mainly contributed by the increase in our GP margin from the sales of house brands products segment.

Provision of manufacturing services

The cost of sales for our provision of manufacturing services segment increased by RM6.56 million or 51.45% to RM19.31 million for FYE 2022 (FYE 2021: RM12.75 million), which increased at a rate higher than our revenue growth rate for this segment of 46.15%, mainly attributable to the increase in the cost of raw materials. Thus, our GP margin decreased from 43.33% for FYE 2021 to 41.25% for FYE 2022.

Sales of *house brands products*

The cost of sales for our sales of house brands products segment increased by RM0.92 million or 41.26% to RM3.15 million for FYE 2022 (FYE 2021: RM2.23 million), which increased at a rate lower than our revenue growth for this segment of 86.80%. Thus, our GP margin increased from 45.59% for FYE 2021 to 58.79% for FYE 2022. The higher GP margin for this segment in FYE 2022 was mainly attributable to sales of a new product under *GoHerb*, namely GoHerb Antler Extract, which yielded a better GP margin as it is formulated for the needs of a niche market, hence, our Group is able to price at a higher selling price. Such product was sold directly to the end customers through the appointment of CTG as the marketing agent.

Trading of milk powder and other activities

The cost of sales for our trading of milk powder and other activities segment increased by RM0.03 million or 1.07% to RM2.83 million for FYE 2022 (FYE 2021: RM2.80 million), despite our revenue for this segment decreased by 3.18%, mainly attributable to the decrease in average selling prices of milk powder during FYE 2022. Thus, the GP for our trading of milk powder and other activities segment decreased by RM0.13 million or 37.14% to RM0.22 million for FYE 2022 (FYE 2021: RM0.35 million), and our GP margin decreased from 10.98% for FYE 2021 to 7.13% for FYE 2022.

Comparison between FYE 2022 and FYE 2023

For FYE 2023, our cost of sales increased by RM2.19 million or 8.66% to RM27.48 million (FYE 2022: RM25.29 million), mainly attributable to the higher cost of sales from the provision of manufacturing services segment, which grew at a rate higher than our revenue growth rate of 6.63%.

Our GP increased by RM0.70 million or 3.83% to RM18.97 million for FYE 2023 (FYE 2022: RM18.27 million), mainly attributable to the increase in GP from the sales of house brands products segment, which grew in tandem with our revenue growth.

We recorded a lower GP margin of 40.84% for FYE 2023 (FYE 2022: 41.94%), primarily attributable to a lower GP margin recorded by the provision of manufacturing services segment.

Provision of manufacturing services

The cost of sales for our provision of manufacturing services segment increased by RM2.22 million or 11.50% to RM21.53 million for FYE 2023 (FYE 2022: RM19.31 million), which grew at a rate higher than our revenue growth rate for this segment of 5.81%. Thus, our GP margin decreased from 41.25% for FYE 2022 to 38.09% for FYE 2023. The lower GP margin for this segment in FYE 2023 was mainly attributable to the increase in factory overheads due to the depreciation of property, plant and equipment and right-of-use asset, our New Serendah Land, as well as the rental of Rented Serendah Factory for a full financial year.

Sales of house brands products

The cost of sales for our sales of house brands products segment increased by RM0.22 million or 6.98% to RM3.37 million for FYE 2023 (FYE 2022: RM3.15 million), which increased at a rate lower than our revenue growth for this segment of 13.87%, mainly attributable to the increase in average selling prices of house brand products. Thus, our GP margin for this segment increased from 58.79% for FYE 2022 to 61.31% for FYE 2023.

Trading of milk powder and other activities

The cost of sales for our trading of milk powder and other activities segment decreased by RM0.24 million or 8.48% to RM2.59 million for FYE 2023 (FYE 2022: RM2.83 million), which decreased at a rate higher than the decrease in our revenue for this segment of 1.97%. Thus, our GP margin for this segment increased from 7.13% for FYE 2022 to 13.11% for FYE 2023. The GP margin for this segment in FYE 2023 has improved as a related company, namely Dutch Dairy, has ceased the business of trading of milk powder to manufacturers, and subsequently, in November 2022, Dutch Dairy's end-customers have transacted directly with our Group.

(c) Other income

The breakdown of our other income for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Amortisation of deferred income (1)	214	33.54	-	-	-	-
Realised gain on foreign exchange	57	8.93	88	38.60	15	0.27
Gain on disposal of property, plant and equipment	21	3.29	25	10.96	89	1.61
Gain on disposal of investment properties (2)	-	-	-	-	4,112	74.51
Gain on disposal of right-of-use assets (2)	-	-	-	-	629	11.40
Rental income (3)	114	17.87	112	49.12	35	0.63
Wage subsidy income (4)	227	35.58	-	-	-	-
Compensation for cancellation of sales order	-	-	-	-	608	11.02
Others	5	0.79	3	1.32	31	0.56
Total	**638**	**100.00**	**228**	**100.00**	**5,519**	**100.00**

Notes:

(1) Represents government grants of RM2.14 million approved on 31 March 2014 for the purchase of machinery and laboratory equipment under the modernisation and upgrading of facilities and tools to undertake manufacturing activity, purchase of a new technology patent and related research and development expenditure, and employee training expenditure. Such government grants had been amortised fully in FYE 2021.

(2) The other income includes one-off net gain from the disposal of the following investment properties of RM4.11 million and a right-of-use asset of RM0.63 million:

	FYE 2023 RM'000
Investment properties	
Two pieces of freehold agricultural land located in Rawang, Selangor	3,938
Two pieces of leasehold land together with a factory erected thereon located at Jasin, Melaka	197
Kenanga Wholesale City Unit 1-85	(23)
	4,112
Right-of-use asset	
A piece of leasehold land together with a three-storey factory erected thereon located in Batu Caves, Selangor	629
Total	**4,741**

There were other related expenses of RM0.68 million, which comprised mainly property, plant and equipment written off of RM0.59 million and professional fees of RM0.09 million classified under administrative expenses. After deducting these related expenses, the adjusted net gain is RM4.06 million.

(3) Rental income from investment properties mainly relates to Kenanga Wholesale City Unit 1-85 rented to Dutch Dairy, a related company. The tenancy agreement was not renewed since June 2022 upon its expiry, and Dutch Dairy has ceased its business since 1 November 2022.

(4) Wage subsidy income from the Government of Malaysia during the COVID-19 pandemic to provide financial assistance for company whose operations have been affected by COVID-19 with continuing operations and retaining employees.

Commentary:

Comparison between FYE 2021 and FYE 2022

Our other income decreased by RM0.41 million or 64.06% to RM0.23 million for FYE 2022 (FYE 2021: RM0.64 million) mainly due to no amortisation of deferred income in FYE 2022 (FYE 2021: RM0.21 million) as the government grants had been fully amortised during FYE 2021. In addition, there was no COVID-19 wage subsidy income received from the Government of Malaysia during FYE 2022 (FYE 2021: RM0.23 million).

Comparison between FYE 2022 and FYE 2023

Our other income increased by RM5.29 million or 2,300.00% to RM5.52 million for FYE 2023 (FYE 2022: RM0.23 million) mainly due to the disposal of investment properties of RM4.11 million and a right-of-use asset of RM0.63 million during FYE 2023 (FYE 2022: Nil) and there was a compensation of RM0.61 million received from an existing customer for the cancellation of a sales order during FYE 2023 (FYE 2022: Nil).

(d) Selling and distribution expenses

The breakdown of our selling and distribution expenses for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Advertising expenses	204	56.20	582	29.75	1,464	46.97
Travelling expenses	39	10.74	57	2.91	106	3.40
Commissions	115	31.68	1,303	66.62	1,547	49.63
Others	5	1.38	14	0.72	-	-
Total	**363**	**100.00**	**1,956**	**100.00**	**3,117**	**100.00**

Commentary:

Comparison between FYE 2021 and FYE 2022

Our selling and distribution expenses increased by RM1.60 million or 444.44% to RM1.96 million for FYE 2022 (FYE 2021: RM0.36 million) mainly due to the following:

(i) increase in commissions by RM1.18 million or 983.33% to RM1.30 million for FYE 2022 (FYE 2021: RM0.12 million), which was mainly related to the commissions paid for new products under *GoHerb* through the appointment of CTG as the marketing agent; and

(ii) increase in advertising expenses by RM0.38 million or 190.00% to RM0.58 million for FYE 2022 (FYE 2021: RM0.20 million), mainly due to additional marketing activities to promote our products through advertisement on social media platforms as well as third party e-commerce platforms during FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our selling and distribution expenses increased by RM1.16 million or 59.18% to RM3.12 million for FYE 2023 (FYE 2022: RM1.96 million) mainly due to the following:

(i) increase in commissions by RM0.25 million or 19.23% to RM1.55 million for FYE 2023 (FYE 2022: RM1.30 million), which was mainly attributable to higher commissions paid to CTG for *GoHerb* products during FYE 2023, which increased in tandem with the growth in revenue for such products; and

(ii) increase in advertising expenses by RM0.88 million or 151.72% to RM1.46 million for FYE 2023 (FYE 2022: RM0.58 million), mainly due to more advertising activities through online marketing on social media platforms such as Facebook to market our products during FYE 2023.

