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

(Incorporated in Malaysia)

ACCOUNTANTS' REPORT FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

Date: 3 October 2023

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

Dear Sirs

Reporting Accountants' Opinion on the Financial Information (as defined herein) Contained in the Accountants' Report of OB Holdings Berhad ("the Company" or "OB Holdings")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of OB Holdings Berhad and its combining entities (collectively known as "the Group" or "OB Holdings Group") which comprise the combined statements of financial position of the Group as at 31 May 2021, 31 May 2022 and 31 May 2023, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 May 2021, 31 May 2022 and 31 May 2023, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 69.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the Group as at 31 May 2021, 31 May 2022 and 31 May 2023, and of their combined financial performance and their combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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Responsibilities of the Directors for the Financial Information

The Directors of the Company ("Directors") are responsible for the preparation of the Financial Information of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Information of the Group that are free from material misstatement, whether due to fraud or error.

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

Reporting Accountants' Responsibilities for the Audit of the Financial Information

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Reporting Accountants' Responsibilities for the Audit of the Financial Information (cont'd)

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

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entity or business activities within the Group to express an opinion on the Financial Information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia, ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad and for inclusion in the prospectus of OB Holdings in connection with the listing of and quotation for the entire enlarged issued share capital of the OB Holdings on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT	FOO LEE MENG
(201906003682 & LLP0022494-LCA)	(NO: 03069/07/2025(J))
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur

OB HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023

	Note	2021 RM	2022 RM	2023 RM
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,137,767	5,902,374	6,614,310
Right-of-use assets	5	4,557,117	17,901,168	17,178,087
Investment properties	6	5,370,368	5,390,289	220,109
Intangible assets	7	1	1	1
Other receivables	8	-	-	17,990
Total non-current assets		14,065,253	29,193,832	24,030,497
Current assets				
Inventories	9	6,615,932	12,383,194	10,103,856
Trade receivables	10	6,095,898	4,145,835	4,465,473
Other receivables	8	911,469	1,090,114	1,567,924
Tax recoverable		116,299	54,143	177,494
Deposits with licensed banks	11	480,353	372,330	381,379
Cash and bank balances		2,266,281	5,450,597	4,220,012
Total current assets		16,486,232	23,496,213	20,916,138
TOTAL ASSETS		30,551,485	52,690,045	44,946,635
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the Company				
Share capital	12	1,400,000	1,400,000	1,400,000
Retained earnings		18,696,857	25,720,863	25,403,630
Total equity		20,096,857	27,120,863	26,803,630
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	13	270,847	352,764	340,119
Borrowings	14	1,773,500	2,089,625	11,643,493
Lease liabilities	15	174,669	142,617	112,771
Total non-current liabilities		2,219,016	2,585,006	12,096,383

OB HOLDINGS BERHAD
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COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023 (CONT'D)

	Note	2021 RM	2022 RM	2023 RM
EQUITY AND LIABILITIES (CONT'D)				
LIABILITIES (CONT'D)				
Current liabilities				
Trade payables	16	2,439,504	3,377,662	1,530,858
Other payables	17	1,453,975	16,259,064	1,547,105
Borrowings	14	3,552,971	2,750,382	2,508,856
Lease liabilities	15	135,089	98,646	37,039
Government grant	18	-	-	-
Tax payable		654,073	498,422	422,764
Total current liabilities		8,235,612	22,984,176	6,046,622
Total liabilities		10,454,628	25,569,182	18,143,005
TOTAL EQUITY AND LIABILITIES		30,551,485	52,690,045	44,946,635

The accompanying notes form an integral part of the combined financial statements.

OB HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023

	Note	2021 RM	2022 RM	2023 RM
Revenue	19	29,719,148	43,558,063	46,448,840
Cost of sales		(17,766,779)	(25,287,604)	(27,479,105)
Gross profit		11,952,369	18,270,459	18,969,735
Other income		638,381	227,720	5,519,051
Selling and distribution expenses		(363,335)	(1,956,099)	(3,116,633)
Net (impairment loss)/reversal of impairment loss on non-financial assets		(27,798)	81,203	-
Net impairment loss on receivables		(689,661)	(10,000)	(68,249)
Administrative expenses		(4,894,062)	(5,615,004)	(8,518,783)
Operating profit		6,615,894	10,998,279	12,785,121
Finance income	20	9,407	4,983	9,049
Finance costs	21	(180,174)	(218,985)	(542,780)
Profit before tax	22	6,445,127	10,784,277	12,251,390
Tax expense	23	(1,734,048)	(2,560,271)	(2,678,623)
Profit after tax/Total comprehensive income for the financial years		4,711,079	8,224,006	9,572,767
Earnings per share	24	3.37	5.87	6.84

The accompanying notes form an integral part of the combined financial statements.

