
7. BUSINESS OVERVIEW

7.1 OVERVIEW AND HISTORY

The history of our Group can be traced back to 1995 when Orient Group Sdn Bhd (incorporated on 4 April 1995) was acquired as a shelf company by ES Teoh and CT Wong on 13 April 1995 to carry out the activity of supplying food ingredients to beverages and dietary supplements manufacturers from a rented factory lot in Selayang (“**Rented Selayang Factory**”) measuring approximately 3,000 sq. ft. Orient Group Sdn Bhd subsequently underwent a name change to Orient Biotech on 29 July 2003.

In 1999, we began undertaking product formulation activities to develop new product formulations for fortified F&B and dietary supplements, in preparation for our venture into the manufacturing of fortified F&B and dietary supplements.

In 2001, our Rented Selayang Factory was certified compliant to the GMP by the GMP Section - Centre of Compliance and Quality Control under the NPRA. This certification allowed us to manufacture products registered with, and regulated by, the NPRA such as dietary supplements. Following this, we began providing subcontract services for dietary supplements to third party brand owners, whereby we carry out manufacturing based on product formulations and ingredients provided by the brand owners. In the same year, we rented 2 additional factory units (with a built-up area of approximately 3,000 sq. ft. each) in which 1 was located adjacent to and the other was located opposite to our Rented Selayang Factory, both of which were used for the manufacturing of dietary supplements under the provision of subcontract services to third party brand owners.

In September 2001, we also obtained our ISO 9001 certification for the manufacturing and marketing of fortified F&B and dietary supplements. As we continued to grow our product formulation expertise, we gradually transformed from the provision of subcontract services to the provision of end-to-end manufacturing services of dietary supplements to third party brand owners, in which our Group is involved in the development of product formulation, sourcing of ingredients and manufacturing.

In 2002, we acquired a factory in Selayang (“**Selayang Factory**”) which was used as our manufacturing facility. Our Selayang Factory which has a land area of 12,236 sq. ft. and comprises a 3-storey factory with a built-up area of 20,821 sq. ft. (including 180 sq. ft. of office area). Following the acquisition, our Selayang Factory had applied for and was GMP-compliant since 2004, and we relocated our operations from the Rented Selayang Factory to our Selayang Factory in 2004. We also ceased the rental of our Rented Selayang Factory and the 2 additional factory units in 2004. With the expanded manufacturing space, we expanded our offerings to include the provision of manufacturing services of fortified F&B to third party brand owners.

From 2005 to November 2020, we engaged AsureQuality Limited (previously known as AgriQuality Limited), New Zealand to carry out independent assessment on our organic products to certify that our products are organic. Subsequently, we changed our engagement to NASAA Certified Organic Pty Ltd (“**NASAA**”) in November 2020. Both AsureQuality Limited and NASAA carry out independent assessments for organic products. Our Group had changed the engagement from AsureQuality Limited to NASAA due to the intended increase in cost of services and the certification fee from NASAA is lower and reasonable. Notwithstanding that, this does not compromise the assessment on our Group’s organic products as NASAA is a recognised certification body in the industry.

As at LPD, out of 12 organic products comprising a food ingredient, house brand products and third party branded products that are carried by our Group, 10 organic products have been certified organic by NASAA. Please refer to Section 7.9 of this Prospectus for further details on the list of organic products.

7. BUSINESS OVERVIEW (CONT'D)

In 2007, we further expanded our business when we began manufacturing and selling fortified F&B and dietary supplements under our house brand *Bonlife*, to give us direct access to retail consumers and generate brand awareness for our Group. Following that, we secured our first export sale to a customer in Hong Kong where we sold *Bonlife* fortified F&B. Our Group's house brand products are developed with different formulations from the products manufactured for third party brand owners. Each product has a different formulation developed by our Group.

In 2013, our Selayang Factory was registered with the FDA and was also certified compliant to the HACCP based Food Safety System. The FDA and HACCP certifications reflect our Group's commitment to ensure the production of safe food, as well as to provide further assurance to customers on the quality of our products and services.

In 2020, we entered into a research collaboration agreement with Universiti Sains Malaysia ("**USM**") to undertake a clinical trial on the efficacy of sachai inchi oil, a dietary supplement, to improve hyperglycaemia, hypertension and hyperlipidaemia. This research collaboration effort enabled us to gain customer confidence in our dietary supplements by providing third party verification on the efficacy of our products through scientific research. Further details on the clinical trial for sachai inchi oil supplement are set out in Section 7.10.2 of this Prospectus.

As part of our effort to further increase our market outreach, we had on 1 July 2021, entered into an agreement with CTG whereby they will act as our marketing agent to market the products under our house brand, *GoHerb*. Please refer to Section 7.3.2 (ii) of this Prospectus for further details on the arrangement with CTG for the marketing of our *GoHerb* products.

In February 2022, we acquired a land measuring 255,263 sq. ft. in Serendah, Selangor ("**New Serendah Land**"), to construct a new factory ("**New Serendah Factory**") for our Group's business expansion plan. With this expansion, our Group expects to improve our manufacturing efficiency as well as to cater for increasing demand in anticipation of future expansion. Please refer to Section 7.14 of this Prospectus for further details on our Group's business expansion plan and the development of our New Serendah Factory.

As part of our Group's business expansion plan, we had in March 2022 rented a factory in Serendah, Selangor ("**Rented Serendah Factory**") which has a built-up area of 20,551 sq. ft. in which it was initially used to store raw materials and finished goods. Subsequently, in June 2023, we began manufacturing and packing fortified F&B in our Rented Serendah Factory.

In 2023, we had launched house brands namely *Zen Night*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*, which are available for sale in the market. Please refer to Section 7.3.2 of this Prospectus for further details on our house brands *Zen Night*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*.

7. BUSINESS OVERVIEW (CONT'D)

7.2 AWARDS AND RECOGNITIONS

Since our incorporation, we have received the following awards and recognitions:

Year	Awards and Recognitions	Awarding body
2006	<ul style="list-style-type: none"> SMB Recognition Award ⁽¹⁾ 	<ul style="list-style-type: none"> SMI Association of Malaysia (currently known as SME Association of Malaysia)
2021	<ul style="list-style-type: none"> Asia Pacific Top Excellence Enterprise 2021-2023 ⁽²⁾ Asia Pacific Super Health Brand 2021 – 2023 (<i>Bonlife</i> – Art of Balanced Living) ⁽²⁾ 	<ul style="list-style-type: none"> Asia Pacific TOP Excellence Brand Committee (APC)

Notes:

(1) The award was awarded by SMI Association of Malaysia in recognition of small and medium businesses having certain achievements in their industries and have contributed to the economic growth of the country based on SMI Association of Malaysia's selection criteria. The award promotes perseverance, value innovation, and excellence in small and medium businesses.

(2) The award was awarded in 2021 and occurred as a single event.

7.3 PRINCIPAL ACTIVITIES AND BUSINESS MODEL

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.

7. BUSINESS OVERVIEW (CONT'D)

A summary of our business model is set out below:

Principal Activities	Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners ⁽¹⁾	Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands	Trading and other activities ⁽²⁾
Products	<p>Fortified F&B</p> <ul style="list-style-type: none"> • Fruit-based products • Milk-based products • Vegetable-based beverages mix • Probiotic-based beverages mix • Coffee-based beverages mix • Oat-based beverages mix • Herb-based products • Collagen-based products • Soy-based beverages mix • Tea-based beverages mix <p>Dietary supplements</p> <ul style="list-style-type: none"> • Traditional medicines • Nutraceutical-based products 	<p>House Brands (Fortified F&B and Dietary Supplements)</p>  <p>(Fortified F&B)</p>	Milk Powder
Suppliers	<ul style="list-style-type: none"> • Raw material cultivators, producers and suppliers • Food ingredient producers and suppliers • Printing and packaging manufacturers and suppliers 		Milk powder producers and suppliers
Distribution Channel	Third party brand owners	Distributors, chain retailers, online store retailers, e-commerce platforms (i.e. directly to consumers), marketing agents	Direct sales (i.e. manufacturers and distributors)
Principal Place of Business	<p>Head office: Batu Caves, Selangor Selayang Factory: Selayang, Selangor Rented Serendah Factory: Serendah, Selangor</p>		

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Including the contract packing services of milk powder, tea leaves, honey, herb powder, fruit powder and liquid chlorophyll into retail packaging sizes which contributed RM 2.90 million, RM 3.61 million and RM 1.27 million, respectively, to our Group's revenue during the Financial Years Under Review.
- (2) Besides our principal business activities, we also undertake other activities such as laboratory tests services, freight services and the sales of packaging materials, pallets and face masks on ad hoc basis.

According to the IMR Report, fortified F&B and dietary supplements are products intended to supplement daily nutritional intake. Dietary supplements contain active ingredients that are derived from natural sources and/or synthetic sources. Natural sources refer to naturally occurring substances of botanical-based materials (plants and herbs) and non-botanical-based materials (animals and minerals), of parts thereof, in the unextracted or crude extract form, and homeopathic medicine, and it shall not include any sterile preparation, vaccine, any substance derived from human parts, any isolated and characterised chemical substances; whereas synthetic sources refer to chemically processed materials. Further, some fortified F&B may also contain active ingredients that are derived from natural sources and/or synthetic sources. Active ingredients are ingredients that will generate reactions in the human body which may promote better health. Some examples of active ingredients include amino acids, vitamins, probiotics, coenzymes, enzymes and mineral derivatives.

Fortified F&B refers to F&B products that have been fortified with active ingredients, hence enriching the product beyond its original nutritional value (carbohydrates, proteins and fats), and are intended to be consumed as part of normal diets. Dietary supplements are products formulated with active ingredients that are able to improve or boost an individual's nutritional intake, offer the potential of improved health and/or reduced risk of diseases.

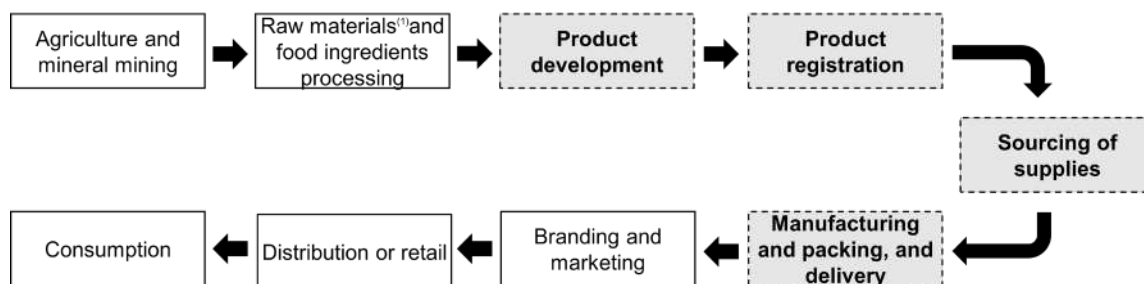
In Malaysia, dietary supplements must be registered with the NPRA before they are allowed to be commercialised in the market as dietary supplements. Registered dietary supplements will be issued with MAL certificates, bearing their individual registration number which had been approved by the NPRA, for sale or use in Malaysia. The registration is not required for fortified F&B. Nevertheless, the manufacturing of fortified F&B is guided under the Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009.

In addition to being GMP-compliant, our Selayang Factory and Rented Serendah Factory are also certified Halal-compliant and HACCP-compliant. As such, the fortified F&B and dietary supplements that are manufactured at our Selayang Factory and Rented Serendah Factory also meets the GMP, Halal and HACCP requirements. Being Halal-compliant enables us to apply for Halal certification for the products manufactured in our factory. Further details on our certifications are as set out in Section 7.9 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.3.1 Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners

We provide end-to-end manufacturing services of fortified F&B and dietary supplements to third party brand owners comprising product development, product registration, sourcing of supplies, manufacturing and packing, and delivery as set out below:



Notes:

- (1) While our Group primarily sources raw materials which comprise active ingredients from our suppliers, we also carry out small scale extraction of active ingredients from herbs and plants, as well as the culturing of a particular strain of probiotic, namely *Lactobacillus acidophilus*, for use in our manufacturing.
- [] denotes the segments of involvement of our Group.
- (a) **Product development** – Our product development activities involve conducting in-house research to develop new product formulations for fortified F&B and dietary supplements based on the product functionality, costing requirements and target market specified by our customers. We provide advice to our customers on the type of products to be developed based on our understanding of the latest market trends and our customers’ requirements. Further, we also proactively undertake our own development of new product formulations and subsequently, we market these new formulations to our existing customers. Further details on the type of fortified F&B and dietary supplements offered to third party brand owners are set out in Section 7.4.1 of this Prospectus.

The process for new product formulation entails continuous experiment to test the stability of the newly formulated products. We also continuously identify new ingredients to enhance our product offerings. We have our in-house product development team to carry out testing on newly formulated products. We also send our newly formulated products to third party laboratories for external verification on our products such as to undertake nutrition tests and UV spectrum tests prior to commercialisation, as well as heavy metal tests and microbial tests after commercial production. Further details on the QA and QC undertaken are set out in Section 7.9 of this Prospectus.

During the Financial Years Under Review and up to the LPD, we have manufactured 115 formulations for our fortified F&B and 29 formulations for our dietary supplements for third party brand owners. Nevertheless, we had cumulatively formulated approximately 903 formulations for our fortified F&B for third party brand owners given the constant change in consumer preference over the years since 2001. Our ability to adapt to the changing market trends and demand enables our Group to remain competitive in the industry. Further, our Group also has 91 formulations for our dietary supplements for third party brand owners that are registered with the NPRA which are readily available for manufacturing, and subsequently for commercialisation upon customers’ requests. Please refer to Section 7.4 of this Prospectus for the summary on the number of products manufactured and formulated.

7. BUSINESS OVERVIEW (CONT'D)

While our Group owns most of the product formulations developed in-house, our customers being the product brand owners are entitled to have access to the formulations. However, our ability to perform in-house extraction of botanical-based active ingredients and culturing of probiotics, as well as our Group's 28 years of experience enable our Group to minimise the possibility of our products from being easily replicated by other manufacturers, thus safeguarding our interest as the product formulator. Our customers own the brand name and product design of their products as brand owners. Further details on our process flow is set out in Section 7.8 of this Prospectus.

- (b) **Product registration** – As part of our service, we also assist our customers to register new products with the relevant authorities upon request. For newly formulated dietary supplements, we will apply for the MAL certificates from the NPRA before we proceed with manufacturing.

Upon request by our customers, we may also assist our customers to apply for Halal certificates which certifies that the products are Halal-compliant; Certificate of Analysis which certifies that the products are safe from microbial and heavy metal contamination; Certificate of Free Sale which certifies that the products are fit for export; Health Certificate which certifies that the products are safe for human consumption and fit for export; and/or Certificate of Origin which certifies the origin of the manufactured products and that the products are fit for export.

- (c) **Sourcing of supplies** – We source our supplies, which comprise raw materials such as active ingredients (vitamins), herbs and plants; food ingredients such as fruit and vegetable powder, fruit extract, milk powder, nuts and oats; and packaging materials, from our network of suppliers, comprising raw materials cultivators, producers and suppliers, food ingredients producers and suppliers, and printing and packaging manufacturers and suppliers, for use in our manufacturing activity. We have established a network of local and overseas suppliers which allows us to source quality and competitively priced supplies based on our customers' product requirements.
- (d) **Manufacturing and packing** – Our Selayang Factory carries out the manufacturing of fortified F&B and dietary supplements, while our Rented Serendah Factory carries out the manufacturing and packing of fortified F&B. Our factories are equipped with machinery and equipment to carry out the manufacturing and packing of fortified F&B products in the form of tablets, teabags, liquid beverages, powder mixes and jelly, in packaging such as sachets, bottles, metal tins and/or paper cans; as well as dietary supplements in the form of vegetable softgel capsules, hard capsules, tablets (including effervescent tablets) and liquids, in packaging such as bottles and blister packs.
- (e) **Delivery** – We engage third party logistics service providers to deliver the products to the locations specified by our customers.