(e) Administrative expenses

The breakdown of our administrative expenses for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Staff-related costs	1,471	30.06	1,915	34.11	2,491	29.24
Professional fees	255	5.21	761	13.55	1,957	22.97
Product development expenses [(1)]	941	19.23	795	14.16	861	10.11
Directors' remuneration	484	9.89	511	9.10	634	7.44
Property, plant and equipment written off	-	-	-	-	592	6.95
Repair and maintenance	203	4.15	269	4.79	432	5.07
Depreciation of property, plant and equipment, right-of-use assets and investment properties	565	11.55	505	8.99	521	6.12
Insurance and road tax	106	2.17	108	1.92	185	2.17
Security fees	87	1.78	88	1.57	99	1.16
Utility costs	85	1.74	106	1.89	87	1.02
Gifts and donations	189	3.86	75	1.34	46	0.54
Bad debts written off [(2)]	74	1.51	-	-	15	0.18
Others [(3)]	433	8.85	482	8.58	599	7.03
Total	**4,893**	**100.00**	**5,615**	**100.00**	**8,519**	**100.00**

Notes:

(1) Our product development expenses for the Financial Years Under Review are as set out below:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation of plant and equipment	150	15.94	150	18.87	158	18.35
Staff-related costs	175	18.60	239	30.06	388	45.06
Testing fees	603	64.08	388	48.81	292	33.91
Upkeep of laboratory equipment	13	1.38	18	2.26	23	2.68
Total	**941**	**100.00**	**795**	**100.00**	**861**	**100.00**

(2) Bad debts were written off due to uncollectible long outstanding trade debts.

(3) Comprises mainly rental expenses relating to short-term leases for offices and office equipment, printing and stationery expenses, travelling expenses and sundry expenses, which comprised mainly general office supplies expenses.

Commentary:

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM0.73 million or 14.93% to RM5.62 million for FYE 2022 (FYE 2021 RM4.89 million), mainly due to the following:

(i) increase in professional fees by RM0.50 million or 192.31% to RM0.76 million for FYE 2022 (FYE 2021: RM0.26 million), mainly due to (a) consultation fees for the renovation of our then three-storey terrace factory located in Batu Caves, Selangor for which the said property was subsequently disposed of during FYE 2023; (b) technical advisory fee; (c) consultation fee incurred for internal control improvement incurred during FYE 2022; and (d) higher auditors' remuneration for FYE 2022 as a result of the first adoption of MFRSs; and

(ii) increase in staff-related costs by RM0.45 million or 30.61% to RM1.92 million for FYE 2022 (FYE 2021: RM1.47 million), mainly due to the annual salary increment and increase in average monthly staff headcount from 21 administrative staffs for FYE 2021 to 32 administrative staffs during FYE 2022.

The above increases were partially offset by the following:

(i) our product development expenses decreased by RM0.14 million or 14.89% to RM0.80 million for FYE 2022 (FYE 2021: RM0.94 million), mainly due to the decrease in testing fees by RM0.21 million or 35.00% to RM0.39 million for FYE 2022 (FYE 2021: RM0.60 million), as lower costs incurred for a clinical trial for Bonlife Organic Sacha Inchi Oil 500mg towards the end of the trial as mentioned in Section 7.10.2 of this Prospectus; and

(ii) gifts and donations of RM0.08 million for FYE 2022, mainly contributed by the donation to the British Dietetic Association.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM2.90 million or 51.60% to RM8.52 million for FYE 2023 (FYE 2022 RM5.62 million), mainly due to the following:

(i) increase in professional fees by RM1.20 million or 157.89% to RM1.96 million for FYE 2023 (FYE 2022: RM0.76 million), mainly due to (a) one-off expenses incurred for the Listing of RM1.08 million; and (b) legal fee of RM0.29 million for the purchase of New Serendah Land;

(ii) there were property, plant and equipment written off of RM0.59 million for FYE 2023 (FYE 2022: Nil), which comprised mainly furniture, fittings and office equipment for our then three-storey terrace factory located in Batu Caves, Selangor and renovation costs for our then Kenanga Wholesale City Unit 1-85 disposed of during FYE 2023;

(iii) increase in staff-related costs by RM0.57 million or 29.69% to RM2.49 million for FYE 2023 (FYE 2022: RM1.92 million), mainly due to the increase in our management headcount and salary increments;

(iv) increase in repair and maintenance of RM0.16 million or 59.26% to RM0.43 million for FYE 2023 (FYE 2022: RM0.27 million) mainly for our head office;

(v) increase in directors' remuneration of RM0.12 million or 23.53% to RM0.63 million for FYE 2023 (FYE 2022: RM0.51 million), mainly due to the full-year impact of the remunerations paid to a director who was appointed in December 2021;

(f) Net (impairment loss)/reversal of impairment loss non-financial assets

The breakdown of our net (impairment loss)/reversal of impairment loss on non-financial assets for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Net (impairment loss on)/reversal of impairment loss on investment properties	(28)	100.00	81	100.00	-	-

Commentary:

Our Group will recognise impairment loss on our investment properties in the event that the recoverable amount of the investment properties is lower than the carrying amount. Recoverable amount is the net selling price of the investment properties, that is, the amount obtained from the sales of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The net (impairment loss)/reversal of impairment loss on investment property for FYE 2021 and FYE 2022 was related Kenanga Wholesale City Unit 1-85 that had been disposed of during FYE 2023.

(g) Net impairment loss on receivables

The breakdown of our net impairment loss on receivables for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Net impairment loss on:						
- Trade receivables	95 (1)	13.77	-	-	68 (2)	100.00
- Other receivables	595 (3)	86.23	10	100.00	-	-
Total	**690**	**100.00**	**10**	**100.00**	**68**	**100**

Notes:

(1) Comprises specific impairment losses on individual customers for FYE 2021 in respect of the closure of a customer's store and 3 customers in which our Group had no reasonable expectation in recovering the outstanding amounts. These customers are not our major customers.

(2) For FYE 2023, our Group recognised specific impairment losses for those remaining outstanding overdue trade receivables that exceeded 6 months from the normal credit period.

(3) Comprises impairment loss on deposits for the purchase of machine in which the supplier failed to deliver.

Commentary:

Our Group applies the simplified approach in calculating trade receivables' expected credit losses. Therefore, our Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. Our Group has established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

For other receivables, our Group considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, our Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

(h) Finance income

The breakdown of our finance income for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest income from fixed deposits	9	100.00	5	100.00	9	100.00

Commentary:

Our interest income from fixed deposits for the Financial Years Under Review were fairly consistent.

(i) Finance costs

The breakdown of our finance costs for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
- Bankers' acceptances	50	27.78	81	36.99	61	11.24
- Lease liabilities (1)	30	16.66	13	5.93	32	5.89
- Term loans	100	55.56	125	57.08	450	82.87
- Bank overdraft	*	*	*	*	*	*
Total	**180**	**100.00**	**219**	**100.00**	**543**	**100.00**

Notes:

* Less than RM1,000 and 0.01% of the total finance costs.

(1) Interest on lease liabilities are in relation to motor vehicles purchased under hire purchase arrangements.

Commentary:

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.04 million or 22.22% to RM0.22 million for FYE 2022 (FYE 2021: RM0.18 million), mainly due to (i) the increase in interest expense on bankers' acceptance by RM0.03 million or 60.00% to RM0.08 million for FYE 2022 (FYE 2021: RM0.05 million), as a result of higher drawdown of bankers' acceptance during FYE 2022 as compared to FYE 2021; and (ii) increase in interest expense on term loans by RM0.03 million or 30.00% to RM0.13 million for FYE 2022 (FYE 2021: RM0.10 million), mainly due to additional drawdown of a new term loan to purchase plant and machines.

The above increases were partially offset by the decrease in interest expenses on lease liabilities by RM0.02 million or 66.67% to RM0.01 million for FYE 2022 (FYE 2021: RM0.03 million), mainly due to the full settlement of lease liabilities for a motor vehicle during FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.32 million or 145.45% to RM0.54 million for FYE 2023 (FYE 2022: RM0.22 million), mainly due to the increase in interest expense on term loans by RM0.32 million or 246.15% to RM0.45 million for FYE 2023 (FYE 2022: RM0.13 million), mainly due to additional drawdown of a new term loan to finance the purchase of our New Serendah Land.

(j) Tax expenses

The breakdown of our tax expenses for the Financial Years Under Review is set out below:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Tax expenses (RM'000)	1,734	2,560	2,679
Effective tax rate (%)	26.90	23.74	21.87
Statutory tax rate (%)	24.00	24.00	24.00

Commentary:

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM0.83 million or 47.98% to RM2.56 million for FYE 2022 (FYE 2021: RM1.73 million), mainly due to higher PBT recorded for FYE 2022.

Our effective tax rate of 26.90% for FYE 2021 was higher than the statutory tax rate, mainly attributable to the net effects of the following:

(i) Non-deductible expenses of RM0.90 million, comprised mainly depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million and impairment loss on other receivables of RM0.58 million;

(ii) Underprovision of deferred tax expenses in the prior year of RM0.12 million, primarily related to property, plant and equipment; and

(iii) Non-taxable income of RM0.38 million comprised mainly wage subsidy and amortisation of deferred income for government grants as disclosed in Section 12.3.2(c) of this Prospectus.