OB HOLDINGS BERHAD

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COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023

	Note	Share capital RM	Retained earnings RM	Total RM
At 1 June 2020		1,400,000	18,335,778	19,735,778
Transaction with owners:-				
Dividends	25	-	(4,350,000)	(4,350,000)
Total comprehensive income for the financial year		-	4,711,079	4,711,079
At 31 May 2021		1,400,000	18,696,857	20,096,857
Transaction with owners:-				
Dividends	25	-	(1,200,000)	(1,200,000)
Total comprehensive income for the financial year		-	8,224,006	8,224,006
At 31 May 2022		1,400,000	25,720,863	27,120,863
Transaction with owners:-				
Dividends	25	-	(9,890,000)	(9,890,000)
Total comprehensive income for the financial year		-	9,572,767	9,572,767
At 31 May 2023		1,400,000	25,403,630	26,803,630

The accompanying notes form an integral part of the combined financial statements.

OB HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023

	Note	2021 RM	2022 RM	2023 RM
OPERATING ACTIVITIES				
Profit before tax		6,445,127	10,784,277	12,251,390
Adjustments for:-				
Amortisation of deferred income		(214,017)	-	-
Amortisation of intangible assets		16,264	-	-
Bad debts written off		73,734	-	14,861
Depreciation of property, plant and equipment		870,918	1,206,383	1,880,404
Depreciation of right-of-use assets		399,051	243,141	285,718
Depreciation of investment properties		61,280	61,282	31,552
Gain on disposal of property, plant and equipment		(21,000)	(24,900)	(88,967)
Gain on disposal of investment properties		-	-	(4,111,848)
Gain on disposal of right-of-use assets		-	-	(628,814)
Goods and services tax written off		584	-	-
Impairment loss/(Reversal of impairment loss) on investment properties		27,798	(81,203)	-
Interest expenses		180,174	218,985	542,780
Interest income		(9,407)	(4,983)	(9,049)
Inventories written down		-	-	34,637
Inventories written off		-	-	76,170
Net impairment loss on receivables		689,661	10,000	68,249
Property, plant and equipment written off		-	-	591,869
Operating profit before working capital changes		8,520,167	12,412,982	10,938,952
Changes in working capital:-				
Inventories		(1,794,563)	(5,767,262)	2,168,531
Receivables		(2,698,622)	1,408,599	(903,108)
Payables		1,878,399	3,781,314	(4,237,508)
Cash generated from operations		5,905,381	11,835,633	7,966,867
Income tax paid		(1,664,584)	(2,571,849)	(2,958,245)
Tax refund		-	-	67,968
Interest received		3,962	3,327	5,244
Interest paid		(473)	(620)	(104)
Net cash from operating activities		4,244,286	9,266,491	5,081,730
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,673,308)	(2,970,990)	(2,996,563)

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023 (CONT'D)

	Note	2021 RM	2022 RM	2023 RM
INVESTING ACTIVITIES (CONT'D)				
Purchase of right-of-use assets	A	(21,729)	(1,377,170)	(87,858)
Repayment from companies in which certain Directors have interests		32,058	352,819	4,560
Repayment from Director		58,750	-	-
Repayment to other payables		-	-	(12,134,422)
Proceeds from disposal of property, plant and equipment		21,000	24,900	167,756
Proceeds from disposal of investment properties		-	-	9,250,476
Proceeds from disposal of right-of-use assets		-	-	1,047,600
Interest received		5,445	1,656	3,805
Net cash used in investing activities		(1,577,784)	(3,968,785)	(4,744,646)
FINANCING ACTIVITIES				
Dividends paid		(4,350,000)	(1,200,000)	(9,890,000)
Drawdown of term loans		1,000,000	1,013,720	12,100,000
Interest paid		(179,701)	(218,365)	(542,676)
Increased in deposits pledged		(1,932)	(1,754)	(3,078)
Advance from/(Repayment to) a Director		271,984	(217,267)	(91,788)
(Repayment to)/Advance from companies in which certain Directors have interests		(710,885)	44,778	(95,045)
Drawdown/(Repayment) of bankers' acceptance		1,950,000	(1,145,000)	(716,000)
Repayment of lease liabilities		(580,202)	(144,095)	(251,453)
Repayment of term loans		(196,878)	(355,184)	(2,071,658)
Net cash used in financing activities		(2,797,614)	(2,223,167)	(1,561,698)
CASH AND CASH EQUIVALENTS				
Net changes		(131,112)	3,074,539	(1,224,614)
Brought forward		2,737,855	2,606,743	5,681,282
Carried forward	B	2,606,743	5,681,282	4,456,668