Given that we are able to support our customers throughout the production process, it provides convenience for our customers as we are able to provide a full array of services from product development to manufacturing and delivery, and as such our customers do not need to source for multiple suppliers. This is our key value proposition as it provides our customers with the convenience of outsourcing all of the production process to us. With that, our customers are able to focus their resources and investments on branding, marketing, distributing and retailing their products to consumers.

7. BUSINESS OVERVIEW (CONT'D)

Our manufacturing services are provided to local and foreign customers, comprising fortified F&B brand owners, dietary supplements brand owners, wholesalers, chain pharmacies and direct selling companies. For the Financial Years Under Review, our Group had 7, 6 and 9 active foreign customers who contributed RM1.07 million, RM0.53 million and RM4.28 million to our Group's revenue, respectively.

Upon request, we also provide contract packing services to our customers whereby we repack bulk milk powder, tea leaves and honey into retail packaging size for sale to consumers. We source milk powder from our suppliers, whereas tea leaves and honey are generally provided by our customers for packing. The retail packaging sizes for milk powder that we provide contract packing services for, are available in 400g and 800g; the retail packaging sizes for tea leaves range from 2.5g to 3g per tea bag; and the retail packaging sizes for honey range from 5g to 30g per sachet.

7.3.2 Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands

We leverage on our in-house product development and manufacturing capabilities to develop and manufacture fortified F&B and dietary supplements under our house brands, namely *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez*.



The marketing of *Bonlife* and *Zen Night* products are carried out by our in-house sales and marketing team, whereas the marketing of *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez* are carried out by our marketing agents. The engagement of marketing agents was driven by our Group's strategy to leverage on third party's marketing capabilities to market our products, and to focus our internal resources in product development and manufacturing. With this strategy, we leverage on our marketing agents' resources to grow the sales of *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*, and our Group will be able to optimise our internal resources by monitoring the performance of multiple marketing agents concurrently while keeping our headcount lower. This is in contrast to having our in-house team to manage the marketing activities for these brands whereby we will be required to hire more employees.

Bonlife was our first house brand in which the marketing activities has been carried out by our Group since the launch of the brand in 2008. Given that our Group has built the network of sales and distribution channels for the sales of *Bonlife* products, our Group will continue to carry out marketing activities for *Bonlife* and we have no intention to engage third party marketing agents to manage the marketing activities for *Bonlife*. For *Zen Night*, we intend to replicate the business model of *Bonlife* and to develop more products under *Zen Night* in the future. As such, we have allocated resources for the sales and marketing activities of *Zen Night*. Further details on the arrangement for our respective house brands are set out below:

(i) ***Bonlife***

We began marketing and selling our *Bonlife* products in 2007, in which the sales and marketing activities of all products under *Bonlife* are carried out by our in-house sales and marketing team. The products marketed under *Bonlife* comprise fortified F&B and dietary supplements. As at LPD, we have a total of 15 *Bonlife* products for fortified F&B as well as 10 *Bonlife* products for dietary supplements that are registered with the NPRA, which are available for sale in the market.

7. BUSINESS OVERVIEW (CONT'D)

We have established a network of sales and distribution channels for the sale of *Bonlife* products. This enables our Group to expand our market coverage as well as to reach out to a wider customer base. We sell *Bonlife* products through the following channels:

- Distributors are intermediaries who distribute our products to retailers for onward sale to consumers. Prior to 1 July 2023, we had 4 distributors to distribute our products to retailers. We restructured our channel of distributors and on 1 July 2023, we appointed Apex Pharmacy Marketing Sdn Bhd as our sole distributor for the distribution of *Bonlife* products to retailers in Malaysia. Apex Pharmacy Marketing Sdn Bhd will distribute to retailers comprising independent pharmacies, grocery stores, organic and vegetarian food stores, sundry shops, baby shops and traditional Chinese medicine halls throughout Malaysia;
- Chain retailers are retailers that operate multiple physical stores, including their own online stores, under the same brand to sell products to consumers. As at LPD, we distribute our *Bonlife* products to 10 chain pharmacies and 2 chain grocery stores in which these chain retailers collectively have approximately 1,900 physical stores throughout Malaysia;
- Online store retailers are retailers that sell products to consumers through online platforms such as using their in-house e-commerce platform and/or third party e-commerce platforms (Shopee, Lazada and TikTok). As at LPD, we distribute *Bonlife* products to 2 online store retailers; and
- We sell directly to consumers through our in-house e-commerce platform and third party e-commerce platforms, namely Shopee and Lazada. Our sales and marketing team manages the online sales of our in-house e-commerce platform and third party e-commerce platforms.

(ii) GoHerb

We began marketing and selling products under our house brand *GoHerb* in 2021 when we entered into an agreement with CTG on 1 July 2021. CTG is principally involved in conducting and providing online marketing services on social media platforms such as Facebook and online marketplaces such as Shopee, Lazada and their customers' website or landing page over the internet as well as offline marketing services, amongst others. The agreement between our Group and CTG was effective from 1 July 2021 to 30 June 2028, and will be renewed every 5 years thereafter unless the agreement is terminated by either party.

Through the agreement, CTG acts as our marketing agent and has the exclusive rights to market all products under *GoHerb*. CTG carries out the marketing activities for *GoHerb* products through an online social media platform namely Facebook, whereas our Group will manufacture and deliver the products to CTG, who will then distribute the products to their customers. Our Group will bill and collect payment from customers, and we will pay CTG a 10% commission on sales. Further, CTG also distributes *GoHerb* products to physical stores on a consignment basis. As at LPD, CTG distributes *GoHerb* products to 15 physical stores.

For both arrangements, the profit will be shared equally by our Group and CTG, after marketing expenses (e.g. Facebook advertisements) and other shared expenses namely product costs, video and editing charges, platform fees or charges, customer service commission, and other related charges and services, where applicable and agreed by both parties, have been deducted.

7. BUSINESS OVERVIEW (CONT'D)

Products marketed under *GoHerb* comprise fortified F&B and dietary supplements. As at LPD, we have a total of 2 formulations for fortified F&B, as well as 1 formulation for dietary supplements that is registered with the NPRA under *GoHerb* and are available for sale in the market.

The strategy of using different distribution channels enable us to utilise their existing network to expand our market coverage in targeting the mass market without the need for significant investments in sales and marketing.

(iii) **Kids Vite**

We entered into an agreement with Healthnest Marketing Enterprise on 1 May 2023 and pursuant to this, we began marketing and selling products under our house brand *Kids Vite* in June 2023. Healthnest Marketing Enterprise is principally involved in the online distribution of health and beauty products. The agreement between our Group and Healthnest Marketing Enterprise was set to be effective from 1 May 2023 to 30 April 2024, and will be renewed on an annual basis thereafter, unless the agreement is terminated by either party.

Through the agreement, Healthnest Marketing Enterprise acts as our marketing agent and has the exclusive rights to market all products under *Kids Vite*. Healthnest Marketing Enterprise carries out the marketing activities for *Kids Vite* products through social media platforms such as Facebook and Instagram, as well as a third party e-commerce platform namely Shopee. Our Group will manufacture and assign a third party fulfilment centre to store and arrange the distribution of the products to Healthnest Marketing Enterprise's customers. Our Group will bill and collect payment from customers, and we will pay Healthnest Marketing Enterprise on their share of the profit after the marketing expenses incurred by Healthnest Marketing Enterprise and other shared expenses, namely product costs, advertising platform fees or charges, fulfilment centre costs, storage costs, packing expenses, delivery charges, processing fees, refunds, taxes and other expenses where applicable, have been deducted. The profit between our Group and Healthnest Marketing Enterprise is shared equally. As at LPD, we have 1 formulation for fortified F&B under *Kids Vite* available for sale in the market.

(iv) **Zen Night**

We began marketing and selling products under our house brand *Zen Night* in July 2023, in which the sales and marketing activities for the product is carried out by our in-house sales and marketing team through a social media platform namely Facebook. As at LPD, we have 1 formulation for fortified F&B under *Zen Night* available for sale in the market.

Our *Zen Night* product is sold directly to consumers through a third party e-commerce platform, namely Shopee. Our sales and marketing team manages the online sales of the third party e-commerce platform.

7. BUSINESS OVERVIEW (CONT'D)

(v) Sleepin' Beaute

We entered into an agreement with Axin H&B Enterprise on 1 August 2023 and pursuant to this, we began marketing and selling products under our house brand *Sleepin' Beaute* in September 2023. Axin H&B Enterprise is principally involved in the online distribution of health and beauty products. The agreement between our Group and Axin H&B Enterprise was effective from 1 August 2023 to 31 July 2024, and will be renewed on an annual basis thereafter, unless the agreement is terminated by either party.

Through the agreement, Axin H&B Enterprise acts as our marketing agent and has the exclusive rights to market all products under *Sleepin' Beaute*. Axin H&B Enterprise carries out the marketing activities for *Sleepin' Beaute* products through a social media platform namely Facebook. Our Group will manufacture and assign a third-party fulfilment centre to store and arrange the distribution of the products to Axin H&B Enterprise's customers. Our Group will bill and collect payment from customers, and we will pay Axin H&B Enterprise on their share of the profit after the marketing expenses incurred by Axin H&B Enterprise and other shared expenses, namely product costs, advertising platform fees or charges, fulfilment centre costs, storage costs, packing expenses, delivery charges, processing fees, refunds, taxes and other expenses where applicable, have been deducted. The profit between our Group and Axin H&B Enterprise is shared equally. As at LPD, we have 1 formulation for fortified F&B under *Sleepin' Beaute* available for sale in the market.

(vi) EZ:Nitez

We entered into an agreement with Xins Beauty Store on 22 August 2023 and pursuant to this, we began marketing and selling products under our house brand *EZ:Nitez* in September 2023. Xins Beauty Store is principally involved in the online distribution of health and beauty products. The agreement between our Group and Xins Beauty Store was set to be effective from 22 August 2023 to 21 August 2024, and will be renewed on an annual basis thereafter, unless the agreement is terminated by either party.

Through the agreement, Xins Beauty Store acts as our marketing agent and has the exclusive rights to market all products under *EZ:Nitez*. Xins Beauty Store carries out the marketing activities for *EZ:Nitez* products through social media platforms such as Facebook and Instagram. Our Group will manufacture and assign a third-party fulfilment centre to store and arrange the distribution of the products to Xins Beauty Store's customers. Our Group will bill and collect payment from customers, and we will pay Xins Beauty Store on their share of the profit after the marketing expenses incurred by Xins Beauty Store and other shared expenses, namely product and packaging costs, advertising platform fees or charges, fulfilment centre costs, storage costs, packing expenses, delivery charges, processing fees, refunds and taxes where applicable, have been deducted. The profit between our Group and Xins Beauty Store is shared equally. As at LPD, we have 1 formulation for fortified F&B under *EZ:Nitez* available for sale in the market.

Given that we manufacture fortified F&B and dietary supplements under our house brands as well as under the provision of manufacturing services to third party brand owners, our Group has undertaken necessary measures to ensure that all formulations developed and product packaging are different from one another, while meeting our customer's requirements for third party branded products and our Group's target market for our house brands. Our Group also emphasises on business code of ethics to ensure that each formulation developed and packaging design will not be replicated in order to mitigate any situations arising from direct competition between the products produced under the provision of manufacturing services to third party brand owners and our house brands products. Further, prior to formulating new house brand products, our Group will also conduct in-house market survey to prevent direct competition with our customer's products. Further

7. BUSINESS OVERVIEW (CONT'D)

details on the products manufactured under our house brands *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez* are set out in Section 7.4.2 of this Prospectus.

7.3.3 Trading of milk powder and other activities

We are involved in the trading of milk powder. The milk powder traded by our Group are surplus food ingredients from our manufacturing activities in which the milk powder is purchased from our milk powder producers and suppliers. The milk powder is sold in bulk quantity to manufacturers and distributors.

Besides our principal business activities, we also undertake other activities such as laboratory tests services, freight services and the sales of packaging materials, pallets and face masks on ad hoc basis.

7.4 OUR PRODUCTS AND SERVICES

A summary on the number of products manufactured during the Financial Years Under Review and up to LPD, as well as the number of products formulated by our Group over the years since 2001 that are readily available for manufacturing and commercialisation are set out below:

- (i) Number of products manufactured during the Financial Years Under Review and up to LPD:

	Fortified F&B	Dietary supplements
Third party brands	115	29
House brands	21	12
Total	136	41

- (ii) Number of products cumulatively formulated over the years since 2001 that are readily available for manufacturing and commercialisation:

	Fortified F&B	Dietary supplements
Third party brands	903	91
House brands	21	11 ⁽¹⁾
Total	924	102

Note:

- (1) Excludes 1 dietary supplement that has been discontinued and is no longer a registered product with the NPRA as of August 2023. Hence, the discontinued product is no longer available for manufacturing and commercialisation.

7.4.1 Products manufactured for third party brand owners

(a) Fortified F&B

The fortified F&B that we manufacture for third party brand owners comprise fruit-based products (beverages mix, chewable tablets and jelly), milk-based products (beverages and chewable tablets), vegetable-based beverages mix, probiotic-based beverages mix, coffee-based beverages mix, oat-based beverages mix, herb-based products (beverages mix, chewable tablets, jelly and liquid beverages), collagen-based products (beverages mix and jelly), soy-based beverages mix and tea-based beverages mix with further description as set out below:

7. BUSINESS OVERVIEW (CONT'D)

Products	Product description
Fruit-based products (beverages mix, chewable tablets, jelly)	Fruit-based products comprise fruit juice or powder as a base, fortified with active ingredients such as collagen, enzymes, guarana, lutein, vitamins and minerals.
Milk-based products (beverages mix, chewable tablets)	Milk-based products comprise goat milk powder or cow milk powder as a base, fortified with active ingredients such as chondroitin sulfate, collagen, colostrum, lemon verbena, MSM, probiotics, vitamins and minerals.
Vegetable-based beverages mix	Vegetable-based beverages mix comprise vegetable powder as a base, fortified with active ingredients such as enzymes and probiotics.
Probiotic-based beverages mix	Probiotic-based beverages mix comprise bifidobacterium and lactobacillus probiotic strains as a base, mixed with other active ingredients such as curcumin, kombucha, prebiotics and vitamin C, and additional food ingredients such as fruit powder to enhance its flavour and taste.
Coffee-based beverages mix	Coffee-based beverages mix comprise roasted coffee bean powder as a base, fortified with active ingredients such as coenzyme Q10, ganoderma lucidum (lingzhi), ginseng and sacha inchi leaves extracts.
Oat-based beverages mix	Oat-based beverages mix comprise rolled oats and oat bran as a base, fortified with active ingredients such as chlorella, probiotics, spirulina and wheat grass.
Herb-based products (beverages mix, chewable tablets, jelly, liquid beverages)	Herb-based products comprise a mixture of herb powder such as cynanchum wilfordii, angelica, ginseng, phlomis umbrosa and sea buckthorn as a base, with additional food ingredients such as honey to enhance its flavour and taste.
Collagen-based products (beverages mix and jelly)	Collagen-based products comprise collagen as a base, fortified with active ingredients such as honey, pomegranate extract and vitamin C.
Soy-based beverages mix	Soy-based beverages mix comprise soy protein powder as a base, fortified with active ingredients such as vitamins and minerals.
Tea-based beverages mix	Tea based beverages mix comprise tea as a base such as chrysanthemum and green tea, fortified with active ingredients such as cactus powder, liquorice and lingzhi extract.

During the Financial Years Under Review and up to the LPD, we have manufactured 115 formulations for fortified F&B under the provision of manufacturing services to third party brand owners.

7. BUSINESS OVERVIEW (CONT'D)

(b) Dietary supplements

The dietary supplements that we manufacture for third party brand owners can be segregated into 2 types, comprising traditional medicines and nutraceutical-based products. The traditional medicines that we offer to third party brand owners can be manufactured from natural sources of botanical-based materials that are derived from plants and/or herbs such as sacha inchi oil, sea buckthorn, green tea extract, tiger mushroom powder and spirulina, as well as natural sources of non-botanical-based materials that are derived from animals such as sea cucumber extract or collagen. On the other hand, nutraceutical-based products are typically manufactured from synthetic sources and may also include natural sources of non-botanical-based materials and botanical-based materials. We manufacture dietary supplements in the form of vegetable softgel capsules, hard capsules, tablets (including effervescent tablets) and liquids, in packaging such as bottles and blister packs.