Our effective tax rate of 23.74% for FYE 2022 was lower than the statutory tax rate, mainly attributable to the net effect of the following:

(i) Tax savings from the change in tax rates of 17% tax rate on the first RM600,000 chargeable income for those companies with paid-up capital of RM2.50 million or less, and gross business income of not more than RM50.00 million. Those companies do not control, directly or indirectly, another company that has paid-up capital of more than RM2.50 million; and

(ii) Additional tax for non-deductible expenses of RM0.60 million, which comprise mainly professional fees of RM0.31 million and depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM0.12 million or 4.69% to RM2.68 million for FYE 2023 (FYE 2022: RM2.56 million), mainly due to higher PBT recorded for FYE 2023.

Our effective tax rate of 23.74% for FYE 2023 was lower than the statutory tax rate, mainly attributable to the net effect of the following:

(i) Income not subject to tax of RM4.83 million, comprised mainly of gain on disposal of property, plant and equipment of RM0.09 million, gain on disposal of investment properties of RM4.11 million and gain on disposal of right-of-use asset of RM0.63 million;

(ii) Non-deductible expenses of RM3.07 million, which comprise mainly professional fees of RM0.46 million and depreciation of property, plant and equipment, right-of-use assets and investment properties of RM0.57 million, expenses incurred for the Listing of RM1.08 million and property, plant and equipment written off of RM0.57 million; and

(iii) Underprovision of income tax expenses in the prior year of RM0.20 million.

(k) PBT, PBT margin, PAT and PAT margin

The PBT, PBT margin, PAT, and PAT margin for the Financial Years Under Review are set out below:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
PBT (RM'000)	6,445	10,784	12,251
PAT (RM'000)	4,711	8,224	9,572
PBT margin (%)	21.69	24.76	26.38
PAT margin (%)	15.85	18.88	20.61
Adjusted PBT (RM'000) [(1)]	-	-	9,266
Adjusted PAT (RM'000) [(1)]	-	-	6,587
Adjusted PBT margin (%)	-	-	19.95
Adjusted PAT margin (%)	-	-	14.18

Note:

(1) After adjusted for the expenses incurred for our Listing of RM1.08 million, the one-off net gain from the disposal of investment properties and a right-of-use asset of RM4.11 million and RM0.63 million, respectively, and the other expenses related to the said disposals of RM0.68 million.

Commentary:

Comparison between FYE 2021 and FYE 2022

Our PBT increased by RM4.33 million or 67.13% to RM10.78 million for FYE 2022 (FYE 2021: RM6.45 million), mainly due to a higher GP for FYE 2022 as explained in Section 12.3.2(b)(ii) of this Prospectus and a lower impairment loss on receivables for FYE 2022 as explained in Section 12.3.2(g) of this Prospectus. Correspondingly, our PAT increased by RM3.51 million or 74.52% to RM8.22 million for FYE 2022 (FYE 2021: RM4.71 million).

Hence, our PBT margin improved to 24.76% for FYE 2022 (FYE 2021: 21.69%) and our PAT margin improved to 18.88% for FYE 2022 (FYE 2021: 15.85%).

Comparison between FYE 2022 and FYE 2023

Our PBT increased by RM1.47 million or 13.64% to RM12.25 million for FYE 2023 (FYE 2022: RM10.78 million), mainly due to higher GP as explained in Section 12.3.2(b)(ii) of this Prospectus and higher other income as a result of the one-off net gain from the disposal of investment properties and a right-of-use asset as explained in Section 12.3.2(c) of this Prospectus. The said improvement in PBT was partially offset by the following:

(aa) higher selling and distribution expenses resulting from the increase in advertising expenses of RM0.88 million, as explained in Section 12.3.2(d) of this Prospectus; and

(bb) higher administrative expenses, mainly due to the expenses incurred for the Listing of RM1.08 million, increase in staff-related costs of RM0.57 million and property, plant and equipment written off of RM0.59 million, as explained in 12.3.2(e) of this Prospectus.

Correspondingly, our PAT grew by RM1.35 million or 16.42% to RM9.57 million for FYE 2022 (FYE 2021: RM8.22 million).

Hence, our PBT margin improved to 26.38% for FYE 2023 (FYE 2022: 24.76%), despite the lower GP margin as explained in Section 12.3.2(b)(ii) of this Prospectus. Correspondingly, our PAT margin improved to 20.61% for FYE 2023 (FYE 2022: 18.88%).

For illustration purposes, if the expenses incurred for our Listing of RM1.08 million, one-off net gain from the disposal of investment properties and a right-of-use asset of RM4.74 million, and the other expenses related to the said disposals of RM0.68 million are excluded from the PBT for FYE 2023, our Group recorded an adjusted PBT of RM9.27 million for FYE 2023, which represents a decrease of RM1.51 million or 14.00% (FYE 2022: RM10.78 million), mainly due to higher selling and distribution expenses and administrative expenses as explained above. Hence, our Group recorded a lower adjusted PBT margin of 19.95% for FYE 2023 (FYE 2022: 24.76%). Correspondingly, we recorded an adjusted PAT of RM6.59 million for FYE 2023, which represents a decrease of RM1.63 million or 19.83% (FYE 2022: RM8.22 million), and recorded a lower adjusted PAT margin of 14.18% for FYE 2023 (FYE 2022: 18.88%).

12.3.3 Significant factors materially affecting our operations and financial results

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

(a) Impact of price fluctuations of raw materials and food ingredients

Our fortified F&B and dietary supplements are predominantly manufactured using raw materials and food ingredients such as herbal plant powder and extracts, fruit and vegetable powder, and milk powder. As the raw materials and food ingredients that are primarily used in our manufacturing processes are botanical-based products, the prices are subject to price fluctuations due to environmental factors such as the weather, natural disasters, pests and crop diseases, which may affect the supply.

The prices of imported raw materials and food ingredients are subject to price fluctuations due to foreign exchange rate fluctuations and/or supply and demand conditions. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in the cost of raw materials and food ingredients to our customers. Further, the increase in prices may result in our customers seeking alternative suppliers, thus resulting in the loss of sales if we are unable to retain our existing customers or if our prices are no longer adequately competitive to attract new customers.

However, during the Financial Years Under Review, our Group's financial performance was not materially impacted by the price fluctuations in our imported raw materials.

(b) Competition from other industry players and new market entrants

Our Group faces competition from other industry players and new market entrants. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business operations and financial performance. We believe that our Group would be able to stay competitive due to our competitive strengths as outlined in Section 7.13 of this Prospectus.

(c) Our product development activities may not lead to successful commercialisation of our products

Our ability to provide fully customisable manufacturing services to our customers is supported by our in-house capability in product development. In addition, we conduct internal market research to keep abreast with the latest market trends, consumer preferences and updates on the manufacturing technology. Our success and growth depends in part on our ability to be efficient in the manufacturing of our products as well as to continuously enhance and develop new products to meet prevailing market demand. During the Financial Years Under Review, we have incurred RM0.94 million, RM0.80 million and RM0.86 million for FYE 2021, FYE 2022 and FYE 2023 respectively. In the event that we are unable to expand and/or enhance our range of product offerings to meet the changing market demand in a timely manner, or at all, we may be unable to continue growing our revenue, and/or to maintain our market share.

(d) Impact of foreign exchange fluctuation risks

Our Group is exposed to foreign exchange fluctuation risks, particularly for our purchases. For the Financial Years Under Review, our purchases from overseas collectively contributed 41.74%, 38.03% and 27.62% to our Group's total purchases, while the remaining 58.26%, 61.97% and 72.38 are contributed from local purchases. Our purchases such as raw materials (herbal plant powder and extract, plant oil, animal-derived products, amino acid, algae powder), food ingredients (excipients, milk powder, fruit and vegetable powder, nuts, seeds, beans, grains, oats and coffee powder) and packaging materials are sourced from overseas and are denominated in USD, EUR, RMB and AUD.

As at LPD, our Group does not have any outstanding foreign exchange contracts. Moving forward, we may enter into foreign exchange forward contracts with banking institutions to potentially lock in the exchange rates of USD, EUR, RMB and AUD for payments to our suppliers, subject to the amount of the transaction as well as the anticipated foreign currency fluctuation for the foreign currency transaction with suppliers. Notwithstanding that, our purchases are subject to foreign exchange fluctuation risks as a depreciation of RM against any other currencies will lead to higher costs of supplies incurred by our Group. In the event that we are unable to pass the increase in cost to our customers, our financial performance may be adversely affected due to the higher cost of sales.

Further details on the potential impact of foreign exchange fluctuations on our imported raw materials, food ingredients and packaging materials are as set out in Section 9.1.5 of this Prospectus.

(e) Impact of commodity prices

Our fortified F&B and dietary supplements are predominantly manufactured using raw materials such as herbal plant powder and extract as well as plant oil; food ingredients such as excipients, milk powder and fruit and vegetable powder, of which some of them are commodities. The increase in the cost of raw materials and food ingredients would directly impact our cost of sales. During the Financial Years Under Review, the fluctuations in commodities prices did not have any material negative impact on our business operations and financial performance.