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 MAY 2021, 31 MAY 2022 AND 31 MAY 2023 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

A. PURCHASE OF RIGHT-OF-USE ASSETS

	2021 RM	2022 RM	2023 RM
Total purchase of right-of-use assets	57,729	13,587,192	247,858
Less: Acquired under lease arrangements	(36,000)	(75,600)	(160,000)
Other payable	-	(12,134,422)	-
Cash payment	21,729	1,377,170	87,858

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the combined statements of cash flows comprise of the following amounts:-

	2021 RM	2022 RM	2023 RM
Deposits with licensed banks	480,353	372,330	381,379
Cash and bank balances	2,266,281	5,450,597	4,220,012
	2,746,634	5,822,927	4,601,391
Less: Fixed deposits pledged with a licensed bank	(139,891)	(141,645)	(144,723)
Total cash and cash equivalents	2,606,743	5,681,282	4,456,668

The accompanying notes form an integral part of the combined financial statements.

OB HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. GENERAL INFORMATION

1.1 Introduction

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia, ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and for inclusion in the prospectus of OB Holdings Berhad ("the Company" or "OB Holdings") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing") and should not be relied upon for any other purposes.

1.2 Background

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

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

1.3 Principal Activities

The Company is principally engaged in investment holding.

Details of the combining entities of OB Holdings are as follows:-

Name of company	Effective ownership	Principal activities	Date of incorporation	Principal place of business
Orient Biotech Sdn. Bhd. ("Orient Biotech")	100%	Provision of manufacturing services of fortified food and beverages to third party brand owners; manufacturing of fortified food and beverages under its house brands; as well as trading of related products.	4 April 1995	Malaysia

1. GENERAL INFORMATION (CONT'D)

1.3 **Principal Activities (cont'd)**

Details of the combining entities of OB Holdings are as follows (cont'd):-

Name of company	Effective ownership	Principal activities	Date of incorporation	Principal place of business
Orient Laboratories Sdn. Bhd. ("Orient Laboratories")	100%	Product development and research and development for fortified food and beverages and dietary supplements; provision of manufacturing services of dietary supplements to third party brand owners; manufacturing of dietary supplements under its house brands; as well as packing of related products.	12 October 1999	Malaysia
Bonlife (M) Sdn. Bhd. ("Bonlife")	100%	Sales and marketing of fortified food and beverages and dietary supplements under its house brands.	24 November 2004	Malaysia

There was no significant change in the nature of the principal activities of OB Holdings and its combining entities.

1.4 **Acquisitions**

OB Holdings Group

OB Holdings Group will be formed pursuant to the completion of acquisition of Orient Biotech, Orient Laboratories and Bonlife by OB Holdings prior to the listing and quotation on the ACE Market of Bursa Securities.

On 18 August 2023, OB Holdings entered into 3 conditional share sale agreements with Teoh Eng Sia and Wong Chung Theng, to acquire the entire issued share capital of Orient Biotech, Orient Laboratories and Bonlife ("**Acquisitions**") with details as follows:

(i) The acquisition of Orient Biotech entails the acquisition by OB Holdings of the entire issued share capital of Orient Biotech of RM1,000,000 comprising 1,000,000 ordinary shares from Teoh Eng Sia and Wong Chung Theng for a purchase consideration of RM19,589,200.00. The said purchase consideration was entirely satisfied via the issuance of 195,892,000 new Shares in aggregate to Teoh Eng Sia and Wong Chung Theng at an issue price of RM0.10 per Share. The acquisition of Orient Biotech is pending completion.

(ii) The acquisition of Orient Laboratories entails the acquisition by OB Holdings of the entire issued share capital of Orient Laboratories of RM300,000 comprising 300,000 ordinary shares from Teoh Eng Sia and Wong Chung Theng for a purchase consideration of RM5,757,300.00. The said purchase consideration was entirely satisfied via the issuance of 57,573,000 new Shares in aggregate to Teoh Eng Sia and Wong Chung Theng at an issue price of RM0.10 per Share. The acquisition of Orient Laboratories is pending completion.