During the Financial Years Under Review and up to the LPD, we have manufactured 29 formulations for dietary supplements under the provision of manufacturing services to third party brand owners.

7.4.2 Products manufactured under our house brands *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez*

We manufacture fortified F&B and dietary supplements under our house brands *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez*.

(a) Fortified F&B

The fortified F&B that we manufacture under our house brands comprise milk powder, coffee mixes, oat beverages and fruit beverage mixes that have been fortified with active ingredients, hence enriching the product's nutritional value. The active ingredients are such as probiotics, vitamin C, folic acid, algae DHA, sacha inchi leaf extract, lingzhi extract, antrodia extract, green chiretta, turmeric extract and ginseng extract.

As at LPD, the list of fortified F&B available for sale under our house brands, namely *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez* are as set out below:

Product name	Form	Product description
<u>Bonlife</u>		
Bonlife Goat Milk Powder Classic	Milk Powder	Made into a beverage when mixed with warm water. Contains goat milk powder fortified with coconut oil creamer, algae DHA and prebiotics. Does not contain preservatives nor artificial colouring.
Bonlife Max Coffee	Q10 Powder	Made into a beverage when mixed with hot water. Contains coffee fortified with coenzyme Q10, lingzhi extract and wild arenga palm nectar. Does not contain artificial colouring nor preservatives.
Bonlife Organic Step 3 (1 Plus – for children aged 1 to 3)	Bonmil Powder	Made into a beverage when mixed with lukewarm water. Contains organic cow milk fortified with arachidonic acid, algae DHA, nucleotides, prebiotics, vitamins and minerals. Does not contain antibiotics, growth hormones, chemicals, pesticides, herbicide residue, artificial colouring nor preservatives.

7. BUSINESS OVERVIEW (CONT'D)

Product name	Form	Product description
Bonlife Organic Bonmil Step 4 (3 Plus – for children aged 3 and above)	Powder	Made into a beverage when mixed with lukewarm water. Contains organic cow milk fortified with arachidonic acid, algae DHA, nucleotides, prebiotics and probiotics, vitamins and minerals. Does not contain antibiotics, growth hormones, chemicals, pesticides, herbicide residue, artificial colouring nor preservatives.
Bonlife Organic Full Cream Milk Powder	Powder	Made into a beverage when mixed with warm water. Contains 100% certified organic full cream milk powder. Does not contain added sugar, antibiotics, growth hormones, chemicals, pesticides nor herbicide residue.
Bonlife Organic Soymilk Powder	Powder	Made into a beverage when mixed with warm water. Contains organic soymilk derived from skin-peeled organic beans, fortified with algae DHA and probiotics. Does not contain pesticides, artificial colouring nor preservatives.
Bonlife Organic Wheat Grass Powder	Powder	Made into a beverage when mixed with water or juice. Contains 100% young organic wheatgrass powder. Does not contain binding agents, fillers, preservatives, pesticides nor artificial colouring.
Bonlife Qing Guan Herbal Tea	Tea bag	Made into a beverage when infused in hot water. Contains 100% natural ingredients (antrodia extract, lingzhi, woad, chameleon plant, green chiretta, dandelion, mulberry leaf, siler, liquorice, magnolia bark, mint, orange peel, chrysanthemum, black tea). Does not contain drugs nor chemicals.
Bonlife Whey Protein Powder	Powder	Made into a beverage when mixed with water. Contains whey protein concentrate, fortified with prebiotics and probiotic cow milk. Does not contain pesticides, artificial colouring nor preservatives.
Bonlife Purenat 5D Goat's Milk Powder	Powder	Made into a beverage when mixed with warm water. Contains goat milk and organic soymilk powder fortified with turmeric extract, l-theanine, boswellia extract, aquamin f, calcium, ca-HMB and prebiotics. Does not contain added sugar, preservatives nor artificial colouring.
Bonlife Purenat Gold Goat Milk Powder	Powder	Made into a beverage when mixed with warm water. Contains goat milk powder fortified with probiotics. Does not contain added sugar, preservatives, artificial colouring nor artificial flavouring.
Bonlife Purenat Mom Goat Milk Powder	Powder	Made into a beverage when mixed with warm water. Contains goat milk fortified with arachidonic acid, algae DHA, lutein, probiotics and prebiotics, folic acid

7. BUSINESS OVERVIEW (CONT'D)

Product name	Form	Product description
Bonlife Purenat Powder Premium Goat Milk Powder		and vitamins. Does not contain trans-fat, artificial colouring nor preservatives.
Vta C ImueMax C5X Chewable Tablet	Chewable tablet	Made into a beverage when mixed with warm water. Contains 100% goat milk powder. Does not contain added sugar, preservatives, artificial colouring nor artificial flavouring.
Vta C on The Go C5X Powder	Powder	Contains L-ascorbic acid, vitamin D, E and zinc. Does not contain added sugar, preservatives nor artificial colouring.

GoHerb

Product name	Form	Product description
GoHerb Antler Extract	Liquid	Contains antler, ginseng, eucommia, maca and indian mulberry root. Does not contain artificial colouring nor flavouring.
GoHerb TM 16	Liquid	Contains tiger milk mushroom, apple juice, honey, almond, burdock, siler, japanese catnip, chinese angelica, magnolia liliiflora descr., ligusticum sinense chuanxiong, astragalus membranaceus, atractylodes macrocephala, epimedium brevicornum maxim, korean mint, mulberry leaf, chrysanthemum, chinese bellflower, chinese liquorice, vitamin C and xanthan gum. Does not contain artificial colouring nor flavouring.

Kids Vite

Product name	Form	Product description
Kids Vite Black Elderberry Extract	Chewable tablet	Contains black elderberry, tiger milk mushroom, colostrum, prebiotics and vitamin C. Does not contain added sugar, preservatives nor artificial colouring.

Zen Night

Product name	Form	Product description
Zen Night	Powder	Contains blueberry and cranberry powder, l-theanine, Lactobacillus rhamnosus, sour date, astaxanthin, vitamin B6 and B12 and vitamin C. Does not contain preservatives.

Sleepin' Beaute

Product name	Form	Product description
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7. BUSINESS OVERVIEW (CONT'D)

Sleepin' Beaute Powder
Collagen Tripeptide

Contains cranberry and orange powder, collagen tripeptide, lemon balm and sourdate extracts. Does not contain preservatives.

EZ:Nitez

Product name	Form	Product description
EZ:Nitez Beverage	Botanical Mix	Contains strawberry, blueberry, cranberry and orange powder, probiotics, ashwagandha, l-theanine, gamma-oryzanol and goat milk. Does not contain preservatives.
Strawberry and Cranberry Powder with Probiotics	Blueberry	

Some illustrations of our products are as shown below:



7. BUSINESS OVERVIEW (CONT'D)

(b) Dietary supplements

The dietary supplements that we manufacture under our house brands can be segregated into 2 types, comprising traditional medicines and nutraceutical-based products. The traditional medicines that we offer under our house brands are manufactured from natural sources of botanical-based materials that are derived from plants and/or herbs such as sacha inchi oil, sea buckthorn, green tea extract, tiger mushroom powder and spirulina. On the other hand, nutraceutical-based products are typically manufactured from synthetic sources and may also include natural sources of non-botanical-based materials and botanical-based materials.

As at LPD, the list of dietary supplements available for sale under our house brands, *Bonlife* and *GoHerb*, by traditional medicines and nutraceutical-based products, are set out below:

Product name	Form	Description	MAL registration number
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Traditional medicines

Bonlife Green Tea Extract 300mg Capsule	Hard capsules	Traditionally used for general health.	MAL20034537T
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Bonlife Organic Sacha Inchi Oil 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL20116100T
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Bonlife Sea Buckthorn 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL18046099T
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Product name	Form	Description	MAL registration number
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Bonlife Spirulina 200mg Tablets	Tablets	Traditionally used for general health.	MAL20002552T
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Bonlife Virgin Coconut Oil 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL20172798T
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GoHerb Phyto Pomegranate	Vegetable capsules	Traditionally used for general health.	MAL20172969T
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Nutraceutical-based products

Bonlife Bonguard Capsule	Hard capsules	As a health supplement.	MAL21026120N
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Bonlife Kids Vitamin C 300 Plus Effervescent Tablet	Effervescent tablets	As a health supplement.	MAL21066088N
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Bonlife SachaQ10 Plus Softgel	Vegetable capsules	As a health supplement.	MAL21026130N
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Bonlife Vta C Pro Vitamin C 1000 Plus Effervescent Tablet	Effervescent tablets	As a health supplement.	MAL21066069N
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7. BUSINESS OVERVIEW (CONT'D)

Bonlife Vta C Protect Vitamin Effervescent
C 1000 Plus Effervescent tablets
Tablet

As a health MAL21066066N
supplement.

Some illustrations of our products are as shown below:



7.4.3 Warranty

We do not have warranty clause for the provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners. However, upon request, we may provide product replacement for defects such as deformed product appearance, smell or texture which are typically caused by mishandling during transportation. During the Financial Years Under Review, we had incurred RM102,639, RM28,565 and RM58,892, respectively of product replacement costs.

For the sale of our house brand products, we do not provide product warranty to consumers. However, we may provide product replacement to distributors, chain retailers, online store retailers and marketing agents for defects such as deformed product appearance, smell or texture which are typically caused by mishandling during transportation, as well as near expiry products. The shelf lives of our Group's fortified F&B products range from 2 to 2.5 years, while the shelf lives of our Group's dietary supplements range from 1.5 to 3 years. During the Financial Years Under Review, we had incurred RM191,817, RM188,430 and RM287,673 respectively, of product replacement costs for *Bonlife* products. During the Financial Years Under Review and up to the LPD, we had not incurred any product replacement costs for *GoHerb*, *Kids Vite Zen Night*, *Sleepin' Beaute* and *EZ:Nitez* products.

7. BUSINESS OVERVIEW (CONT'D)

7.5 OUR REVENUE SEGMENTATION

Our Group's revenue segmented by principal activities for the Financial Years Under Review are as set out below:

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% to our Group's 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 ad hoc basis, which contributed the remaining 8.82%, 5.32% and 8.91%.

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7. BUSINESS OVERVIEW (CONT'D)

Our Group's revenue segmented by geographical locations for the Financial Years Under Review are as set out below:

Revenue by geographical locations ⁽¹⁾	FYE 2021		FYE 2022		FYE 2023	
	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
Australia	-	-	-	-	25	0.05
Taiwan	285	0.96	55	0.13	23	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 location is based on the delivery locations determined by our Group's customers.

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7. BUSINESS OVERVIEW (CONT'D)

7.6 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

Our purchases primarily comprise raw materials, food ingredients and packaging materials as set out below:

Supplies	Geographical location	FYE 2021		FYE 2022		FYE 2023	
		RM'000	%	RM'000	%	RM'000	%
<u>Raw materials</u>							
Herbal plant powder and extract ⁽¹⁾	Australia, China, Malaysia, Taiwan	1,457	9.10	3,307	12.50	2,212	11.71
Plant oil	China, India, Malaysia	564	3.52	362	1.37	980	5.19
Vitamins and minerals	Malaysia	317	1.98	1,116	4.22	936	4.96
Animal-derived products ⁽²⁾	China, Hong Kong, Malaysia	652	4.07	691	2.61	609	3.22
Prebiotics and probiotics ⁽³⁾	Malaysia	41	0.26	126	0.48	436	2.31
Amino acid	China, Malaysia	601	3.75	615	2.33	217	1.15
Algae powder	India, Malaysia, South Korea, Taiwan	357	2.23	350	1.32	192	1.02
<u>Food ingredients</u>							
Excipients ⁽⁴⁾	Malaysia, South Korea, Philippines, Turkey	3,004	18.76	5,165	19.53	3,354	17.75
Milk powder	Malaysia, Netherlands	5,729	35.77	7,260	27.45	2,464	13.04
Fruit and vegetable powder	China, Hong Kong, Malaysia, Taiwan	1,296	8.09	3,214	12.15	2,335	12.36
Nuts, seeds, beans, grains, oats and coffee powder	China, Malaysia, Taiwan, Thailand	315	1.97	682	2.58	776	4.11
<u>Packaging materials</u>							
Boxes	Malaysia	357	2.23	1,222	4.62	1,113	5.89
Aluminium Foil	Malaysia	291	1.82	784	2.96	950	5.03
Cans	Malaysia	199	1.24	174	0.66	745	3.94
Bottles	Malaysia	250	1.56	389	1.47	507	2.68
Cartons	Malaysia	239	1.49	219	0.83	324	1.72
Stickers	Malaysia	97	0.61	247	0.93	272	1.44
Other packaging materials ⁽⁵⁾	China, Malaysia	249	1.55	525	1.99	458	2.42
Other ⁽⁶⁾	Malaysia	-	-	-	-	12	0.06
Total purchases		16,015	100.00	26,448	100.00	18,892	100.00

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Includes the purchase of herbs for in-house extraction and extraction solvents.
- (2) Animal-derived products include collagen powder and whey protein, among others.
- (3) Includes the purchase of the culture medium for the culturing of probiotics.
- (4) Excipients include starch, flavouring, colouring, salts and non-dairy creamer, among others.
- (5) Other packaging materials are such as stickers and labels, caps, film rolls, leaflets, seal paper, plastic scoops, oxygen absorbers, plain bags, bubble wraps, shrink wraps and tapes, among others.
- (6) Other refers to the purchase of gifts for our *GoHerb* free gift giveaways to our customers in FYE 2023.

Our Group has not encountered any material disruptions or shortages in the procurement of raw materials, food ingredients and packaging materials during the Financial Years Under Review.

Raw materials and food ingredients are generally readily available and can be easily sourced locally and overseas as there are many alternative suppliers available in the market. We will also ensure that the properties of the raw materials and food ingredients sourced from other suppliers remain the same to ensure the efficacy of our products. Nevertheless, the taste profile of food ingredients may differ from one supplier to another supplier. In the event that we are unable to procure from our existing suppliers for certain food ingredients, we are able to replace with other suppliers but there is no assurance that the food ingredients procured will be able to achieve similar taste profile. Similarly, packaging materials are generally readily available and can be easily sourced locally and overseas as there are many alternative suppliers available in the market.

The prices of raw materials, food ingredients and packaging materials may be subject to price fluctuations due to foreign exchange 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 cost to our customers. During the Financial Years Under Review, our Group's financial performance was not materially impacted by the price fluctuations on our imported raw materials, food ingredients and packaging materials. Please refer to Sections 8.2 and 12.3.3 of this Prospectus for further details on the impact arising from the fluctuation in prices to our Group's financial performance.

7. BUSINESS OVERVIEW (CONT'D)

7.7 PRODUCTION OUTPUT, CAPACITY AND UTILISATION

For the manufacturing of fortified F&B and dietary supplements, the manufacturing process (for a formulation of 2 or more raw materials and/or food ingredients) generally starts with the mixing process using Mixing Machines (see Table 1 below) before the powder, liquid or jelly mixture is transferred to the respective machinery to produce the required form of the final products (“**Final Product Machines**”) such as vegetable softgel capsules and hard capsules; as well as direct filling of the powdered mixture, liquid mixture and jelly mixture into sachets or metal tins and/or paper cans (see Table 2 below), where the majority of the products are required to undergo the mixing process.

Given that the manufacturing activities at our Rented Serendah Factory commenced in June 2023, the measurement of estimated annual capacity and utilisation rates for the FYE 2023 is not applicable for our Rented Serendah Factory. Hence, the estimated annual capacity and the utilisation rates of our Mixing Machines and Final Product Machines, for the FYE 2023 for our Selayang Factory, are as set out below.