There can be no assurance that our financial performance will not be adversely affected by the impact of commodity prices moving forward. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

(f) Impact of inflation

There was no material impact of inflation on our Group's financial performance for the Financial Years Under Review.

However, there can be no assurance that any significant increase in the future inflation rate will not adversely affect our Group's business, financial performance or financial condition.

(g) Impact from government, economic, fiscal or monetary policies of factors on the operations of our Group

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the Financial Years Under Review. There can be no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

(h) Impact of interest rates

Interest coverage ratio measures the number of times a company is able to meet its interest payment obligations with its earnings before interest and tax ("**EBIT**"). Our interest coverage ratio for the Financial Years Under Review is as follows:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Interest coverage ratio (times) [(1)]	36.76	50.22	23.55

Note:

(1) Computed based on EBIT over finance costs for the Financial Years Under Review.

Our interest coverage ratio ranged from 23.55 to 50.22 times for the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest servicing obligations.

Our financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates. However, any significant increase in interest rates would raise the cost of our borrowings and our finance costs, which in turn may have an adverse impact on the financial performance of our Group.

(i) Dependency on necessary licences, approvals and permits

Our business is subject to various laws, rules and regulations. As at LPD, we have obtained the necessary licences, approvals and permits from various regulatory authorities for our business, as set out in Annexure B of this Prospectus.

If we are unable to comply with all regulations or conditions of our licences, approvals and permits, such licences, approvals and permits may be suspended or revoked and this will negatively affect our business operations. There can be no assurance that the introduction of new laws or any changes to the legislations or other future regulatory developments will not have a material adverse effect on our renewal of licences, approvals and permits. Any failure to maintain or renew our major licences, permits and approvals in the future could materially and adversely affect our business operations and financial performance.

12.3.4 Liquidity and capital resources

(a) Working capital

Our working capital is funded by a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our operating activities and our cash and bank balances, while our external funds are mainly from credit terms granted by our suppliers and credit facilities from financial institutions, which comprise term loans to finance the purchase of machines and properties, and our Group's working capital purposes as well as bankers' acceptances for the payments to our raw material suppliers.

The decision to use either internally generated funds or borrowings for our business operations depends on, among others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

As at LPD, our Group has cash and bank balances of RM1.61 million, deposits with licensed banks of RM0.38 million, and available credit facilities of RM40.06 million, of which RM24.86 million has yet to be utilised.

Our Group's working capital requirements are expected to increase in tandem with the expansion of our Group's business. Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available and the estimated net proceeds from our Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

(b) Cash flow

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years Under Review:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Net cash from operating activities	4,244	9,266	5,082
Net cash used in investing activities	(1,578)	(3,969)	(4,745)
Net cash used in financing activities	(2,797)	(2,223)	(1,562)
Net changes in cash and cash equivalents	(131)	3,074	(1,225)
Cash and cash equivalents at the beginning of the financial years	2,738	2,607	5,681
Cash and cash equivalents at the end of the financial years (1)	2,607	5,681	4,456

Note:

(1) Cash and cash equivalents comprise the following as at the end of the respective financial years:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Deposits with licensed banks	480	372	381
Cash and bank balances	2,266	5,451	4,220
As per combined statements of financial position	**2,746**	**5,823**	**4,601**
<u>**Less:**</u>			
Fixed deposits pledged with a licensed bank	(139)	(142)	(145)
As per combined statements of cash flows	**2,607**	**5,681**	**4,456**

Commentary:

Net cash from operating activities

FYE 2021

For FYE 2021, our operating cash flows before working capital changes were RM8.52 million. After adjusting for the following key items, our net cash from our operating activities was RM4.24 million:

(i) increase in inventories of RM1.79 million, mainly due to the increase in our raw material inventory level to prepare for any global supply chain disruption resulting from the COVID-19 pandemic as well as the increase in price of certain raw materials;

(ii) increase in receivables of RM2.70 million, mainly due to the increase in trade receivables of RM3.11 million resulting from higher sales made towards the last quarter of FYE 2021. The said increase was partially offset by the decrease in other receivables of RM0.41 million, mainly due to the following:

(a) decrease in third party receivables of RM0.13 million, mainly contributed to lesser deposits paid for the purchase of raw materials and the repayments of advances to our staff in prior years for their personal use; and

(b) decrease in prepayments of RM0.21 million, mainly due to prepaid expenses incurred for a clinical trial on the efficacy of sacha inchi oil was fully charged out during FYE 2021;

(iii) increase in payables of RM1.88 million, mainly due to the following:

(a) increase in trade payables of RM1.54 million, primarily due to the purchase of additional raw materials to prepare for any global supply chain disruption as a result of the COVID-19 pandemic; and

(b) the increase in other payables of RM0.34 million, primarily attributable to the increase in accruals of RM0.46 million, mainly due to higher accruals of staff-related costs and accrual of factory renovation costs; and

(iv) income tax paid of RM1.67 million.

FYE 2022

For FYE 2022, our operating cash flows before working capital changes were RM12.41 million. After adjusting for the following key items, our net cash from our operating activities was RM9.27 million:

(i) increase in inventories of RM5.77 million, mainly due to the following:

(a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022 as well as the increase in the price of certain raw materials; and

(b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022.

(ii) decrease in receivables of RM1.41 million, mainly due to the decrease in trade receivables by RM1.95 million as our Group had improved collections from our customers during FYE 2022 upon improvement in our credit control monitoring process by following up closely on the collections via calls and emails with our customers. The said decrease was partially offset by the increase in other receivables of RM0.54 million, mainly attributable to the following:

(a) increase in deposits of RM0.37 million, mainly due to deposits paid for the purchase of machines for our Rented Serendah Factory, renovation costs for our Rented Serendah Factory and rental and utility deposits for our Rented Serendah Factory; and

(b) increase in third party receivables of RM0.16 million, mainly due to more deposits paid for the purchase of raw materials;

(iii) increase in payables of RM3.78 million, mainly attributable to the following:

(a) increase in trade payables of RM0.94 million, mainly due to higher raw materials purchased from a major supplier towards the end of FYE 2022; and

(b) increase in other payables of RM2.84 million, mainly attributable to deposit received from a customer for the purchase of our products, an amount payable for the purchase of machines and commissions payable to our marketing agent; and

(iv) income tax paid of RM2.57 million.

FYE 2023

For FYE 2023, our operating cash flows before working capital changes were RM10.94 million. After adjusting for the following key items, our net cash from our operating activities was RM5.08 million:

(i) decrease in inventories of RM2.17 million, mainly due to the following:

(a) lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and

(b) lower work-in-progress and finished goods at the end of FYE 2023 as compared to FYE 2022, primarily due to lesser orders received from our customers towards the end of FYE 2023 as compared to FYE 2022;

(ii) increase in receivables of RM0.90 million, mainly due to the following:

(a) increase in trade receivables of RM0.40 million, mainly due to higher sales made towards the end of FYE 2023; and

(b) increase in other receivables of RM0.50 million, mainly attributable to the deposits paid for the purchase of machines for our Rented Serendah Factory and deposits paid for the construction of our New Serendah Factory.

(iii) decrease in payables of RM4.24 million, mainly attributable to the following:

(a) decrease in trade payables of RM1.85 million, mainly due to lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and

(b) decrease in other payables of RM2.39 million, mainly attributable to the decrease in non-trade payables of RM2.09 million, mainly due to lower deposits received from our customers for the purchase of our products during FYE 2023 and the decrease in accruals of RM0.29 million, mainly due to less accrued staff-related costs as most of the staff-related costs were paid during FYE 2023.

(iv) income tax paid of RM2.96 million; and

(v) income tax refunded from the Inland Revenue Board of RM0.07 million.

Net cash used in investing activities

FYE 2021

For FYE 2021, our Group recorded net cash used in investing activities of RM1.58 million. This was mainly attributed to the following:

(i) cash payments for the purchase of additional property, plant and equipment of RM1.67 million, which comprised plant and machines of RM0.95 million and furniture, fittings and office equipment of RM0.72 million for our business operations; and

(ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.02 million.

The above cash outflows were partially offset by the repayment from a Director of RM0.06 million, the proceeds from the disposal of motor vehicles of RM0.02 million, repayments from companies in which certain Directors have interests of RM0.03 million and interest received from fixed deposits of RM0.01 million.

FYE 2022

For FYE 2022, our Group recorded net cash used in investing activities of RM3.97 million. This was mainly attributed to the following:

(i) cash payments for the purchase of additional property, plant and equipment of RM2.97 million, which comprised mainly plant and machines of RM2.13 million, furniture, fittings and office equipment of RM0.63 million and motor vehicles of RM0.21 million for our business operations; and

(ii) cash payments for additional right-of-use assets of RM1.38 million, which the advance payment our New Serendah Land of RM1.35 million and motor vehicles of RM0.03 million.

The above increases were partially offset by the net repayments from companies in which certain Directors have interests of RM0.35 million and the proceeds from the disposal of property, plant and equipment of RM0.02 million, which comprised motor vehicles and plant and machinery.

FYE 2023

For FYE 2023, our Group recorded net cash used in investing activities of RM4.74 million. This was mainly attributed to the following:

(i) cash payments for the purchase of additional property, plant and equipment of RM3.00 million, which comprised plant and machinery of RM1.48 million, furniture, fittings and office equipment of RM0.82 million and motor vehicles of RM0.70 million for our business operations;

(ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.09 million; and

(iii) repayment for the outstanding balance for the purchase of our New Serendah Land of RM12.13 million.

The above increases were partially offset by the following:

(i) proceeds from the disposal of property, plant and equipment of RM0.17 million, which comprised motor vehicles, plant and machines;

(ii) proceeds from the disposal of investment properties of RM9.25 million, which comprised freehold land and building, and leasehold land; and

(iii) proceeds from the disposal of right-of-use assets of RM1.05 million, which comprised a leasehold building.

Net cash used in financing activities

FYE 2021

For FYE 2021, our Group recorded net cash used in financing activities of RM2.80 million, mainly due to the following:

(i) dividends paid to shareholders of RM4.35 million;

(ii) net drawdowns of bankers' acceptances of RM1.95 million for payments to the suppliers;

(iii) drawdowns of a term loan of RM1.00 million for working capital purposes;

(iv) repayments of term loans of RM0.20 million;

(v) repayments of lease liabilities of RM0.58 million for the purchase of motor vehicles under hire purchase arrangements;

(vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.18 million;

(vii) advances from a Director of RM0.27 million for our Group's working capital purposes; and

(viii) repayments to companies in which certain Directors have interests of RM0.71 million.

FYE 2022

For FYE 2022, our Group recorded net cash used in financing activities of RM2.22 million, mainly due to the following:

(i) dividends paid to shareholders of RM1.20 million;

(ii) net repayments of bankers' acceptances of RM1.15 million;

(iii) drawdowns of a term loan of RM1.01 million for the purchase of plant and machinery;

(iv) repayments of term loans of RM0.36 million;

(v) repayments of lease liabilities of RM0.14 million for the purchase of motor vehicles under hire purchase arrangements;

(vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.22 million;

(vii) repayments to a director of RM0.22 million for advances as our Group's working capital purposes; and

(viii) advances from companies in which certain Directors have interests of RM0.04 million.

FYE 2023

For FYE 2023, our Group recorded net cash used in financing activities of RM1.56 million, mainly due to the following:

(i) dividends paid to shareholders of RM9.89 million;

(ii) net repayments of bankers' acceptances of RM0.72 million;

(iii) drawdowns of a term loan of RM12.10 million for the purchase of our New Serendah Land;

(iv) repayments of term loans of RM2.07 million;

(v) repayments of lease liabilities of RM0.25 million for the purchase of motor vehicles under hire purchase arrangements;

(vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.54 million;

(vii) full repayment to a director of RM0.09 million for advances to our Group's working capital purposes; and

(viii) repayments to company in which certain directors have interests of RM0.10 million.

12.3.5 Borrowings

As at 31 May 2023, our total outstanding borrowings amounted to RM14.30 million, which consists of term loans, bankers' acceptances and lease liabilities, can be analysed further as follows:

Type of borrowings	Purpose	Tenure	Effective interest rates (per annum)	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans	To finance the acquisition of property, plant and equipment, New Serendah Land and for our Group's working capital purposes	3 years – 20 years	4.51% – 5.88%	1,185	11,643	12,828
Bankers' acceptance	Payments to our suppliers	120 days	3.95% – 5.30%	1,324	-	1,324
Lease liabilities owing to financial institutions	To finance the acquisition of right-of-use assets (motor vehicles via hire purchase arrangements)	3 years – 5 years	3.97% – 7.18%	37	113	150
Total borrowings				**2,546**	**11,756**	**14,302**
Gearing ratio as at 31 May 2023 (times) (1)						0.53

Note:

(1) Computed based on total borrowings of RM14.30 million over our pro forma total equity (after the Acquisitions but before our Public Issue and use of proceeds) as at 31 May 2023 of RM26.80 million.

As at LPD, all our bank borrowings are secured (except for certain term loans to non-financial institutions), interest-bearing and denominated in RM. Our credit facilities are secured by the following:

(a) legal charges over our certain properties;

(b) pledged of fixed deposits of our Group; and

(c) joint and severally guarantees by our Directors.

We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

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

12.3.6 Type of financial instruments used

As at LPD, save for bank borrowings as disclosed in Section 12.3.5 of this Prospectus and foreign exchange forward contracts, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group, which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, and trade and other receivables, as well as financial liabilities such as borrowings, lease liabilities and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at LPD, our Group does not have any outstanding foreign exchange contracts. Moving forward, we may enter into foreign exchange forward contracts with banking institutions to potentially lock in the exchange rates for USD, EUR, RMB and AUD for payments to our suppliers, subject to the amount of the transaction as well as the anticipated foreign currency fluctuation for the foreign currency transaction with suppliers.

12.3.7 Treasury policies and objectives

We finance our operations through a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our operating activities and our cash and ban balances, while our external source of funds are mainly from credit terms granted by our suppliers and credit facilities from financial institutions, which comprise term loans to finance the purchase of properties and machines and our Group's working capital purposes as well as bankers' acceptances to finance the payments to our raw material suppliers.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manage its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

12.3.8 Material commitment

Save as disclosed below, as at LPD, our Board confirmed that there is no other material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group:

	RM'000
Approved and not contracted for	
Construction of New Serendah Factory (1)	16,624
Machines (2)	259
	16,883

Notes:

(1) We expect to finance these capital expenditures through the IPO proceeds, term loan and/or internally generated funds.

(2) We expect to finance these capital expenditures through the bank borrowings and/or internally generated funds.

12.3.9 Material contingent liabilities

Save as disclosed below, as at LPD, our Board confirms that there is no other material contingent liabilities, which upon becoming enforceable, may have a material impact on the financial position of our Group:

	Amount RM'000
Unsecured	
Corporate guarantee given to banks for credit facilities granted to Special Gain Sdn Bhd by Orient Biotech	635

In respect of the above, Hong Leong Bank Berhad had on 9 October 2023 irrevocably and unconditionally discharged and released Orient Biotech from the said corporate guarantee.

12.3.10 Material litigation

As at LPD, our Group is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material and/or adverse effect on the financial position or business of our Group.

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12.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
Average trade receivables turnover period (days)	57	43	34
Average trade payables turnover period (days)	41	50	41
Average inventories turnover period (days)	141	164	190
Current ratio (times)	2.00	1.02	3.46
Gearing ratio (times)	0.28	0.19	0.53

Trade receivables

A summary of our trade receivables for the Financial Years Under Review is as follows:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Revenue	29,719	43,558	46,449
Average trade receivables (1)	4,623	5,121	4,306
Average trade receivables turnover period (days) (2)	**57**	**43**	**34**

Notes:

(1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables net of impairment loss of the respective financial years.

(2) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

The credit periods granted to our customers range from cash term to 90 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by considering various factors such as the business relationship with our customers, the customers' payment histories and creditworthiness as well as transaction volume, while new customers are subject to our credit verification and assessment process.

Our Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk, and customers who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate the risk of bad debts.

In respect of trade receivables, our Group has no significant concentration of credit risk with any single counterparty or any group of counterparties having similar characteristics, except for 3 trade receivables for FYE 2023 (FYE 2022: 2 and FYE 2021: 1) in which all are our major customers, representing 47.45% (FYE 2022: 37.12% and FYE 2021: 53.55%) of our Group's trade receivables for FYE 2023.

Our Group continuously monitors the credit standing of our customers, identified either individually or by group, and incorporates this information into our credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used.

Our Group applies the simplified approach under MFRS 9 to measure expected credit losses, which uses lifetime expected credit losses for all trade receivables. Our Group evaluates the credit losses on a case-by-case basis. Our Group assesses the expected loss rates based on historical payment profiles of our trade receivables and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the financial capability of the debtor and default or significant delay in payments. No significant changes to estimation techniques or assumptions were made during the reporting period.

Our Group assesses whether any trade receivables are credit impaired at each reporting date. The gross carrying amounts of credit-impaired trade receivables are written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Our Group generally will write off the debtor, which our Group determines the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount owing to our Group.

Our average trade receivables turnover periods for the Financial Years Under Review are within the credit period granted to our customers, which range from 34 days to 57 days.

Our average trade receivables turnover period decreased from 57 days for FYE 2021 to 43 days for FYE 2022, mainly due to lower trade receivables as at the end of FYE 2022 as a result of the improved collections from our customers during FYE 2022 resulting from the improvement in our credit control monitoring process.

Our trade receivables increased by RM0.32 million as at the end of FYE 2023. However, our average trade receivables turnover period decreased from 43 days for FYE 2022 to 34 days for FYE 2023, mainly attributable to the improved collections from our customers resulting from our continuous effort to improve our credit control monitoring process.

As at 31 May 2023, the trade receivables of our Group amounted to RM4.47 million, the ageing analysis in respect of trade receivables are analysed as follows:

		<------Exceed credit period by------->			
	Within credit period	**1 – 30 days**	**31 – 60 days**	**More than 60 days**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade receivables	2,028	1,742	291	567	4,628
Less: Impairment losses	-	-	-	(163)	(163)
Net trade receivables	2,028	1,742	291	404	4,465
% of total trade receivables	45.42	39.01	6.52	9.05	100.00
Subsequent collections up to LPD	1,298	1,707	271	361	3,637
Outstanding net trade receivables	730	35	20	43	828

Up to the LPD, we have collected RM3.64 million or 81.43% of the total net trade receivables outstanding as at 31 May 2023. The remaining balances of RM0.83 million have yet to be collected as at LPD, of which RM0.10 million have exceeded the credit period.