Table 1: Production capacity of Mixing Machines

The estimated annual capacity, actual output and utilisation rate of our Mixing Machines, for the FYE 2023 for our Selayang Factory, are as set out below:

Process	Machine	Estimated daily capacity	Estimated annual capacity ⁽¹⁾	Actual output	Utilisation rate
Mixing	Mixing machine	2,985 kilograms ⁽²⁾	895,500 kilograms	508,064 kilograms	56.74%

Notes:

- (1) The estimated annual capacity is calculated by multiplying the estimated daily capacity with the number of working days of 25 days (including weighting days) per month and 12 months per year.
- (2) The estimated daily capacity is derived based on the mixing capacity of 3 mixing machines, one of which has a daily mixing capacity of 1,777 kg and 2 of which has a daily mixing capacity of 604 kg each, calculated based on 8 working hours per day.

7. BUSINESS OVERVIEW (CONT'D)

Table 2: Production Capacity of Final Product Machines*

The estimated annual capacity, actual output and utilisation rate of the respective machinery to manufacture final products, for the FYE 2023 for our Selayang Factory, are as set out below:

Process	Machine	Products	Estimated daily capacity	Estimated annual capacity⁽¹⁾	Actual output	Utilisation rate
Powder sachet filling	Powder sachet filling machine	Powder sachets	120,000 Sachets ⁽²⁾	36,000,000 sachets	27,675,277 sachets	76.88%
Vegetable softgel encapsulation	Vegetable softgel encapsulation machine	Vegetable softgel capsules	136,000 capsules ⁽³⁾	40,800,000 capsules	12,738,130 capsules	31.22%
Powder canning	Metal tin /paper can filling machine	Metal tin /paper can	4,444 metal tins / paper cans ⁽⁴⁾	1,333,200 metal tins / paper cans	374,772 metal tins/ paper cans	28.11%
Capsulation	Capsule filling machine	Hard capsules	150,000 capsules ⁽⁵⁾	45,000,000 capsules	6,513,920 capsules	14.48%

Notes:

* The Final Product Machines listed in Table 2 are key machines used in our manufacturing processes based on sales of key products during the FYE 2023 with revenue contribution of 78.69%.

- (1) The estimated annual capacity is calculated by multiplying the estimated daily capacity with the number of working days of 25 days per month and 12 months per year.
- (2) The estimated daily capacity is derived based on the sachet filling capacity of 8 sachet filling machines, which has a daily filling capacity of 15,000 sachets for each machine, calculated based on 8 working hours per day.
- (3) The estimated daily capacity is derived based on the vegetable softgel encapsulation capacity of 1 vegetable softgel encapsulation machine, which has a daily encapsulation capacity of 136,000 vegetable softgel capsules, calculated based on 8 working hours per day.
- (4) The estimated daily capacity is derived based on the powder canning capacity of 1 metal tin /paper can filling machine, which has a daily filling capacity of 4,444 cans, calculated based on 8 working hours per day.

7. BUSINESS OVERVIEW (CONT'D)

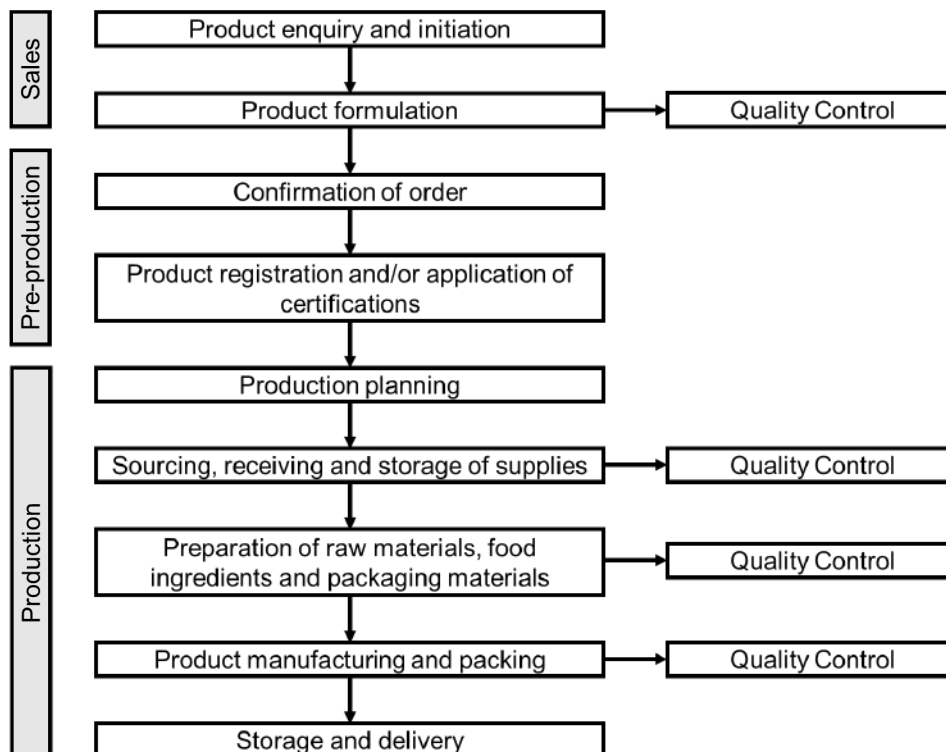
- (5) The estimated daily capacity is derived based on the capsulation capacity of 1 capsule filling machine, which has a daily capsulation capacity of 150,000 hard capsules, calculated based on 8 working hours per day.

Given the nature of our business in providing manufacturing services of fortified F&B and dietary supplements to third party brand owners in a wide range of product forms, the utilisation rates of some of our machinery may be low. Sachet form of products was our Group's top product form in FYE 2023 based on revenue contribution, with a utilisation rate to manufacture sachet products of 76.88%. Save for our sachet filling machine, the other machines recorded utilisation rates between 14.48% and 31.22% during FYE 2023. It is our Group's intention to provide a wide range of manufacturing services and product offerings to our customers to ensure our competitiveness in the industry.

7. BUSINESS OVERVIEW (CONT'D)

7.8 PROCESS FLOW

The process flow for our Group's business is depicted below:



Sales

(i) Product enquiry and initiation

Upon the receipt of enquiry for new product formulation for fortified F&B or dietary supplements, we will assess the feasibility of the request. Upon acceptance of the request, we will undertake product development activities to develop the new formulation.

For the provision of manufacturing services of fortified F&B and dietary supplements, our customers will provide their requirements on the product functionality, costing and target market. Based on our understanding of the latest market trend and our customers' requirements, we will advise our customers on the type of product to be developed in terms of ingredient base, dosage and form such as vegetable softgel capsules, hard capsules, tablets (including effervescent tablets), teabags, liquid beverages, powder mixes and jelly in packaging such as sachets, bottles, metal tins and/or paper cans.

For our house brand products, we carry out market viability research on latest trends for new product development or improvement of existing products. For the development of new products, we will identify the ingredient base, form, dosage, product functionality, costing requirements and target market for the product that we intend to launch in the market.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Product formulation

Based on the product requirement, we will select and source the required raw materials such as active ingredients (vitamins), herbs and plants, as well as food ingredients such as fruit and vegetable powder, fruit extract, milk powder, nuts and oats to develop the formulation. During the formulation process, we will conduct tests to determine the stability of blending different ingredients together, as well as to ensure that the new product formulation meets the product specification and food safety requirements. In addition, we will also conduct external studies, as and when required, to determine the properties of the active ingredients that we intend to source for the formulation of new products. Please refer to Section 7.9 of this Prospectus for further details on the QA and QC carried out during our product formulation process.

We will also ensure whether the new product formulation is compliant with Malaysia's regulatory requirements, as well as the regulatory requirement of the countries where the products will be exported. At this stage, few formulation prototypes will be developed for our customer's selection, as well as for internal selection for house brand products.

Pre-production

(iii) Confirmation of order

Upon receiving confirmation from our customers to commence manufacturing based on the new product formulation, we will also identify the type of packaging required by our customers which comprises the selection of shapes and sizes of the sachets, bottles, metal tins, paper cans, or blister packs, as well as the labelling material and cap type (for bottled packaging) and submit the orders to our suppliers. Upon request, we will engage third party product designers to provide packaging and labelling designs to our customers. We will then issue a quotation to our customer for the confirmation of order.

For the request of existing product from existing customers, we will issue a quotation to our customer based on the type and quantity of the products required, whereby the quantity of products are subject to a minimum order quantity. Upon receiving confirmation from our customer, we will proceed with manufacturing.

For house brand products, upon the confirmation of new product launching, we will identify the type of packaging required for our new product and engage third party designer to design our packaging and labelling. For existing products, we will confirm the quantity to be manufactured based on the respective product's sales performance, sales forecast and inventory level, and proceed with manufacturing.

(iv) Product registration and/or application of certifications

For newly developed dietary supplements, we will register the final product formulation with the NPRA prior to commencing mass production. Once the product formulation is approved by the NPRA, the dietary supplements will be issued with a MAL registration number that allows it to be sold in the market, and we can commence manufacturing of the dietary supplements. On the other hand, the registration of product formulation for fortified F&B is not required and hence, the mass production of fortified F&B can commence upon receiving the confirmation of orders from our customers.

Upon request by our customers, we will also register the new product formulation with JAKIM to certify that the product is Halal-compliant which allows for the Halal logo to be displayed on the product. Further, we will also assist our customers to apply for the Certificate of Analysis, Certificate of Free Sale, Health Certificate and/or Certificate of Origin based on their requirements.

7. BUSINESS OVERVIEW (CONT'D)

Production

(v) Production planning

We will outline a detailed production plan that specifies the manufacturing and delivery details such as product formulation, raw materials, food ingredients and packaging materials required, manufacturing process required based on form, quantity, packing instruction, manufacturing schedule and delivery schedule.

(vi) Sourcing, receiving and storage of supplies

Our raw materials include active ingredients which are utilised in our manufacturing activities, comprising natural sources of botanical-based and non-botanical-based materials and synthetic sources:

- Botanical-based materials – We source botanical-based materials such as sacha inchi oil, sea buckthorn, green tea extract, tiger mushroom powder and spirulina from our suppliers.
- Non-botanical-based materials – We source non-botanical-based materials such as vitamins and minerals from our suppliers.
- Synthetic sources – We source chemically processed materials such as alpha tocopherol (synthetic vitamin E), ascorbic acid (synthetic vitamin C), biotin, cholecalciferol (synthetic vitamin D3) and folic acid from our suppliers.

In addition, our purchases of raw materials also include dried herbs and plants such as sacha inchi leaves, aloe vera plant, black cumin seeds and lingzhi from our suppliers for in-house extraction of active ingredients for use in our manufacturing; as well as the culture medium for in-house culturing of Lactobacillus acidophilus probiotic strain for use in our manufacturing.

For food ingredients such as fruit and vegetable powder, fruit extract, milk powder, nuts and oats, we will source from our suppliers.

For packaging and labelling materials, we will forward the design to our third party packaging manufacturers to manufacture the packaging materials and labelling.

We will perform visual inspection on the raw materials, food ingredients, packaging materials (sachet rolls, bottles, metal tins, paper cans, blister packaging) and labelling received to ensure that they are within the specifications required and that there are no damages and defects, as well as no printing error on our packaging materials and labelling. Please refer to Section 7.9 of this Prospectus for further details on the QA and QC carried out on our raw materials, food ingredients, packaging materials and labelling.

The raw materials, food ingredients, packaging materials and labelling that pass our quality control checks will be temporarily stored in our warehouse prior to manufacturing; while rejected raw materials, food ingredients, packaging materials and labelling will be returned to suppliers for replacement.

7. BUSINESS OVERVIEW (CONT'D)

(vii) Preparation of raw materials, food ingredients and packaging materials

Raw materials and food ingredients will be prepared in accordance with the production plan in preparation for manufacturing. The selected raw materials and food ingredients will be weighed in accordance with the proportion indicated in the product formulation.

For selected dried herbs and plants such as sacha inchi leaves, aloe vera plant, black cumin seeds and lingzhi, we will perform in-house extraction to obtain the active ingredients needed for use in our manufacturing. We will clean the herbs or plants to remove impurities with ozonated water, and subsequently dry and sterilise it in the oven. The dried herbs or plants will then be placed into an extraction machine to isolate the active ingredients. The active ingredients obtained will be in liquid form. Depending on the manufacturing requirement, the active ingredients may be transferred to a spray dryer to dehydrate and reduce it into powder form. Please refer to Section 7.9 of this Prospectus for further details on the QA and QC carried out during the active ingredient extraction process.

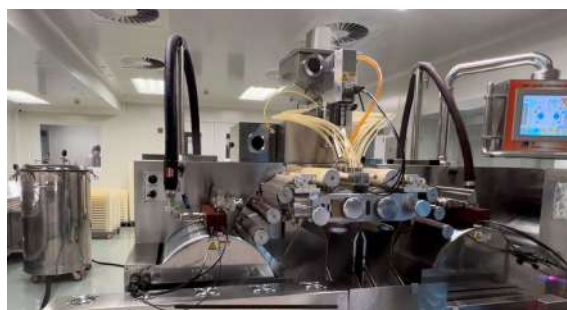
We also undertake in-house culturing of a particular strain of probiotic, namely *Lactobacillus acidophilus*, for used in our manufacturing. The culturing of probiotics begins with the preparation of a sterile culture medium which is conducive for the growth of bacteria. The *Lactobacillus acidophilus* culture medium will be mixed into the sterile medium and incubated at a controlled temperature to allow the bacteria to develop and grow in terms of cell count. Once the *Lactobacillus acidophilus* bacteria has proliferated into the required colony size (bacterial count), we will harvest the bacteria and undergo spray drying to turn the *Lactobacillus acidophilus* bacteria into powder form, also known as probiotics, for use in our manufacturing.

The form of the products to be manufactured will be identified in order to prepare the machinery for manufacturing. We will also prepare the packaging materials required such as sachet rolls, bottles, metal tins, paper cans and/or blister packs. Subject to the type of manufacturing process to be carried out, the packaging materials will be loaded onto the machinery accordingly.

(viii) Product manufacturing and packing

The manufacturing process for the different forms of products comprising vegetable softgel capsules, hard capsules, tablets (including effervescent tablets), teabags, liquid beverages, powder mixes, and jelly, in packaging such as sachets, bottles, metal tins, paper cans and/or blister packs are as set out below:

- **Manufacturing of vegetable softgel capsules**



Vegetable softgel encapsulation machine

For the preparation of gelatin mixture, the gelatin mixture is prepared by mixing gelatin powder with water and glycerine, which is heated and stirred inside a melting tank. The gelatin mixture is pumped into the gelatin loading tank within the vegetable softgel encapsulation machine.

7. BUSINESS OVERVIEW (CONT'D)

For the preparation of fill solution mixture, the fill solution mixture is prepared by mixing the raw materials in accordance with the product formulation in a mixing tank until a consistent fill solution mixture is obtained. The fill solution mixture is then pumped into the filling tank within the vegetable softgel encapsulation machine in preparation for encapsulation.

The encapsulation process starts with the formation of two thin films of gelatin. The gelatin films are fed between two die rolls that each determine the size and shape of the vegetable softgel capsules, to form two halves of the capsule. The films converge at the injection wedge and filling pump, where the fill solution mixture is measured and injected. Subsequently, the filled capsule halves are sealed together using heat and pressure, and ejected from the vegetable softgel encapsulation machine. The vegetable softgel capsules are rotated in the tumble dryer to remove excess moisture from the surface of the vegetable softgel capsule.

Following the encapsulation process, the vegetable softgel capsules are transferred to a temperature and humidity-controlled room where the vegetable softgel capsules are allowed to harden. We will inspect the vegetable softgel capsules to ensure that their appearances are in accordance with the product specifications. The vegetable softgel capsules will be polished before they are packed into bottles or in blister packs.

- **Manufacturing of tablets and hard capsules**



Tableting machine



Effervescent tableting machine

The dispensed raw materials in powder form, collected directly from our warehouse or from our extraction process, will be sieved to achieve an even particle size and to eliminate foreign particles. Subsequently, the raw materials are transferred into a mixing machine to undergo thorough mixing to achieve uniformity of the powdered mixture.

For the manufacturing of tablets (including effervescent tablets), the powder mixture will be fed into a tableting machine where the powder is compressed into tablet form. Depending on the shape and size of the tablets required, we will prepare the mould to be installed onto the machine accordingly. The tablets are then checked for its hardness, appearance and weight to ensure that the tablets are manufactured according to product

7. BUSINESS OVERVIEW (CONT'D)



Hard capsule machine

requirements. The hard tablets will then be filled into bottles or packed in blister packs whereas the effervescent tablets will be filled into tubes.

For the manufacturing of hard capsules, hard capsules are first loaded into the capsule filling machine. The powder mixture will be filled into the hopper and then pressed and filled into the hard capsules. The filled hard capsules are then vacuumed in a suction system to identify and remove deformed capsules. The hard capsules will then be filled into bottles or packed in blister packs.

- **Manufacturing of liquid and jelly products**



Bottled-liquid filling machine



Sacheting machine

For the manufacturing of liquid and jelly products, raw materials and/or food ingredients, will be poured into a mixing tank to undergo thorough mixing process to achieve uniformity of the liquid mixture. For jelly products, konjac will be added into the liquid mixture, heated and mixed thoroughly to thicken the liquid mixture until it achieves the jelly texture. The jelly mixture will be filled into the filling machine in preparation for filling into its packaging.

Liquid mixture will then be filled into sachets or bottles, whereas jelly products will be filled into sachets. We will inspect the filled sachets and bottles to ensure that the weight is in accordance with product specification and the sealing conforms to the required standard and quality.

- **Manufacturing of powder products**



Powder blending machine



Metal can sealing machine

7. BUSINESS OVERVIEW (CONT'D)

The dispensed raw materials and food ingredients, in powder form, will be sieved to achieve even particle size and to eliminate foreign particles. If the product formulation comprises a mixture of different raw materials and food ingredients, the dispensed raw materials and food ingredients will be transferred into a mixing tank to undergo thorough mixing to achieve uniformity of the powder mixture.

The powder mixture will then be filled into sachets, bottles, metal tins or paper cans. Particularly for powder mixture packed into metal tins, an additional step of vacuuming air out and flushing nitrogen gas into the metal tin will be carried out to remove oxygen, as the presence of oxygen may easily cause the product to turn rancid. We will inspect the filled sachets, bottles, metal tins or paper cans to ensure that the weight is in accordance with product specification and the sealing conforms to the required standard and quality.

- **Packing of tea leaves into teabags**



Tea bag packing machine

The tea leaves provided by our customers will undergo crushing and grinding to breakdown the tea leaves into crushed tea leaves. The crushed tea leaves will undergo drying and sterilising to remove moisture to prevent the development of bacteria, yeast and mould. Empty tea bag filter papers will then be loaded onto the tea bag packing machine. The crushed tea leaves are subsequently filled into the empty tea bag filter papers and sealed accordingly to form tea bags. The tea bags are then packaged into individual aluminium packaging and sealed accordingly. We will inspect the teabags to ensure that the weight is in accordance with product specification and the sealing conform to the required standard and quality.

Unlabelled bottles, metal tins and paper cans will be labelled using a labelling machine. Subsequently, batch number, manufacturing date and expiry date will be printed on the bottles, metal tins and paper cans prior to packing. Depending on the packaging requirements, the bottles may be packed into boxes which will also be printed with the batch number, manufacturing date and expiry date. Bottles, metal tins and paper cans will be packed into cartons to prepare for delivery.

Sachets and blister packs will be printed with the batch number, manufacturing date and expiry date before being packed into boxes. Teabags will be directly packed into boxes and the batch number, manufacturing date and expiry date will be printed on the boxes. The boxes will be sealed using shrink wrap and packed into cartons to prepare for delivery.

Samples from each batch of manufacturing will be retained for product tracing purposes when required, and will be disposed at the end of the product shelf life. Please refer to Section 7.9 of this Prospectus for further details on the QA and QC carried out during the manufacturing process and on the finished products.

(ix) Storage and delivery

All ready products will be temporarily stored in our warehouse while logistics are being arranged to deliver the products to our customers. Further details on the quality control procedures undertaken throughout the manufacturing process are as set out in Section 7.9 of this Prospectus.

7. BUSINESS OVERVIEW (CONT'D)

7.9 QUALITY ASSURANCE AND QUALITY CONTROL

Our Group places strong emphasis on the safety of all products manufactured in our factories. We are committed to ensure that the food safety management system that we have put in place is in accordance with internationally recognised standards and practices such as obtaining ISO and HACCP certifications as set out in the certifications table below. To meet these standards and requirements, quality control procedures are incorporated within our manufacturing processes to ensure the quality and safety of our products.

In order to ensure that the quality and safety of our products are upheld, the quality control procedures incorporated into our operations from sourcing to delivery are as set out below:

Process	Type of analyses and tests	Quality control procedure
Active ingredient extraction		
In-coming raw materials quality control	Review of certificate of analysis	To ensure that the raw materials comply to its specifications before they are used for extraction.
In-process quality control	Moisture analysis	To determine the moisture content in the extracted material.
	UV spectrum test	To determine the content of the active ingredients of the extracted material.
	pH value test	To determine the acidity/alkalinity of the extracted material.
	Heavy metal test	To ensure the heavy metals such as lead, arsenic, cadmium and mercury, are within the specification.
	Microbial test	To ensure the absence of contamination from microbes.
	Physical appearance	To determine the colour and texture of the active ingredient.
	Stability test	To evaluate and determine the shelf life of the formulated sample.
Product formulation		
In-coming raw materials and food ingredients quality control	Review of certificate of analysis	To ensure that the raw materials and food ingredients comply to its specifications before they can be accepted as our inventory.
	Organoleptic test	To determine the colour and texture of the raw materials and food ingredients.
	UV spectrum test	To determine the content of the active ingredients of the extracted material.
	Packaging condition	To ensure that there are no damages on the packaging of the raw materials and food ingredients that may cause contamination, to

7. BUSINESS OVERVIEW (CONT'D)

Process	Type of analyses and tests	Quality control procedure
		ensure the details on the packaging such as the batch number, manufacturer name and expiry date is correct.
	pH value test	To determine the acidity/alkalinity of the raw materials and food ingredients.
	Viscosity	To measure the internal resistance of active ingredient to viscosity flow.
	Moisture analysis	To detect the moisture content of the raw materials and food ingredients.
In-process control	quality Organoleptic test	To evaluate the acceptability of sample in terms of appearance, taste, scent and/or texture.
	pH value test	To determine the acidity/alkalinity of the formulated sample.
Production		
In-coming raw materials and food ingredients control	Review of certificate of analysis	To ensure that the raw materials and food ingredients comply to its specifications before they are used in production.
	Physical appearance	To determine the colour and texture of the raw materials and food ingredients.
	UV spectrum test	To determine the content of the active ingredients of the extracted material.
	Quantity and weight	To ensure that the quantity and weight of the raw materials and food ingredients are in accordance with the delivery order.
	pH value test	To determine the acidity/alkalinity of the raw materials and food ingredients.
Incoming materials and labelling control	packaging and quality Quantity	To ensure the quantity of the packaging materials is in accordance with the delivery order.
	Printing	To ensure clear and correct printing of the packaging materials and labelling.
	Packaging condition	To ensure that there are no damages and defects on the packaging materials.
In-process control	quality Physical appearance	To determine the colour, taste and/or texture of the powder or liquid mixture after mixing.
	Moisture analysis	To determine the water content in the mixture after mixing and/or drying.

7. BUSINESS OVERVIEW (CONT'D)

<u>Process</u>	<u>Type of analyses and tests</u>	<u>Quality control procedure</u>
	pH value test	To determine the acidity/alkalinity of the mixture that contribute to microbial stability.
	Vacuum leak test	To detect defects in the sealing of cans and sachets of finished products.
	Uniformity of content	To assess the individual content of active ingredients in each type of form.
	Sealing inspection	To detect defects in the sealing of cans and sachets of finished products through visual inspection.
Finished products inspection	Uniformity of weight	To ensure that the weight of the finished products is in accordance with the weight specification.
	Packaging condition	To ensure that the products are packed and labelled correctly.
	Printing quality	To ensure clear and legible printing of batch number, manufacturing date and expiry date.
	Microbial test	To ensure the absence of contamination from microbes.
	Heavy metal test	To ensure heavy metals such as arsenic, cadmium, lead and mercury, are within the product specifications.
	Disintegration test	To determine whether the vegetable softgel capsules, hard capsules and tablets disintegrate within prescribed time.
	Capsules appearance	To ensure that there are no deformity and defects on the capsules, as well as the shape and/or colour of the capsules are in accordance with product specification.
	Tablet hardness test	To determine the resistance of tablets to compression.
	Tablet friability test	To determine the resistance of tablets to breakage or deformation under condition of handling, storage and transportation.
	Stability test	For dietary supplements, random sample of products will undergo accelerated stability test and real-time stability test to evaluate and determine the quality and shelf life of the product.

7. BUSINESS OVERVIEW (CONT'D)

In addition, our stringent quality control procedures are demonstrated and attested by the following certificates received by our subsidiaries as at [LPD]:

Name of entity	Name of certificate	of Certification body	Scope of certification	of Date awarded	first	Validity period
Orient Biotech and Orient Laboratories	International Organisation of Standardisation ("ISO") 9001:2015 Quality Management System (Selayang Factory)	LRQA Limited	Applicable to manufacture and marketing of food, dairy products, health food supplements and traditional medicines	13 September 2001		13 September 2022 – 12 September 2025
Orient Biotech	ISO 9001:2015 Quality Management System (Rented Serendah Factory)	LRQA Limited	Applicable to manufacture and marketing of food, dairy products.	11 October 2023		11 October 2023 – 12 September 2025
Orient Laboratories	Certificate of Registration with the US FDA	Registrar Corp	Affirms that the facility is registered with the US FDA pursuant to the Federal Food Drug and Cosmetic Act that allows products manufactured in this facility to be sold in the US.	8 May 2013		11 September 2023 – 31 December 2024
Orient Biotech and Orient Laboratories	Certificate of Approval based on MS 1480:2019 Food Safety According to HACCP System (Selayang Factory)	LRQA Malaysia Sdn Bhd	Applicable to the management of HACCP system for blending and packing of milk and soymilk powders, probiotic, collagen and beverage mix powders	30 September 2013 (Orient Laboratories) and 30 September 2022 (Orient Biotech)		30 September 2022 – 29 September 2025
Orient Biotech	Certificate of Approval based on MS 1480:2019 Food Safety According to HACCP System (Rented Serendah Factory)	LRQA Malaysia Sdn Bhd	Applicable to the management of HACCP system for blending and packing of milk and soymilk powders.	30 September 2022		30 September 2022 – 29 September 2025

7. BUSINESS OVERVIEW (CONT'D)

Name of entity	Name of certificate	of	Certification body	Scope of certification	of	Date first awarded	Validity period
Orient Biotech and Orient Laboratories	NASAA Certified Organic ⁽¹⁾		NASAA Certified Organic P/L	Affirms that the products registered are organic		27 November 2020 (Orient Biotech) and 7 December 2022 (Orient Laboratories)	27 November 2023 – 31 October 2024
Orient Biotech	Certificate of Authentication HALAL (Selayang Factory)	of	JAKIM and JAIS	Affirms that the manufacturing facility registered with JAKIM and JAIS pursuant to the Islamic law and Malaysian Halal Standards certifies the manufacturing facility as Halal.		1 December 2021	16 January 2023 – 15 January 2026
Orient Biotech	Certificate of Authentication HALAL (Rented Serendah Factory)	of	JAKIM and JAIS	Affirms that the manufacturing facility registered with JAKIM and JAIS pursuant to the Islamic law and Malaysian Halal Standard certifies the manufacturing facility as Halal.		1 December 2021	1 November 2023 – 31 October 2026
Orient Laboratories	Certificate of Authentication HALAL (Selayang Factory)	of	JAKIM and JAIS	Affirms that the manufacturing facility registered with JAKIM and JAIS pursuant to the Islamic law and Malaysian Halal Standards certifies the manufacturing facility as Halal.		16 October 2008	1 December 2023 – 30 November 2026
Orient Biotech	Certificate of Registration for Food Premises (Rented Serendah Factory)	of	MOH	Affirms that the manufacturing facility is registered with the Ministry of Health pursuant to the Food Act 1983 and Food Hygiene Regulations 2009.		13 July 2022	13 July 2022 – 13 July 2025

7. BUSINESS OVERVIEW (CONT'D)

Name of entity	Name of certificate	Certification body	Scope of certification	Date first awarded	Validity period
Orient Biotech and Orient Laboratories	Certificate of Registration for Food Premises (Selayang Factory)	MOH	Affirms that the manufacturing facility is registered with the Ministry of Health pursuant to the Food Act 1983 and Food Hygiene Regulations 2009.	19 July 2010 (Orient Biotech) and 15 September 2022 (Orient Laboratories)	16 July 2022 – 16 July 2025 (Orient Biotech) and 15 September 2022 – 15 September 2025 (Orient Laboratories)

Note:

- (1) In the event that the certificate is not renewed, our Group does not foresee any material impact on our Group's business operations and financial performance as the certificate is not a requisite approval and/or licence in carrying out our business operations

Our Group had engaged NASAA to certify the organic food ingredient and products, further details of which are set out in the table below:

Product name	Form	Product Description	Status
<u>Food ingredient</u>			
Organic Lactobacillus Powder	Powder	As active ingredient used in the manufacturing of fortified F&B.	Certified organic by NASAA
<u>House brand</u>			
Bonlife Organic Full Cream Milk Powder	Powder	Made into a beverage when mixed with warm water. Contains 100% certified organic full cream milk powder. Does not contain added sugar, antibiotics, growth hormones, chemicals, pesticides nor herbicide residue.	Certified organic by NASAA
Bonlife Organic Goatmilk Powder ⁽¹⁾	Powder	Made into a beverage when mixed with warm water. Does not contain preservatives nor artificial colouring.	Certified organic by NASAA
Bonlife Sacha Inchi Oil ⁽¹⁾	Oil	Traditionally used for general health.	Certified organic by NASAA
Bonlife Organic Bonmilk Step 3 (1-3 years) Milk Powder	Powder	Made into a beverage when mixed with lukewarm water. Contains organic cow milk fortified with arachidonic acid, algae DHA, nucleotides, prebiotics, vitamins and minerals. Does not contain antibiotics, growth hormones, chemicals, pesticides, herbicide residue, artificial colouring nor preservatives.	Certified organic by NASAA

7. BUSINESS OVERVIEW (CONT'D)

Product name	Form	Product Description	Status
Bonlife Organic Bonmilk Step 4 (3-7 years) Milk Powder	Powder	Made into a beverage when mixed with lukewarm water. Contains organic cow milk fortified with arachidonic acid, algae DHA, nucleotides, prebiotics and probiotics, vitamins and minerals. Does not contain antibiotics, growth hormones, chemicals, pesticides, herbicide residue, artificial colouring nor preservatives.	Certified organic by NASAA
Bonlife Organic Soymilk Powder	Powder	Made into a beverage when mixed with warm water. Contains organic soymilk derived from skin-peeled organic beans, fortified with algae DHA and probiotics. Does not contain pesticides, artificial colouring nor preservatives.	Certified organic by NASAA
Bonlife Organic Spirulina Tablet ⁽²⁾	Tablet	Traditionally used for general health.	Certified organic by NASAA
Bonlife Organic Wheat Grass Powder ⁽³⁾	Powder	Made into a beverage when mixed with water or juice. Does not contain binding agents, fillers, preservatives, pesticides nor artificial colouring.	Certified organic by NASAA
Bonlife Organic Sacha Inchi Oil 500mg Softgel ⁽⁴⁾	Softgel	Traditionally used for general health.	Not certified organic by NASAA
<u>Third party brands</u>			
Vinter Wheat Grass Powder	Powder	Made into a beverage when mixed with water or juice. Does not contain binding agents, fillers, preservatives, pesticides nor artificial colouring.	Certified organic by NASAA
CL Organic Sacha Inchi Oil Softgel ⁽⁴⁾	Softgel	Traditionally used for general health.	Not certified organic by NASAA

Notes:

- (1) No longer an active house brand product.
- (2) Refers to Bonlife Spirulina 200mg Tablets.
- (3) Refers to Bonlife Organic Wheat Grass Powder.
- (4) The active ingredient, i.e. sachal inchi oil that we source from our supplier to manufacture the products is certified organic. However, the products have not been certified organic by NASAA and our Group has no intention to pursue organic certification for the products. As such, there is no labelling of NASAA's logo on these products.