Subsequent to the LPD, out of RM0.83 million trade receivables, our Group has collected RM0.51 million.

We are of the view that we are able to collect the majority of the outstanding amount after taking into consideration these customers' credentials, payment track record as well as our relationship with them. Our customers have generally been paying within the credit period granted. Our Group has not encountered any major disputes with our trade debtors.

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on our dealings with the customers.

Our net impairment loss on trade receivables for the Financial Years Under Review are as follows:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Net impairment loss on trade receivables	95 (1)	-	68 (2)

Notes:

(1) Comprises specific impairment losses on individual customers for FYE 2021 in respect of the closure of a customer's store and 3 customers in which our Group had no reasonable expectation in recovering the outstanding amounts. These customers are not our major customers.

(2) For FYE 2023, our Group recognised specific impairment losses for those remaining outstanding overdue trade receivables that exceeded 6 months from the normal credit period.

<u>Trade payables</u>

A summary of our trade payables for the Financial Years Under Review is as follows:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Cost of materials consumed	14,768	21,162	21,593
Average trade payables (1)	1,672	2,909	2,455
Average trade payables turnover period (days) (2)	**41**	**50**	**41**

Notes:

(1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years.

(2) Computed based on average trade payables of the respective financial years over the cost of materials consumed of the respective financial years, multiplied by 365 days.

The normal credit periods extended by our suppliers range from 30 days to 90 days.

Our average trade payables turnover periods for the Financial Years Under Review range from 41 days to 50 days, which were within the credit period extended by our suppliers to us. It is our practice to make prompt payments to our suppliers in order to obtain the supplies at more favourable terms and pricing.

Our average trade payables turnover period increased from 41 days for FYE 2021 to 50 days for FYE 2022, mainly due to increase in trade payables as higher raw materials purchased from a major supplier towards the end of FYE 2022.

Our average trade payables turnover period decreased from 50 days for FYE 2022 to 41 days for FYE 2023, mainly due to the decrease in trade payables as lower raw materials were purchased towards the last quarter of FYE 2023 as compared to FYE 2022.

As at 31 May 2023, the trade payables of our Group amounted to RM1.53 million, the ageing of which are analysed as follows:

		<------Exceed credit period by------->			
	Within credit period	**1 – 30 days**	**31 – 60 days**	**More than 60 days**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trade payables	719	672	124	16	1,531
% of total trade payables	46.96	43.89	8.10	1.05	100.0
Subsequent payments up to the LPD	719	671	122	19	1,531
Outstanding trade payables	-	*	*	-	*

Note:

* Less than RM2,000.

Up to the LPD, we have insignificant outstanding trade payables. As at the LPD, there is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the Financial Years Under Review.

Inventories

A summary of our inventories for the Financial Years Under Review is as follows:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Cost of materials consumed	14,768	21,162	21,593
Average inventories (1)	5,719	9,500	11,244
Average inventories turnover period (days) (2)	**141**	**164**	**190**

Notes:

(1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years.

(2) Computed based on average inventories of the respective financial years over the cost of materials consumed of the respective financial years, multiplied by 365 days.

Our inventories comprise the following:

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Raw materials (1)	5,020	9,073	8,397
Work-in-progress (2)	701	1,222	293
Finished goods (3)	895	2,088	1,414
Total inventories	**6,616**	**12,383**	**10,104**

Notes:

(1) Raw materials consist mainly herbal plant powder and extract as well as plant oil. Raw materials also include food ingredients such as excipients, milk powder, and fruit and vegetable powder, and packaging materials such as boxes and aluminium foils. The shelf lives of raw materials range from 1 year to 3 years.

(2) Work-in-progress inventories are partially completed materials within the manufacturing cycle.

(3) Finished goods consist of goods that have completed the manufacturing process and yet to be sold or distributed to the customers.

Our inventories are determined using the first-in first-out method and stated at the lower of cost and net realisable value. Due to the nature of our business, it is important for us to maintain a certain level of inventories to ensure the availability of stocks and varieties of products to meet our customers' demand and delivery lead time requirements.

The average inventories turnover period of the Group is typically 150 - 180 days (or 5 - 6 months). This has taken into account the lead time for the delivery of the materials, particularly, the custom's clearance of the materials.

Our average inventories turnover period had increased from 141 days for FYE 2021 to 164 days for FYE 2022, mainly due to the following:

(a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022; and

(b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022.

Our average inventories turnover period had increased from 164 days for FYE 2022 to 190 days for FYE 2023. We did not record any material changes in the cost of materials consumed for FYE 2023. However, despite inventories had decreased by RM2.28 million, our average inventories turnover period increased from 164 days for FYE 2022 to 190 days for FYE 2023, mainly due to higher average inventories balances for FYE 2023 as a result of higher raw material purchased and higher finished goods maintained at the end of FYE 2022 which were carried forward to FYE 2023 and consumed during the FYE 2023.

We perform full physical stock count quarterly to identify inconsistency in terms of quantity to the inventory system. Approval is needed from the authorised management level to replenish our inventories and write off slow-moving inventories, if any.

Damaged and/or non-sellable inventories are written-off in accordance to our inventory management policy. Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Our inventories written down/written off for the Financial Years Under Review are as follows:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Written down of inventories(1)	-	-	35
Written off of inventories	-	-	76

Notes:

(1) Written down of inventories was mainly in relation to raw materials which are going to be expired.

(2) Written off of inventories was mainly in relation to expired raw materials.

As at LPD, we are of the opinion that there is no material impairment on inventories.

Current ratio

A summary of our current ratio for the Financial Years Under Review is set out below:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Current assets	16,486	23,496	20,917
Current liabilities	8,235	22,984	6,047
Current ratio (times)	**2.00**	**1.02**	**3.46**

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the Financial Years Under Review ranging between 1.02 times and 3.46 times.

Our current ratio decreased from 2.00 times as at 31 May 2021 to 1.02 times as at 31 May 2022, mainly attributable to the following:

(i) decrease in trade receivables of RM1.95 million, mainly due to improved collections from our customers during FYE 2022 resulting from the improvement in our credit control monitoring process; and

(ii) increase in other payables of RM14.81 million, mainly attributable to the outstanding balances for the purchase our New Serendah Land, a deposit received from a customer for the purchase of our products, amount payable for the purchase of machines and commission payables to our marketing agent.

The above contributed to the decrease in our current ratio as at 31 May 2022, and were partially offset by the following:

(i) increase in inventories of RM5.77 million, mainly due to the following:

(a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022; and

(b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022; and

(ii) increase in cash and bank balances of RM3.19 million, mainly due to the internally generated funds contributed by our business growth.

Our current ratio increased from 1.02 times as at 31 May 2022 to 3.46 times as at 31 May 2023, mainly attributable to the following:

(i) decrease in trade payables of RM1.85 million, mainly due to lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and

(ii) decrease in other payables of RM14.71 million, mainly attributable to the repayment of outstanding balances for our New Serendah Land, lower deposits received from our customers during FYE 2023 and less accrued staff-related costs as most of the staff-related costs were paid during FYE 2023.

The above contributed to the increase in our current ratio as at 31 May 2023, and were partially offset by the following:

(i) decrease in inventories of RM2.28 million, mainly due to the following:

(a) lower raw materials, mainly due to lesser raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022;

(b) lower work-in-progress and finished goods at the end of FYE 2023 as compared to FYE 2022, primarily due to lesser orders received from our customers towards the end of FYE 2023 as compared to FYE 2022; and

(ii) decrease in cash and bank balances of RM1.23 million, mainly due to repayment of term loans, bankers' acceptance and lease liabilities for hire purchase of motor vehicles as well as purchase of property, plant and equipment, which comprised mainly plant and machinery, furniture, fittings and office equipment and motor vehicles. Such payments were partially offset by the internally generated funds contributed by our business growth.

<u>**Gearing ratio**</u>

A summary of our gearing ratio for the Financial Years Under Review is set out below:

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Total borrowings (1)	5,636	5,081	14,302
Total equity	20,097	27,121	26,804
Gearing ratio (times)	**0.28**	**0.19**	**0.53**

Note:

(1) Consists of term loans, bankers' acceptances and lease liabilities.

	Audited		
	FYE 2021 RM'000	**FYE 2022 RM'000**	**FYE 2023 RM'000**
Term loans	2,141	2,799	12,828
Bankers' acceptances	3,185	2,040	1,324
Lease liabilities	310	242	150
Total borrowings	5,636	5,081	14,302

Our gearing ratio had improved from 0.28 times as at 31 May 2021 to 0.19 times as at 31 May 2022 mainly attributable to the decrease in borrowings of RM0.56 million, mainly due to the net repayments of bankers' acceptance of RM1.15 million and the net drawdowns of a term loan of RM0.66 million. In addition, the increase in total equity of RM7.02 million as a result of the increase in our Group's retained earnings for FYE 2022.