7. BUSINESS OVERVIEW (CONT'D)

In addition, our Selayang Factory and Rented Serendah Factory are also certified GMP-compliant. As such, the fortified F&B and dietary supplements that we manufacture at our Selayang Factory and Rented Serendah Factory also meet the GMP requirements, which provides further confidence to our customers on the quality and safety of our products.

7.10 RESEARCH AND DEVELOPMENT

Our product development activities are carried out in-house by our product development team, consisting of 8 R&D personnel, which is led by Lee Chee Keat, our R&D Manager who has 16 years of experience in the fortified F&B and dietary supplements industry. Our product development team stays abreast with the latest trends introduced in the market to identify opportunities to develop and introduce new products to expand our offerings.

7.10.1 Product development

Our Group's product development activities primarily focus on the development of new product formulations as well as continuously improving or enhancing existing product formulations to cater for consumers' changing preferences for fortified F&B and dietary supplements. The process entails continuous experiment to test the stability of newly formulated products. We also continuously identify new ingredients to enhance our product offerings through in-house market research and library research of published journals as well as collaboration with a university to gain access to the latest developments on fortified F&B and dietary supplements. Our product development team has the capability to carry out in-house testing of newly formulated products which encompasses UV spectrum test, pH value test, organoleptic test and viscosity test. These tests can be carried out by our Group due to the small sample size required for testing. The key equipment that we use to support the aforementioned tests include a spectrophotometer, pH meter, viscosity meter, liquid homogenizer, incubator shaker, incubator, disintegration tester, friabilator, oven and fridge, of which we have 1 unit each and these equipment are catered for lab-scale testing of small sample size. Most of these equipment are placed in our laboratory while some are placed outside of our laboratory (i.e. R&D office and QC room) such as the oven, fridge, incubator, pH meter and viscosity meter. Depending on the tests required, we may carry out certain tests on a daily basis or on a weekly basis. As at LPD, the equipment that we have in our laboratory is sufficient to support our product development activities as there is currently no equipment limitation on the number of tests that can be carried out in a day. On the other hand, for tests such as nutrition tests, heavy metal tests and microbial tests, we will send it to third party laboratories for external verification.

The development of new products and enhancement of existing products is part of our continuous effort to remain competitive in the market by constantly offering products that is in accordance with market trends and demand. Development of new product formulations is also carried out upon request by our customers for customised fortified F&B or dietary supplements.

During the Financial Years Under Review and up to LPD, we have collectively manufactured a total of 136 formulations of fortified F&B and 41 formulations of dietary supplements for third party brand owners and our house brands. Given our product development capabilities, we had over the years, cumulatively formulated 924 formulations of fortified F&B, as well as formulated 102 formulations of our dietary supplements that are registered with the NPRA which are readily available for manufacturing and commercialisation. Please refer to Section 7.4 of this Prospectus for the summary on the number of products manufactured and formulated.

With the continuous effort taken by our Group to develop new formulations and enhance our existing range of product offerings, we will be well-positioned to capture business opportunities and to expand our market presence.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, the product development expenses incurred by our Group amounted to RM0.94 million, RM0.79 million and RM0.96 million respectively, representing 3.16%, 1.81% and 2.07% of our Group's total revenue.

7.10.2 Clinical trial for sacha inchi oil supplement

A clinical trial is conducted by our Group to provide more information and confidence to the consumers on the fundamental characterisation and functional verification of a particular product. In selecting a product to undergo a clinical trial, we will take into consideration the marketability of a particular product, market claims on the efficacy of the product, and whether there are any similar clinical trials being carried out by other industry players in the market. As sacha inchi oil is a dietary supplement with many health claim benefits, our Group has selected it for clinical trial to assess its efficacy on hyperglycaemia, hypertension and hyperlipidaemia patients.

We had, in December 2020, entered into a research collaboration agreement with USM to undertake research on the development of sacha inchi oil supplementation for the improvement of hyperglycaemia, hypertension and hyperlipidaemia. This was the first clinical trial conducted by our Group. Sacha inchi oil supplement is a dietary supplement in which the active ingredient is extracted from the seed of the sacha inchi plant. The trial was carried out by a team of researchers from USM and focuses on the consumption of *Bonlife* Organic Sacha Inchi Oil 500mg Softgel. Our Group's involvement in the trial includes funding the research, ensuring sufficient supply of *Bonlife* Organic Sacha Inchi Oil 500mg Softgel throughout the period of the trial, preparing advertisement poster for the recruitment of participants, and preparing documents for the application of Human Ethical Approval from USM Institutional Research Board, among others.

The clinical trial was conducted from December 2020 to June 2022 and the details of the clinical trial, include among others, the following:

- To investigate whether an oral dose of 500mg of sacha inchi oil supplement twice daily could reduce glycated haemoglobin, reduce systolic and diastolic blood pressure, improve lipid profile and improve cardiometabolic health profile of patients suffering from hyperglycaemia, hypertension and hyperlipidaemia;
- A sample size of 54 participants above the age of 18 years old were recruited from the Day care unit of Advanced Medical and Dental Institute, USM, Pulau Pinang;
- The participants recruited must be diagnosed with hyperglycaemia, hypertension and hyperlipidaemia for at least 6 months without any complications, and are not taking anti-inflammatory supplementation;
- Among the 54 participants, 27 participants were given *Bonlife* Organic Sacha Inchi Oil 500mg Softgel supplementation whereas the remaining 27 participants were given corn oil supplementation to be consumed for a period of 3 months;
- Blood samples and health readings were taken prior to the start of the trial and at the end of 3 months after consuming the supplement. At the end of 3 months, changes in a participant's health condition upon consuming *Bonlife* Organic Sacha Inchi Oil 500mg Softgel supplementation were evaluated and examined, whereby fasting blood sugar and glycated haemoglobin test is carried out to measure hyperglycaemia, lipid profile test is carried out to measure hyperlipidaemia, and diastolic and systolic blood pressure are taken to measure hypertension; and

7. BUSINESS OVERVIEW (CONT'D)

- The safety and tolerability of the intervention was also evaluated through adverse event reports and verbal complaints of gastrointestinal discomfort. Liver function test and kidney function test have been carried out to ensure that there were no changes to these health indicators prior to and at the end of the trial. This is to ensure that the participant's health conditions were not adversely affected. Other research parameters involved in the assessment of blood profile parameters were antioxidative tests and inflammatory test.

The clinical trial shows that, with the consumption of *Bonlife* Organic Sacha Inchi Oil 500mg Softgel supplementation twice daily, participants with hyperglycaemia, hypertension and hyperlipidaemia had demonstrated:

- Improvement in systolic and diastolic blood pressures whereby the systolic blood pressure and diastolic blood pressure had reduced from 143.56±15.2 mmHg and 83.78±10.1 mmHg respectively, to 135.78±15.9 mmHg and 76.70±8.9 mmHg respectively;
- Improvement in total cholesterol and LDL profiles whereby total cholesterol had reduced from 5.03±0.58 mmol/L to 4.51±0.64 mmol/L, and LDL cholesterol had reduced from 2.49±0.86 mmol/L to 2.23±0.70 mmol/L; and
- Minimal gastrointestinal side effect such as abdominal pain, bloating, nauseous, vomiting, heartburn, diarrhoea, and constipation, and it was well tolerated following prolonged consumption.

For avoidance of doubt, the presentation of the clinical trial results is based on raw data (without the addition of confounding factors, i.e. external factors such as age, existing medical prescriptions and physical activity, in the experiment that affect the variables using statistical tools).

As a result of the clinical trial, our Group had recorded increase in sales of house brand 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 *Bonlife* Organic Sacha Inchi Oil 500mg Softgel and *Bonlife* SachaQ10 Plus Softgel, which collectively increased by RM0.81 million for FYE 2023. The research collaboration effort with USM to undertake research on the development of sacha inchi oil supplementation for the improvement of hyperglycaemia, hypertension and hyperlipidaemia has enabled our Group to gain customer confidence on its product by providing third party verification on the product efficacy through scientific research.

7.11 TECHNOLOGY

We employ the following technology in our manufacturing activities:

Technology	Description
Vegetable manufacturing technology	softgel A technology that produces vegetable gelatin films for vegetable softgel capsules, through the mixing of plant-based materials at a controlled temperature and controlled moisture level.
Granular technology	drying A granular dryer that uses temperatures between 70 degrees Celsius and 90 degrees Celsius to dry organic probiotic cultures and herb extracts. Our granular drying technology allows the removal of moisture from granular ingredients, while preventing the destruction of vitamins and other nutrients throughout the granular drying processes.

7. BUSINESS OVERVIEW (CONT'D)

Technology	Description
Herbs extraction technology	A technology that uses reverse osmosis water to extract active ingredients at temperatures between 70 degrees Celsius and 90 degrees Celsius at a controlled duration.
Oil extraction technology	A technology that uses cold-press to extract oil from plant seeds at controlled temperature and pressure to prevent the destruction of omega fatty acids and vitamins. The technology also encompasses a membrane filtration process to remove impurities.
Organic probiotic culture technology	A technology that cultures probiotics such as Lactobacillus acidophilus, at a controlled sterile medium, temperature and a humidity level of an oxygen-tolerant anaerobic environment, to achieve the required colony size (bacterial count) of live bacteria.

7.12 MODE OF SALES AND MARKETING

Our Group's sales and marketing strategies are as set out below:

(i) Direct approach and referral

We secure new customers through direct contact with potential customers as well as through referrals from our existing customers. Our sales and marketing team constantly observes the market development in the fortified F&B and dietary supplements industry to keep our Group up-to-date with the constant change in consumers' demand and preference, as well as collecting market information to identify potential customers. Our sales and marketing team would then engage the potential customers directly and propose to them the products and manufacturing services which we provide. By keeping abreast with industry updates, we are able to leverage on our expertise to propose new formulations to our customers for our fortified F&B and dietary supplements manufacturing services, thus providing us with the competitive advantage to convince customers to acquire our services. Further, we also leverage on our expertise to propose new formulations to our existing customers to expand their range of product offerings which, in turn, aids in generating more sales for our Group.

(ii) Online marketing

We have established our corporate website at <https://www.orient.com.my/>, as a platform for introducing our Group's services to potential customers and providing immediate basic information on our Group. Enquiries received through our corporate website are channelled to our sales and marketing team for their handling. In addition, we have established a website for our house brand, *Bonlife* at <https://www.bonlife.com.my/>, in which our website also functions as our in-house e-commerce platform for consumers to make direct purchases.

As at LPD, we also leverage on a social media platform, namely Facebook, to advertise and market our manufacturing services of fortified F&B and dietary supplements to third party brand owners, and third party e-commerce platforms namely Shopee, Lazada and TikTok, to advertise and market our house brands' products to consumers as well as to enhance our brand presence.

We also conduct online advertising and marketing activities of our services through Facebook Ads, and house brands through Facebook postings, Facebook Ads and Instagram

7. BUSINESS OVERVIEW (CONT'D)

postings. We also use our social media page on Facebook as an engagement platform to promote our products and services.

Further, we also engage with third party marketing agents to sell our house brand products online for *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*. We enter into agreements with our marketing agents, in which they will conduct and provide online marketing services on social media platforms and third party e-commerce platforms, amongst others. Through the agreement, our marketing agents have the exclusive rights to market all products under our respective house brands. Our Group will manufacture and deliver the products to the marketing agents who will then distribute the products to their customers, or assign a third party fulfilment centre to store and arrange the distribution of the products to our marketing agents' customers. The appointment of marketing agents was driven by our Group's strategy to leverage on these third party's marketing capabilities to market our products, and to focus our internal resources in product development and manufacturing. With this strategy, we leverage on our marketing agents' resources to grow the sales of our house brands. Further details on the arrangement with our marketing agents are set out in Section 7.3.2 of this Prospectus. The revenue contributed by the third party marketing agents were RM1.78 million and RM3.20 million for FYE 2022 and FYE 2023, respectively. There was no revenue contribution for the FYE 2021 as the marketing agents were first appointed during FYE 2022.

The current widespread use of the internet as a source of information enables us to cross geographical borders and facilitates access from any part of the world, enhancing our potential market reach and exposure. Moving forward, we will continue to explore and engage in different advertising and marketing activities that are suitable for the latest consumer trend to expand our brand presence.

(iii) Trade fairs and exhibitions

Through trade fairs and exhibitions, we are able to introduce our products and services to new markets, build customer relationships and establish contact with potential customers, while promoting our market presence. Trade fairs and exhibitions are our key source for developing initial contact with potential customers. Trade fairs and exhibitions that we have participated over the past years are as set out below:

Year	Trade fair/exhibition	Organiser	Location
December 2021	The Asia Pacific International Honesty – Book of Records 2021	Asia Pacific Excellence Committee	TOP Berjaya Times Square Brand Hotel, Kuala Lumpur
December 2021	Motherhood Baby Fair	Motherhood.com.my	Setia Alam City Convention Center, Selangor
November 2022	Vistage CEO Tea Talk	Vistage Malaysia Sdn Bhd	Avante Hotel, Bandar Utama, Selangor

(iv) Awareness programme

We have also organised an awareness programme to promote the uses and health benefits of our house brand product as set out below:

7. BUSINESS OVERVIEW (CONT'D)

Year	Awareness programme	Location
December 2022	Human Clinical Trial: The efficacy of sacha inchi oils for improvement of hyperglycemia, hypertension and hypercholesterolemia (hyperlipidaemia)	Mercure Hotel, Selayang, Selangor

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7. BUSINESS OVERVIEW (CONT'D)

7.13 COMPETITIVE STRENGTHS

7.13.1 Our industry experience and expertise in the industry enable us to provide customised formulations of fortified F&B and dietary supplements to suit the needs of our customers

Having been in the industry for 28 years, we have gained extensive experience in the formulation and manufacturing of fortified F&B and dietary supplements. Through in-depth insights gathered from our customers and suppliers, we are able to identify various consumer preferences and latest market trends. As such, we are able to utilise these insights and advise a broad range of local and foreign customers on matters pertaining to the formulation of fortified F&B and dietary supplements based on their target markets, as well as in introducing our house brands' products based on latest market trends.

Our expertise is further attested by our ability to provide fully customisable manufacturing services to our customers which is supported by our in-house capability in product development. This is demonstrated by the wide range of formulations that we have developed over the years, in which we had cumulatively formulated approximately 924 formulations of fortified F&B, as well as 102 formulations of dietary supplements for third party brand owners and our house brands that are registered with the NPRA which are readily available for manufacturing and commercialisation. Please refer to Section 7.4 of this Prospectus for the summary on the number of products manufactured and formulated. The ability to undertake product development activities is attributable to our in-house product development team which enables our Group to develop products that fulfils the needs of consumers of various demographic profiles and lifestyles such as children, women, health-conscious individuals and the elderly. Further, our ability to perform in-house extraction of botanical-based active ingredients and culturing of probiotics, as well as our extensive experience that we have developed over the years to generate our own method of processing enable our Group to minimise the possibility of our products from being easily replicated by other manufacturers, thus safeguarding our interest as the product formulator.

In addition, we conduct internal market research to keep abreast with latest market trends, consumer preferences and updates on manufacturing technology. Through the internal market research, we will identify popular products in the market, including the pricing range, content of active ingredients, selling points and packaging sizes of the products. This is carried out through study of industry publications, interaction with consumers in trade fairs and exhibitions, and follow-up with customers and suppliers for product improvement feedback. These insights allow us to continuously improve our existing formulations and develop new formulations for fortified F&B and dietary supplements to meet the demands and needs from different consumer groups. This also enables our Group to provide advice to our customers on the type of products to be developed based on our understanding of the latest market trends and our customers' requirements.