Our gearing ratio had increased from 0.19 times as at 31 May 2022 to 0.53 times as at 31 May 2023 mainly attributable to the increase in borrowings of RM9.22 million as a result of net drawdowns of a term loan of RM10.03 million to finance the purchase of our New Serendah Land and net repayments of bankers' acceptance of RM0.72 million. We intend to construct New Serendah Factory in our New Serendah Land to improve manufacturing efficiency and to cater for increasing demand in anticipation of future expansion. Please refer to Section 7.14.1 of the Prospectus for further details on our New Serendah Land. In addition, the decrease in total equity of RM0.32 million, mainly due to dividend of RM9.89 million was declared in FYE 2023, which was partially offset by the PAT of RM9.57 million in FYE 2023.

12.5 TREND INFORMATION

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

(a) known trends, demands, commitments, events or uncertainties that have had or that our Group reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this Section and in Sections 7 and 9 of this Prospectus;

(b) material commitment for capital expenditure save as disclosed in Section 12.3.8 of this Prospectus;

(c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus;

(d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus; and

(e) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus.

12.6 ORDER BOOK

We do not have any long-term contracts with our customers as our sales are transacted based on purchase orders from our customers on an ongoing basis. Due to the nature of our business, our Group does not maintain an order book.

12.7 SIGNIFICANT CHANGES

Save as disclosed in this Prospectus, there are no significant changes that have occurred which may have a material effect on our financial position and results subsequent to FYE 2023 and up to the LPD.

12.8 DIVIDEND POLICY

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

Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

(i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) our Company is solvent as the Act requires;

(v) any material impact of tax laws and other regulatory requirements;

(vi) the construction costs for our New Serendah Factory as part of our Group's business expansion plan; and

(vii) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or the timing of any dividends to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. Save for certain financial covenants which our subsidiaries are subject to, there is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividends for the year.

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

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

(i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

12. FINANCIAL INFORMATION (CONT'D)

As at LPD, our Company has no intention to declare further dividends prior to the Listing. The dividends declared and paid for the Financial Years Under Review up to the LPD are as follows:

	FYE 2021	FYE 2022	FYE 2023	1 June 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Dividends declared	4,350	1,200	9,890	-
Dividends paid	4,350	1,200	9,890	-
PAT	4,711	8,224	9,572	N/A
Dividend payout rate (%) (1)	92.34	14.59	103.32	N/A

Notes:

N/A No dividend has been declared from 1 June 2023 up to the LPD.

(1) Computed based on dividends declared over the PAT of the respective financial years/period.

The dividends above were funded by internal funds sourced from the cash and bank balances of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

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OB HOLDINGS BERHAD
(Registration No.: 202301020810 (1514732-P))
(Incorporated in Malaysia)

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023
(Prepared for inclusion in the Prospectus)

Date: 3 October 2023

The Board of Directors
OB Holdings Berhad
No. 37, Jalan PS 3
Taman Industri Prima Selayang
68100 Batu Caves
Selangor Darul Ehsan

Dear Sirs,

**OB HOLDINGS BERHAD ("THE COMPANY" OR "OB HOLDINGS")
REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023**

We have completed our assurance engagement to report on the compilation of the Pro Forma Combined Statements of Financial Position of the Company and its subsidiaries (collectively known as "the combining entities" or "the Group") as at 31 May 2023 together with the notes and assumptions thereto (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position have been compiled and prepared by the Directors of the Company ("Directors") for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing")

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 31 May 2023. As part of this process, information about the combining entities' combined financial position has been extracted by the Directors from the audited combined statements of financial position of the combining entities as at 31 May 2023.

GrantThornton

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Directors is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis as set out in the notes thereon to the Pro Forma Combined Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

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

GrantThornton

Reporting Accountants' Responsibility (cont'd)

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

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on our judgement, having regard to our understanding of the nature of the combining entities, the event or transaction in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

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

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

Opinion

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

GrantThornton

Other Matter

This report has been prepared solely for purpose of inclusion in the Prospectus of OB Holdings Berhad in connection with the Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

FOO LEE MENG
(NO: 03069/07/2025(J))
CHARTERED ACCOUNTANT

Kuala Lumpur

OB HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023

The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 May 2023, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position.

	Note	Statement of Financial Position as at Date of Incorporation RM	Adjustments for Acquisitions RM	Pro Forma I After Acquisitions RM	Adjustments for Public Issue RM	Pro Forma II After Public Issue RM	Adjustments for After Utilisation of Proceeds from IPO RM	Pro Forma III After Utilisation of Proceeds from IPO RM
ASSETS								
Non-current assets								
Property, plant and equipment	4.01	-	6,614,310	6,614,310	-	6,614,310	[*]	[*]
Right-of-use assets	4.02	-	17,178,087	17,178,087	-	17,178,087	[*]	[*]
Investment properties	4.03	-	220,109	220,109	-	220,109	-	220,109
Intangible assets	4.04	-	1	1	-	1	-	1
Other receivables	4.05	-	17,990	17,990	-	17,990	-	17,990
Total non-current assets		-	24,030,497	24,030,497	-	24,030,497	[*]	[*]
Current assets								
Inventories	4.06	-	10,103,856	10,103,856	-	10,103,856	-	10,103,856
Trade receivables	4.07	-	4,465,473	4,465,473	-	4,465,473	-	4,465,473
Other receivables	4.05	-	1,567,924	1,567,924	-	1,567,924	-	1,567,924
Tax recoverable	4.08	-	177,494	177,494	-	177,494	-	177,494
Deposits with licensed banks	4.09	-	381,379	381,379	-	381,379	-	381,379
Cash and bank balances	4.10	1,000	4,220,012	4,221,012	[*]	[*]	[*]	[*]
Total current assets		1,000	20,916,138	20,917,138	[*]	[*]	[*]	[*]
Total assets		1,000	44,946,635	44,947,635	[*]	[*]	[*]	[*]

OB HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 May 2023, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position (cont'd).

				Pro Forma I		Pro Forma II		Pro Forma III
	Note	Statement of Financial Position as at Date of Incorporation	Adjustments for Acquisitions	After Acquisitions	Adjustments for Public Issue	After Public Issue	Adjustments for After Utilisation of Proceeds from IPO	After Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES								
EQUITY								
Equity attributable to owners of parent:-								
Share capital	4.11	1,000	27,162,600	27,163,600	[*]	[*]	[*]	[*]
Retained earnings	4.12	-	25,403,630	25,403,630	-	25,403,630	[*]	[*]
Merger reserve	2	-	(25,762,600)	(25,762,600)	-	(25,762,600)	-	(25,762,600)
Total equity		1,000	26,803,630	26,804,630	[*]	[*]	[*]	[*]
LIABILITIES								
Non-current liabilities								
Deferred tax liabilities	4.13	-	340,119	340,119	-	340,119	-	340,119
Borrowings	4.14	-	11,643,493	11,643,493	-	11,643,493	[*]	[*]
Lease liabilities	4.15	-	112,771	112,771	-	112,771	-	112,771
Total non-current liabilities		-	12,096,383	12,096,383	-	12,096,383	[*]	[*]

OB HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2023 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 May 2023, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position (cont'd).

				Pro Forma I		Pro Forma II		Pro Forma III
	Note	Statement of Financial Position as at Date of Incorporation	Adjustments for Acquisitions	After Acquisitions	Adjustments for Public Issue	After Public Issue	Adjustments for After Utilisation of Proceeds from IPO	After Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM	RM	RM
EQUITY AND LIABILITIES (CONT'D)								
LIABILITIES (CONT'D)								
Current liabilities								
Trade payables	4.16	-	1,530,858	1,530,858	-	1,530,858	-	1,530,858
Other payables	4.17	-	1,547,105	1,547,105	-	1,547,105	-	1,547,105
Lease liabilities	4.15	-	37,039	37,039	-	37,039	-	37,039
Borrowings	4.14	-	2,508,856	2,508,856	-	2,508,856	-	2,508,856
Tax payable	4.18	-	422,764	422,764	-	422,764	-	422,764
Total current liabilities		-	6,046,622	6,046,622	-	6,046,622	-	6,046,622
Total liabilities		-	18,143,005	18,143,005	-	18,143,005	[*]	[*]
Total equity and liabilities		1,000	44,946,635	44,947,635	[*]	[*]	[*]	[*]
Issued ordinary share capital (Unit)	4.11	1,000	271,626,000	271,627,000	120,000,000	391,627,000	-	391,627,000
Net assets per share (RM)		1.00		0.10		[*]		[*]
Borrowings (RM)		-		14,302,159		14,302,159		[*]
Gearing ratio (times)		-		0.53		[*]		[*]

OB HOLDINGS BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023

1. GENERAL INFORMATION

OB Holdings Sdn Bhd ("Company" or "OB") was incorporated on 1 June 2023 as a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The Company has converted to public limited liability company on 21 August 2023.

The principal place of business of the Company is located at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor Darul Ehsan.

2. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position as at 31 May 2023 together with the notes thereon, for which the Directors are solely responsible, has been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are as described below. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Position have been prepared based on the audited Combine Financial Statements of the Group for the financial year ended 31 May 2023, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the statements of financial position and accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 3.