7.13.2 We provide end-to-end solutions to customers from development of product formulations to manufacturing as well as a wide range of product offerings

Our Group has the capability to provide end-to-end solutions to customers for the manufacturing of fortified F&B and dietary supplements, where our services comprise the development of product formulations, product registration, sourcing of supplies, manufacturing and packing of products, and delivery of products to our customers' designated location. Our end-to-end solutions enable us to meet customers' needs and with that, we are able to support our customers throughout the entire process from product development to the manufacturing of fortified F&B and dietary supplements.

Hence, it provides convenience and enhances efficiency as customers do not need to source for multiple suppliers to manufacture and deliver their products. With this, our customers will be able to focus their resources on their own product branding, sales and marketing activities. Further, our ability to provide end-to-end solutions has been crucial to our Group, as it enables us to maintain

7. BUSINESS OVERVIEW (CONT'D)

long term business relationships with existing customers and to secure new customers, as we continue to grow our business.

In addition, we are also able to offer a wide range of product offerings to our customers, as we have the ability to manufacture products in a variety of forms comprising vegetable softgel capsules, hard capsules, tablets (including effervescent tablets), teabags, liquid beverages, powder mixes and jelly, in packaging such as sachets, bottles, metal tins and/or paper cans. Please refer to Section 7.4 of this Prospectus for more details on our products and services. This wide range of product form offerings is further supplemented by our ability in providing fully customisable manufacturing services to our customers as set out in Section 7.13.1 of this Prospectus.

7.13.3 We have developed a multi-channel distribution platform and a portfolio of customers with longstanding business relationships

As a manufacturer involved in the provision of manufacturing services of fortified F&B and dietary supplements, our customers comprise fortified F&B brand owners, dietary supplements brand owners, wholesalers, chain pharmacies and direct selling companies. For our manufacturing services, we secure new customers through direct contact with potential customers, referrals from our existing customers and social media platforms, where we engage with potential customers to propose our manufacturing capabilities. During the Financial Years Under Review, we have a portfolio of 41, 51 and 66 customers, respectively, under our manufacturing services. We have developed longstanding business relationships with our portfolio of customers of up to 20 years. Further details on the length of business relationship that we have established with our top 5 major customers are set out in Section 7.18 of this Prospectus.

For our *Bonlife* products, we have established a network of sales and distribution channels comprising chain retailers and online store retailers, as well as a sole distributor for onward distribution to other independent retailers in Malaysia. We also carry out direct sales to consumers through e-commerce platforms to market our *Bonlife* and *Zen Night* products. Further, we have appointed third party marketing agents for the distribution of our other house brands, namely *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*. Please refer to Section 7.3.2 of this Prospectus for further details on the sales and distribution channels for our house brands' products. The strategy of using different distribution channels enable us to expand our market coverage in targeting the mass market without the need for significant investments in sales and marketing activities. Hence, through our various distribution platforms, we are able to reach out to a diversified customer base, thereby mitigating concentration risks when it comes to generating revenue.

7.13.4 We are accredited with various certifications as a testament of our manufacturing compliance to food quality and safety standards

Over the years of our business operations, we have received several certifications which attest to the manufacturing standards and product compliance of our fortified F&B and dietary supplements. Among the certifications that we have received include ISO 9001:2015 Quality Management System certification, FDA certification, HACCP System certification and NASAA Certified Organic certification, in which these certifications are internationally recognised. Further details on the certifications that we have obtained are set out in Section 7.9 of this Prospectus.

In addition to the abovementioned certifications, in Malaysia, dietary supplements must be awarded with MAL certificates before they are allowed to be commercialised in the market. MAL certificates bear registration numbers for products which have been approved by the NPRA for sale or use in Malaysia, for which the product has been evaluated and tested for its quality and safety. All dietary supplements manufactured by our Group for sale in the market carries their own MAL certificates.

7. BUSINESS OVERVIEW (CONT'D)

While the requirement for registration is not required for fortified F&B, we observe our compliance with the regulations for the manufacturing of fortified F&B under the Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009 to ensure that our products are safe for human consumption and meet the relevant standards and conducts applicable to our products. Hence, to attest the quality and safety of our fortified F&B, we have obtained the ISO 9001:2015 Quality Management System certification, HACCP System certification and NASAA Certified Organic certification.

In addition, our Selayang Factory and Rented Serendah Factory are certified GMP-compliant, Halal-compliant and HACCP-compliant. As such, the fortified F&B and dietary supplements that we manufacture at our Selayang Factory and Rented Serendah Factory meet the GMP, Halal and HACCP requirements, which provides further confidence to our customers on the reliability and compliance of our manufacturing services. The Halal certifications that we possess would allow us to reach out to wider community.

Due to the nature of our business, our Group places strong emphasis on the quality and safety of products manufactured in our factory. The certificates and accreditations which we have received would provide confidence to our customers that our manufacturing services are compliant with internationally recognised standards. In turn, this enhances our market reputation in the provision of manufacturing services of fortified F&B and dietary supplements. Given that we are able to meet quality related prerequisites, we believe that we are well positioned to further grow our business in the local and export markets of fortified F&B and dietary supplements.

7.13.5 We have an experienced and hands-on management team

Our Group is led by an experienced and technically skilled management team that has accumulated years of industry experience and in-depth knowledge of our business operations. Our Managing Director, ES Teoh, who has 28 years of experience in the fortified F&B and dietary supplements industry to grow the business. His experience, drive and passion for our business has been instrumental to our Group's continuous expansion. He has conceptualised and implemented various business and marketing strategies that led our Group to its current position in the industry. He is supported by our Executive Director and the following Key Senior Management:

Name	Designation	Years of relevant working experience ⁽¹⁾
Faun Chee Yarn	Financial Controller	36
Lew Yoke Chin	General Manager	19
Lee Chee Keat	R&D Manager	17
Lee Kok Onn	Factory Manager	30
Pang Poh Lye	Legal Manager	25
Yap Weng Fong	Production Manager	29

Note:

(1) Years of relevant working experience refers to the working experience accumulated within their field of expertise and/or in the fortified F&B and dietary supplements industry.

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. They take an active role in spearheading their respective departments to support the growth of our Group. Their hands-on involvement in our Group

7. BUSINESS OVERVIEW (CONT'D)

demonstrates their strong commitment to our growth as we continue to expand. Please refer to Section 5 of this Prospectus for the profiles of our Managing Director, Executive Director and Key Senior Management.

7.14 BUSINESS STRATEGIES AND FUTURE PLANS

7.14.1 We intend to construct our New Serendah Factory to improve manufacturing efficiency and to cater for increasing demand in anticipation of future expansion

As at LPD, our business and manufacturing activities are carried out at our Selayang Factory for the manufacturing of fortified F&B and dietary supplements and Rented Serendah Factory for the manufacturing and packing of fortified F&B.

Due to the layout of the existing building of our Selayang Factory, we are not able to optimise the configuration of our manufacturing flow whereby machines for different stages of the manufacturing process are not aligned in the most efficient manner and are not set up at the same floor. As at LPD, we also have limited space at our Selayang Factory for our workers carry out manual work and to move intermediate products from one machine to another through each stage of the manufacturing process, resulting in inefficient use of time and manpower. In addition, automation of workflow is limited as our machines cannot be configured into one continuous manufacturing line within the limited space in our Selayang Factory. Further, our Rented Serendah Factory that is used to manufacture and pack fortified F&B is rented from a third party. As we continue to grow our business, we intend to operate from our own factory, with optimised configuration of machinery and larger manufacturing space in anticipation of our business expansion going forward.

With the construction of our New Serendah Factory, we will be able to customise the layout of our manufacturing area to optimise the configuration of our machinery (existing machines and new machines to be purchased), as well as to invest in new machinery and equipment in order to enhance our manufacturing workflow and efficiency whereby we are able to automate certain workflows such as installing connecting pipes from one machine to another to transfer intermediate products given the larger space, thus replacing manual labour to transfer intermediate products. This will allow our manufacturing workflow to be more linear and continuous as compared to our current manufacturing workflow.

When our New Serendah Factory is ready for operations, we will relocate and focus the manufacturing activities of fortified F&B in this factory which has enhanced manufacturing workflow and efficiency, due to the higher revenue contribution from the manufacturing of fortified F&B which accounted for 75.48%, 75.22% and 70.52% of our Group's revenue in the Financial Years Under Review. Hence, as we continue to grow our sales for fortified F&B, our Group will require larger space to accommodate the anticipated increase in manufacturing needs for fortified F&B. Following our relocation of our manufacturing activities of fortified F&B to our New Serendah Factory, we will also cease the rental of our Rented Serendah Factory. Consequently, our Selayang Factory will focus on the manufacturing of dietary supplements. Given the relocation of manufacturing activities for fortified F&B to New Serendah Factory, this will give our Selayang Factory additional space to optimise the configuration of our manufacturing flow, thus streamlining our manufacturing processes and mitigate time and manpower inefficiencies for the manufacturing of dietary supplements. With the New Serendah Factory, it also gives our Group larger space to centralise the management and storage of our finished goods which are currently spread across different locations as set out in Annexure A of this Prospectus.

In line with our Group's anticipation for future increased sales for our products, we intend to increase our daily manufacturing capacity for sachets from 120,000 sachets in FYE 2023 to 400,000 sachets with the purchase of 2 new multilane sachet packing machines, of which one was

7. BUSINESS OVERVIEW (CONT'D)

delivered to our Group in August 2023, and the other one is planned to be purchased via IPO Proceeds. For the new multilane sachet packing machine that has been delivered to our Group, we intend to commission the machine in October 2023 upon its installation.

Further, our Group also expects to increase our daily manufacturing capacity for vegetable softgel capsules from 136,000 vegetable softgel capsules in FYE 2023 to approximately 195,000 vegetable softgel capsules with the purchase of a new gelatin loading tank (softgel equipment). The gelatin loading tank (softgel equipment) is expected to complement the manufacturing process of vegetable softgel by transferring the softgel mixture onto our Group's vegetable softgel encapsulation machine.

Hence, with the construction of our New Serendah Factory, we expect to improve manufacturing efficiency, as well as to cater for future business expansion. Further details on our manufacturing capacity for the FYE 2023 are set out in Section 7.7 of this Prospectus.

(i) Acquisition of land and indicative timeline

On 22 February 2022, we had entered into a sales and purchase agreement to purchase the New Serendah Land measuring 255,263 sq. ft. to construct our New Serendah Factory. Our New Serendah Factory will have a factory built-up area of 104,598 sq. ft. and office built-up area of 24,382 sq. ft. (including a new laboratory for product development) on a land measuring 210,420 sq. ft., for the first phase of development. In August 2023 and November 2023 respectively, we obtained the approved development order and building plan from Majlis Perbandaran Hulu Selangor to construct our New Serendah Factory, and commenced the construction of the New Serendah Factory in January 2024. As at LPD, there is no plan for the second phase of development with the remaining land area.

The indicative timeline for the construction of our New Serendah Factory is as set out below:

Timeline	Details
2nd half of 2023	<ul style="list-style-type: none"> Obtained the development order and the approved building plan
1st half of 2024	<ul style="list-style-type: none"> Mobilisation and commencement of construction
2nd half of 2024 – 1st half of 2025	<ul style="list-style-type: none"> Commencement of renovations and installation of facilities including GMP facilities and fire-fighting facilities Relocation of existing fortified F&B manufacturing machineries
2nd half of 2025	<ul style="list-style-type: none"> Certification of completion to be obtained and to commence operations Purchase and installation of new machines Purchase and installation of new laboratory equipment for product development

(ii) Source of funding

The cost of New Serendah Land was RM[●] million, and it was financed via bank borrowings of RM[●] million and internally generated funds of RM[●] million. The cost of the construction of our New Serendah Factory is estimated at RM[●] million and it is financed via bank borrowings of RM[●] million and internally generated funds of RM[●] million.

7. BUSINESS OVERVIEW (CONT'D)

We intend to allocate RM[●] million from our IPO proceeds to repay part of the bank borrowings secured for the acquisition of land; and RM[●] million from our IPO proceeds to repay part of the bank borrowings secured for the construction of our New Serendah Factory. Please refer to Section 4.4.1 of this Prospectus for further details on the utilisation of our IPO proceeds.

7.14.2 We intend to purchase new machines in line with our future expansion plan

Upon the completion of our New Serendah Factory, we will relocate our existing machines for the manufacturing of fortified F&B from our Selayang Factory and Rented Serendah Factory to our New Serendah Factory. Further, with the larger manufacturing space in our New Serendah Factory, we intend to purchase new machines to cater for our Group's planned expansion of manufacturing capacity. The new machines that we intend to purchase for our New Serendah Factory include multilane sachet packing machine, freeze dry machines, extraction and concentration machine, stability chamber and supercritical carbon dioxide extraction machine, while the new machine to be purchased for the manufacturing of dietary supplements in our Selayang Factory is gelatin loading tank (softgel equipment), with further description as below:

<u>Machinery</u>	<u>Description</u>	<u>Number of unit(s)</u>	<u>Estimated costs (RM'000)⁽¹⁾</u>	<u>Estimated funds by IPO Proceeds (RM'000)</u>
(i) Multilane sachet packing machine	A machine with multiple lanes that allow simultaneous packing of liquid, jelly or powdered products into sachets.	1	[●]	[●]
(ii) Freeze dry machine	A machine that dehydrates liquid active ingredients at a low temperature and pressure.	2	[●]	[●]
(iii) Extraction and concentration machine	A machine that uses reverse osmosis water technology to extract active ingredients at temperatures between 70 degrees Celsius and 90 degree Celsius, and at a controlled duration. This machine has an extraction capacity of 500 litres for commercial use.	1	[●]	[●]
(iv) Stability chamber	A machine that measures the stability of the product formulated at a controlled temperature and humidity.	1	[●]	[●]
(v) Supercritical carbon dioxide extraction machine	A machine that is used for the extraction of molecules or substances from materials such as herbs, using carbon dioxide as a supercritical fluid.	1	[●]	[●]

7. BUSINESS OVERVIEW (CONT'D)

<u>Machinery</u>	<u>Description</u>	<u>Number of unit(s)</u>	<u>Estimated costs (RM'000)⁽¹⁾</u>	<u>Estimated funds by IPO Proceeds (RM'000)</u>
(vi) Gelatin loading tank (softgel equipment)	A machine used for the mixing and dissolution of formulated gelatin powder at a controlled temperature and condition.	1	[●]	[●]
		Total:	<u>[●]</u>	<u>[●]</u>

Note:

(1) The remaining cost of the machines will be funded through internally generated funds.

Upon the completion of construction of our New Serendah Factory, we expect to purchase the above machines by the 2nd half of 2025. The total estimated cost for the purchase of the machines is RM[●] million, out of which we intend to utilise RM[●] million from our IPO proceeds to fund the purchase. Please refer to Section 4.4.2 of this Prospectus for further details on the utilisation of our IPO proceeds.