OB HOLDINGS BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

The Pro Forma Combined Statements of Financial Position are combined using the merger method as these companies are under the common control by the same party both before and after the acquisition of Bonlife (M) Sdn. Bhd. ("Bonlife"), Orient Biotech Sdn. Bhd. ("Orient Biotech"), and Orient Laboratories Sdn. Bhd. ("Orient Laboratories"). Under merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisitions of Bonlife, Orient Biotech, and Orient Laboratories and Bonlife) and the share capital of Orient Biotech, Orient Laboratories and Bonlife is accounted for as merger reserve, computed as follows:-

	RM
Consideration for the acquisitions of Orient Biotech, Orient Laboratories and Bonlife	[*]
Less: Issued share capital of 1,400,000 as at 31 May 2023	[*]
Merger reserve	[*]

Bonlife, Orient Biotech, and Orient Laboratories are regarded as continuing entities resulting from the reorganisation exercise because the management of Bonlife, Orient Biotech, and Orient Laboratories, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

The auditors' report dated 3 October 2023 on audited combined financial statements of the Group for the financial year ended 31 May 2023 were reported by the auditors to the shareholders without modification.

The Pro Forma Combined Statements of Financial Position is not necessary indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates. The Pro Forma Combined Statements of Financial Position have been prepared for illustrative purposes only.

3. LISTING SCHEME

(i) Pro Forma I: Acquisitions

The Acquisitions entails acquiring the entire equity interest of Bonlife, Orient Biotech, and Orient Laboratories, for a total purchase consideration of RM[*] satisfied via the issuance of 271,626,000 new OB Holdings shares at an issue price of RM[*] per share based on the total net assets of Bonlife, Orient Biotech, and Orient Laboratories as at 31 May 2023. The acquisition was completed on ________.

OB HOLDINGS BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

3. **LISTING SCHEME (CONT'D)**

(ii) **Pro Forma II: Public Issue**

(a) **Proposed Public Issue**

The Public Issue involves a public issue of 120,000,000 new ordinary shares in OB Holdings Berhad at an indicative issue price of RM[*] per share and shall be allocated in the following manner:

- 19,582,000 Issue Shares, representing 5.00% of the enlarged share capital are made available for application by the Malaysian Public;
- 7,833,000 Issue Shares, representing 2.00% of the enlarged share capital are made available for application by the Eligible Persons;
- 43,632,000 Issue Shares, representing 11.14% of the enlarged share capital are made available by way of private placement to selected investors; and
- 48,953,000 Issue Shares, representing 12.50% of the enlarged share capital are made available by way of private placement to selected Bumiputera investors approved by the Ministry of Investment, Trade and Industry of Malaysia.

(b) **Proposed Listing**

Subsequent to the above, the Company's entire enlarged share capital of RM[*] comprising 391,627,000 ordinary shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

(iii) **Pro Forma III: Utilisation of Proceeds from IPO**

Gross proceeds from the IPO of RM[*] are expected to be utilised as follows:

Details of utilisation	**Estimated timeframe for utilisation upon Listing** (1)	**RM**	**% of total gross proceeds from the Public Issue (%)**
Business expansion:			
- Repayment of Bank Borrowing (2)	36 months	[*]	53.67
- Purchase of machines	36 months	[*]	16.67
- Product development expenditure	36 months	[*]	3.00
Marketing and advertisement	24 months	[*]	3.33
Working Capital	24 months	[*]	10.00
Estimated listing expenses (3)*	3 months	[*]	13.33
Total estimated proceeds		[*]	100.00

OB HOLDINGS BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

3. **LISTING SCHEME (CONT'D)**

(iii) **Pro Forma III: Utilisation of Proceeds from IPO (cont'd)**

Notes:

(1) From the date of listing of the shares.

(2) As at 15 September 2023, being the latest practicable date prior to the date of Prospectus ("LPD"), the Group has secured a Flexi Term Islamic Financing Facility of RM[*] to cover the construction cost. To present the impact on the Group's gearing ratio had the Flexi Term Islamic Financing Facility been drawn down and subsequently it will be repaid by utilising proceeds from IPO.

(3) If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

* *The estimated listing expenses is estimated to be RM[*]. As at 31 May 2023, RM[*] has been charged to the profit or loss account and the said amount has been fully paid. The remaining estimated listing expenses of RM[*] will be set off against the share capital and profit or loss accordingly.*

(iv) **Share Transfer to Goodone Holding Sdn Bhd ("Goodone")**

Transfer by the Specified Shareholders, namely ES Teoh and CT Wong (save for Goodone) of an aggregate of 117,488,100 shares to Goodone, an investment holding company held by the Specified Shareholders (save for Goodone), during the prescription period.

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.01 PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	6,614,310
As per Pro Forma I/II	6,614,310
Pursuant to Utilisation of Proceeds from IPO	
- Purchase of machineries	[*]
- Research and development facilities	[*]
As per Pro Forma III	[*]

4.02 RIGHT-OF-USE ASSETS

The movements of right-of-use assets are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	17,178,087
As per Pro Forma I/II	17,178,087
- Construction of factory	[*]
As per Pro Forma III	[*]

4.03 INVESTMENT PROPERTIES

The movements of investment properties are as follows:-

	RM
As at Date Incorporation	-
Pursuant to Acquisitions	220,109
As per Pro Forma I/II/III	220,109

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.04 INTANGIBLE ASSETS

The movements of intangible assets are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	1
As per Pro Forma I/II/III	1

4.05 OTHER RECEIVABLES

The movements of other receivables are as follows:-

	Non-current assets RM	Current assets RM	Total RM
As at Date of Incorporation	-	-	-
Pursuant to Acquisitions	17,990	1,567,924	1,585,914
As per Pro Forma I/II/III	17,990	1,567,924	1,585,914

4.06 INVENTORIES

The movements of inventories are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	10,103,856
As per Pro Forma I/II/III	10,103,856

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.07 TRADE RECEIVABLES

The movements of trade receivables are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	4,465,473
As per Pro Forma I/II/III	4,465,473

4.08 TAX RECOVERABLE

The movements of tax recoverable are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	177,494
As per Pro Forma I/II/III	177,494

4.09 DEPOSITS WITH LICENSED BANKS

The movements of deposits with licensed banks are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	381,379
As per Pro Forma I/II/III	381,379

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03 OCT 2023
GRANT THORNTON MALAYSIA PLT

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.10 CASH AND BANK BALANCES

The movements of cash and bank balances are as follows:-

	RM
Current assets	
As at Date of Incorporation	1,000
Pursuant to Acquisitions	4,220,012
As per Pro Forma I	4,221,012
Pursuant to IPO	[*]
As per Pro Forma II	[*]
Pursuant to Utilisation of Proceeds from IPO	
- Expansion of manufacturing facilities	[*]
- Repayment of bank borrowings	[*]
- Expansion of research and development facilities	[*]
- Marketing and advertisement	[*]
- Estimated listing expenses	[*]
As per Pro Forma III	[*]

4.11 SHARE CAPITAL

The movements of the issued share capital are as follows:-

	Number of ordinary shares Unit	Amount RM
As at Date of Incorporation	1,000	1,000
Pursuant to Acquisitions	271,626,000	27,162,600
As per Pro Forma I	271,627,000	27,163,600
Pursuant to IPO	120,000,000	[*]
As per Pro Forma II	391,627,000	[*]
Pursuant to Utilisation of Proceeds from IPO		
- Portion of estimated listing expenses set-off against issued share capital	-	[*]
As per Pro Forma III	391,627,000	[*]

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.12 RETAINED EARNINGS

The movements of retained earnings are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	25,403,630
As per Pro Forma I/II	25,403,630
Pursuant to Utilisation of Proceeds from IPO	
- Marketing and advertisement	[*]
- Research and development facilities	[*]
- Estimated listing expenses set-off against profit or loss	[*]
As per Pro Forma III	[*]

4.13 DEFERRED TAX LIABILITIES

The movements of deferred tax liabilities are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	340,119
As per Pro Forma I/II/III	340,119

4.14 BORROWINGS

The movements of borrowings are as follows:-

	Non-current liabilities RM	Current liabilities RM	Total RM
As at Date of Incorporation	-	-	-
Pursuant to Acquisitions	11,643,493	2,508,856	14,152,349
As per Pro Forma I/II	11,643,493	2,508,856	14,152,349
Drawdown of Flexi Terrm Islamic Financing for construction of New Serendah Factory	[*]	-	[*]
Pursuant to Utilisation of Proceeds from IPO			
- Repayment of bank borrowings	[*]	-	[*]
As per Pro Forma III	[*]	2,508,856	[*]

OB HOLDINGS BERHAD

NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)

4.15 LEASE LIABILITIES

The movements of lease liabilities are as follows:-

	Non-current liabilities RM	Current liabilities RM	Total RM
As at Date of Incorporation	-	-	-
Pursuant to Acquisitions	112,771	37,039	149,810
As per Pro Forma I/II/III	112,771	37,039	149,810

4.16 TRADE PAYABLES

The movements of trade payables are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	1,530,858
As per Pro Forma I/II/III	1,530,858

4.17 OTHER PAYABLES

The movements of other payables are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	1,547,105
As per Pro Forma I/II/III	1,547,105

4.18 TAX PAYABLE

The movements of tax payable are as follows:-

	RM
As at Date of Incorporation	-
Pursuant to Acquisitions	422,764
As per Pro Forma I/II/III	422,764