7.14.3 We intend to set up a new laboratory for product development activities in our New Serendah Factory and undertake a clinical trial on our house brand product

We intend to set up a new laboratory in our New Serendah Factory to expand our product development activities as well as to expand our in-house culturing of probiotics strains. We intend to allocate RM[●] million of our IPO proceeds to finance the purchase of laboratory equipment for our new laboratory. The laboratory equipment we intend to purchase for our new laboratory are as set out below:

<u>Laboratory Equipment</u>	<u>Description</u>	<u>Number of unit(s)</u>	<u>Estimated cost (RM'000)</u>
(i) Autoclave ⁽¹⁾	A machine that sterilises laboratory apparatus at a high pressure to kill harmful bacteria, viruses, fungi and spores.	1	[●]
(ii) Biohazard cabinet ⁽¹⁾	An equipment that allows personnel to work with biological samples in a sterile and enclosed environment to prevent cross-contamination.	1	[●]
(iii) High performance liquid chromatography	A machine that measures the active ingredients present in the raw materials or the dietary supplements manufactured.	1	[●]
(iv) Incubator shaker ⁽¹⁾	An equipment that incubates and shakes samples or formulations at a large	1	[●]

7. BUSINESS OVERVIEW (CONT'D)

Laboratory Equipment	Description	Number of unit(s)	Estimated cost (RM'000)
	capacity, and at a controlled temperature and speed.		
(v) Spray dryer	A machine that dries liquid active ingredients into powder form by exposing the liquid active ingredients to a controlled temperature and pressure environment.	1	[●]
(vi) Stability chamber ⁽¹⁾	A machine that measures the stability of the product formulated at a controlled temperature and humidity, which is a small-scale stability chamber, catered for laboratory use.	1	[●]
(vii) Extraction machine (lab-scale)	A machine with technology that uses reverse osmosis water to extract active ingredients at a temperature between 70 degrees Celsius and 90 degrees Celsius, and at a controlled duration. This machine, which is a small-scale extraction machine, has an extraction capacity of 8-10 litres, catered for laboratory use.	1	[●]
(viii) Other measurement instruments	Instruments that are used for measurement purposes	3	[●]
		Total:	<u>[●] ⁽¹⁾</u>

Notes:

- (1) As at LPD, our Group owns one unit each of the autoclave, biohazard cabinet, incubator shaker and stability chamber.
- (2) Includes miscellaneous items such as the purchase of chemicals and other kits and tools for laboratory tests of RM[●].

Further, our Group intends to undertake a new clinical trial for our house brand product, namely Bonlife SachaQ10 Plus Softgel through a contract research agreement dated 27 September 2023 with Usains Infotech Sdn Bhd (a subsidiary of Usains Holding Sdn Bhd, the commercial arm of Universiti Sains Malaysia). Please refer to Section 7.10.2 of this Prospectus for further details on the process of selection for products to undergo clinical trial.

Pursuant to the terms of the contract research agreement, Usains Infotech Sdn Bhd shall carry out research in relation to the fundamental characterisation and functional verification of a new sachal inchi oil-coenzyme Q10 formulation for *Bonlife*.

The research will be carried out for a period of 30 months commencing from 1 November 2023. The cost of the clinical trial is estimated at RM[●] million which will be fully funded via our IPO proceeds. However, as the commencement of the clinical trial is expected to begin in November 2023, we will utilise internally generated funds prior to the receipt of the IPO proceeds.

7. BUSINESS OVERVIEW (CONT'D)

It is not an industry practice to carry out clinical trial before commercialisation due to high cost. However, clinical trials may be carried out for selected products if an industry player intends to provide more information and confidence to consumers on the fundamental characterisation and functional verification of a particular product. The clinical trial can be carried out before or after the commercialisation of the product.

7.15 EMPLOYEE

As at LPD, we have a total workforce of 144 employees, of which 119 are local employees 25 workers from Myanmar, Nepal and Vietnam. The following depicts the number of employees in our Group according to department:

Department	Number of employees as at							
	FYE 2021		FYE 2022		FYE 2023 ⁽¹⁾		LPD	
	Local	Foreign	Local	Foreign	Local	Foreign	Local	Foreign
Administrative, human resource, finance and legal	19	-	17	-	15	-	17	-
Sales and marketing	10	-	19	-	16	-	16	-
Manufacturing	55	9	73	9	78	25	69	25
Quality control	7	-	7	-	10	-	7	-
R&D	2	-	5	-	8	-	8	-
Procurement	1	-	1	-	2	-	2	-
TOTAL	94	9	122	9	129	25	119	25

Note:

- (1) Including 2 contractual employees, of which 25 employees are foreign employees as at FYE 2023.

As at LPD, Malaysian employees accounted for approximately 82.64% of our total workforce while the remaining 17.36% were foreign workers.

For the Financial Years Under Review and up to the LPD, all our foreign workers have valid working permits. None of our Group's employees, whether permanent or contractual, belong to any labour union. During the Financial Years Under Review and up to the LPD, we have not experienced any strikes or other disruptions due to labour disputes. In addition, our Group's management has had and expects to continue their good working relationships with its employees.

We have put in place a management succession plan to identify key competencies and requirements of managers and higher-ranking personnel, to take positive approach towards addressing talent management to ensure our Group has readily available talent to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group.

7. BUSINESS OVERVIEW (CONT'D)

7.16 INTERRUPTION TO OUR BUSINESS OPERATIONS

Save for minor interruptions to our operations arising from the COVID-19 pandemic as detailed below, our Group had not experienced any other interruptions in our operations in the last 12 months from LPD which had a significant effect on our operations.

7.16.1 Impact of COVID-19 on our business operations

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government of Malaysia had implemented different forms of MCO since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP outlined by MITI throughout the period. Our business and operations were temporarily suspended from 18 March 2020 to 18 April 2020 due to the imposition of the 1st MCO. Thereafter, our Group was allowed to operate while complying with MITI's SOP such as reducing workforce capacity. The reduction of workforce capacity as per MITI's SOP during this period did not result in material adverse impact to our business and operations.

Since October 2021, we have been operating at full workforce capacity after 100% of our employees obtained 2 doses of vaccination, as outlined by MITI. Malaysia entered into the "Transition to Endemic" phase beginning 1 April 2022. Our business operations were not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

7.16.2 Impact of COVID-19 on our sales, delivery and receipt of supplies

Despite the disruptions to our operations during the COVID-19 pandemic, there was no material impact to our sales and we recorded revenue growth for the Financial Years Under Review. Save for the temporary disruptions as disclosed above, there was no material impact on the delivery of our products, receipt of supplies and the collectability of our trade receivables. Further, there was no material impact on our sales, delivery and receipt of supplies upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

There was no material impact to our business cash flows, liquidity, financial position and financial performance in FYE 2021 and since the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

7.16.3 Strategy and steps taken to address the impact of COVID-19

In response to the COVID-19 pandemic, our Group has established a standard safety protocol that outlines several infection control measures based on the guidelines and SOP issued by MITI from time to time to protect employees and customers against COVID-19 infection. Since the outbreak of the COVID-19 pandemic and up to LPD, there have been no actions taken or penalties issued by the relevant authorities for breach of any laws relating to COVID-19 restrictions and/or SOPs.

7. BUSINESS OVERVIEW (CONT'D)

7.17 SEASONALITY

We do not experience any material seasonality effects in our business as the demand for our product and services are not subject to seasonal fluctuations.

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7. BUSINESS OVERVIEW (CONT'D)

7.18 MAJOR CUSTOMERS

Our top 5 major customers and their respective revenue contributions for the Financial Years Under Review are as set out below:

FYE 2021

Customer	Country of export	Products sold	Revenue (RM '000)	Total Revenue (%)	Length of relationship (years) ⁽¹⁾
Fei Fah Medical Sdn Bhd	N/A ⁽²⁾	Fortified F&B (milk-based products, tea-based beverages mix) and contract packing	10,037	33.77	13
Der Abakus Sdn Bhd (“Der Abakus”)	N/A ⁽²⁾	Fortified F&B (fruit-based products, herb-based products, soy-based beverages mix, tea-based beverages mix, vegetable-based beverages mix)	3,378	11.37	4
Dutch Dairy Products Sdn Bhd (“Dutch Dairy”)	N/A ⁽²⁾	Milk powder	2,251	7.57	6
Yi Jia Worldwide Trading Sdn Bhd	N/A ⁽²⁾	Fortified F&B (fruit-based products) and dietary supplements	1,875	6.31	6
K-Link International Sdn Bhd	N/A ⁽²⁾	Fortified F&B (fruit-based products, herb-based products, oat-based beverages mix, soy-based beverages mix) and dietary supplements	1,431	4.82	18
Sub-total			18,972	63.84	
Total revenue			29,719	100.00	

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

Customer	Country of export	Products sold	Revenue (RM '000)	Total Revenue (%)	Length of relationship (years)⁽¹⁾
Fei Fah Medical Sdn Bhd	N/A ⁽²⁾	Fortified F&B (milk-based products, tea-based beverages mix) and contract packing	12,442	28.56	14
Der Abakus	N/A ⁽²⁾	Fortified F&B (fruit-based products, herb-based products, soy-based beverages mix, tea-based beverages mix, vegetable-based beverages mix)	9,806	22.51	5
Dutch Dairy	N/A ⁽²⁾	Milk powder	2,813	6.46	7
Nxtvision Sdn Bhd	N/A ⁽²⁾	Dietary supplements	2,142	4.92	2
K-Link International Sdn Bhd	N/A ⁽²⁾	Fortified F&B (fruit-based products, herb-based products, oat-based beverages mix, soy-based beverages mix) and dietary supplements	1,754	4.03	19
Sub-total			28,957	66.48	
Total revenue			43,558	100.00	

7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

Customer	Country of export	Products sold	Revenue (RM '000)	Total Revenue (%)	Length of relationship (years) ⁽¹⁾
Der Abakus	N/A ⁽²⁾	Fortified F&B (fruit-based products, herb-based products, soy-based beverages mix, tea-based beverages mix, vegetable-based beverages mix) and dietary supplements	13,318	28.67	6
Fei Fah Medical Sdn Bhd ⁽³⁾	N/A ⁽²⁾	Fortified F&B (milk-based products, tea-based beverages mix) and contract packing	4,027	8.67	15
Nature One Dairy (Hong Kong) Limited ⁽³⁾	Hong Kong	Fortified F&B (milk-based products)	3,727	8.02	< 1
DND World Sdn Bhd	N/A ⁽²⁾	Fortified F&B (herb-based products, coffee-based beverages mix) and dietary supplements	3,403	7.33	1
NxtvSION Sdn Bhd	N/A ⁽²⁾	Dietary supplements	2,518	5.42	3
Sub-total			26,993	58.11	
Total revenue			46,449	100.00	

Notes:

- (1) Length of business relationship with the major customers is determined at each respective FYE.
- (2) Not applicable as the products sold were delivered to locations within Malaysia.
- (3) Pursuant to the acquisition of the milk powder business and brand of Fei Fah Medical Sdn Bhd by Nature One Dairy Pty Ltd on 16 May 2022, our Group's manufacturing services of milk powder was redirected to Nature One Dairy Pty Ltd's milk powder facility in Hong Kong which is held by Nature One Dairy (Hong Kong) Limited.

Notwithstanding that certain major customers of our Group had contributed substantially to our revenue during the Financial Years Under Review, we are not dependent on any of our customers as our Group's business is transacted on purchase order basis where the revenue contribution of major customers varies from year to year.

7. BUSINESS OVERVIEW (CONT'D)

7.19 MAJOR SUPPLIERS

Our top 5 major suppliers and their respective purchase contributions for the Financial Years Under Review are as set out below:

FYE 2021

Supplier	Country of import	Products sourced	Purchases (RM '000)	Total purchases (%)	Length of relationship (years)⁽¹⁾
Ausnutria Dairy Ingredients B.V.	Netherlands	Milk powder	4,998	31.21	13
Nexus Wise Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, animal-derived products, plant oil, algae powder, amino acid, milk powder, fruit and vegetable powder	1,841	11.50	11
Elite Organic Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, algae powder, amino acid, vitamins and minerals	859	5.36	19
Behn Meyer Specialties (M) Plt	N/A ⁽²⁾	Herbal plant powder and extract, milk powder, excipients (maltodextrin, acacia gum, fructose), fruit and vegetable powder	836	5.22	4
Golden Ho-Khi Enterprise Co Ltd	Taiwan	Fruit and vegetable powder	790	4.93	4
Sub-total			9,324	58.22	
Total purchase			16,015	100.00	

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

Supplier	Country of import	Products sourced	Purchases (RM '000)	Total purchases (%)	Length of relationship (years)⁽¹⁾
Ausnutria Ingredients B. V.	Dairy Netherlands	Milk powder	6,728	25.44	14
Elite Organic Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, plant oil, amino acid, vitamins and minerals	2,505	9.47	20
Nexus Wise Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, animal- derived products, plant oil, algae powder, amino acid, milk powder, fruit and vegetable powder	2,221	8.40	12
Golden Ho-Khi Enterprise Co., Ltd	Taiwan	Fruit and vegetable powder	2,127	8.04	5
Euro Chemo-Pharma Sdn Bhd	N/A ⁽²⁾	Plant oil, algae powder, vitamins and minerals, and excipients (acacia gum and non-dairy creamer)	1,245	4.71	21
Sub-total			14,826	56.06	
Total purchase			26,448	100.00	

7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

Supplier	Country of import	Products sourced	Purchases (RM '000)	Total purchases (%)	Length of relationship (years)⁽¹⁾
Ausnutria Ingredients B. V.	Dairy Netherlands	Milk powder	1,830	9.68	15
Elite Organic Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, algae powder, amino acid, vitamins and minerals	1,415	7.48	21
Golden Enterprise Co., Ltd	Ho-Khi Taiwan	Fruit and vegetable powder	1,331	7.04	6
Nexus Wise Sdn Bhd	N/A ⁽²⁾	Herbal plant powder and extract, animal-derived products, plant oil, algae powder, amino acid, milk powder, fruit and vegetable powder	1,184	6.26	13
Behn Specialties (M) PIt	Meyer N/A ⁽²⁾	Herbal plant powder and extract, milk powder, excipients (maltodextrin, acacia gum, fructose), fruit and vegetable powder	1,032	5.46	6
Sub-total			6,792	35.92	
Total purchase			18,913	100.00	

Note:

- (1) Length of business relationship with the major suppliers is determined at each respective FYE.
- (2) Not applicable as the products sourced were purchased from local suppliers in Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

Our Group had previously entered into an agreement with Ausnutria Dairy Ingredients B.V. which gives our Group the right to act as an exclusive distributor of Ausnutria Dairy Ingredients B.V. to distribute its milk products in Malaysia, Brunei, Cambodia, The Philippines, Laos, Myanmar, Singapore and Thailand. Our Group may enter into a new agreement with Ausnutria Dairy Ingredients B.V. again in the future upon agreement of the terms of the new agreement.

In the Financial Years Under Review, our purchases from Ausnutria Dairy Ingredients B. V. contributed 31.21%, 25.44% and 9.68% to our Group's total purchases respectively. For information purposes, Ausnutria Dairy Ingredients B. V. has been the sole supplier of goat milk powder to our Group for full cream goat milk powder, skimmed goat milk powder and goat whey protein concentrate powder. We did not source goat milk powder from other suppliers in the Financial Years Under Review as Ausnutria Dairy Ingredients B. V. was able to meet our demand and quality specification for goat milk powder, and that we have built a long standing business relationship with them. In addition, we also source organic full cream cow milk powder and organic skimmed cow milk powder from Ausnutria Dairy Ingredients B. V. during the Financial Years Under Review. Notwithstanding that, our Group is not dependent on Ausnutria Dairy Ingredients B. V. for the milk products and is able to source those milk products from other suppliers.

For information purposes, our Group did not source goat milk powder from other suppliers in the Financial Years Under Review but did source cow milk powder from other suppliers besides Ausnutria Dairy Ingredients B.V., namely Promac Enterprises Sdn Bhd, Uniraw Dairies & Food Sdn Bhd and WWRC Ingredients Sdn Bhd.

In order to ensure quality of milk powder from any identified new suppliers, our Group will undertake internal quality control review of the suppliers and their products. New suppliers will have to pass our Group's quality control review before our Group will begin sourcing from them. This will ensure that the milk powder sourced from the new suppliers are of similar quality as Ausnutria Dairy Ingredients B.V.. Further, while our Group will negotiate for better pricing for bulk purchases with the new suppliers to achieve pricing competitiveness, our Group is unable to provide assurance that the new suppliers will be able to provide similar pricing as Ausnutria Dairy Ingredients B.V., in the event that our Group is required to source from these new suppliers.

Further, notwithstanding that certain major suppliers of our Group had contributed substantially to our Group's purchases during the Financial Years Under Review, we are not dependent on any of our suppliers as the raw materials, food ingredients and packaging materials that our Group purchases are readily available and can be easily sourced from our list of alternative suppliers.

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