1. GENERAL INFORMATION (CONT'D)

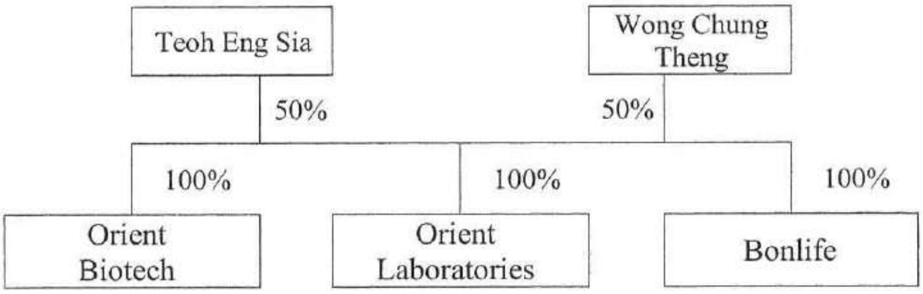
1.4 Acquisitions (cont'd)

On 18 August 2023, OB Holdings entered into 3 conditional share sale agreements with Teoh Eng Sia and Wong Chung Theng, to acquire the entire issued share capital of Orient Biotech, Orient Laboratories and Bonlife ("**Acquisitions**") with details as follows (cont'd):-

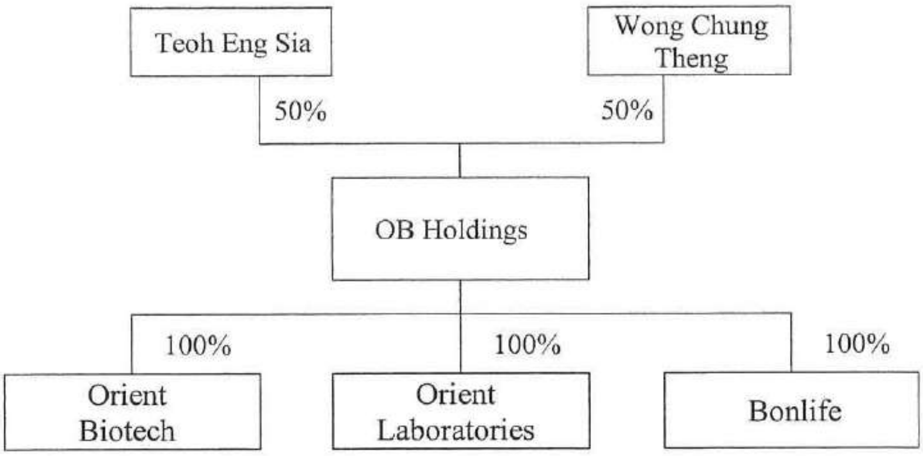
(iii) The acquisition of Bonlife entails the acquisition by OB Holdings of the entire issued share capital of Bonlife of RM100,000 comprising 100,000 ordinary shares from Teoh Eng Sia and Wong Chung Theng for a purchase consideration of RM1,816,100.00. The said purchase consideration was entirely satisfied via the issuance of 18,161,000 new Shares in aggregate to Teoh Eng Sia and Wong Chung Theng at an issue price of RM0.10 per Share. The acquisition of Bonlife is pending completion.

Following the completion of the Acquisitions, the group structure of OB Holdings Group is as follows:-

Before Acquisitions



After Acquisitions



1. **GENERAL INFORMATION (CONT'D)**

1.4 Acquisitions (cont'd)

The Group is regarded as a continuing entity resulting from the Acquisitions since the management of all the entities which took major part in the Acquisitions which were controlled by the Directors and substantially under same major shareholders before and immediately after the Acquisitions. Consequently, immediately after the Acquisitions, there was a continuation of the control over entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Acquisitions. The Acquisitions has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements for the financial years ended ("FYE") 31 May 2021, 31 May 2022 and 31 May 2023 have been prepared comprise the financial statements of the combining entity which were under common control of the ultimate shareholders that existed prior to the Acquisitions during the relevant periods or since their respective dates of incorporation.

No financial statements of OB Holdings was included for the financial years ended 31 May 2021, 31 May 2022 and 31 May 2023 as OB Holdings, was only incorporated on 1 June 2023.

1.5 **Auditors**

The combined financial statements of OB Holdings Group reflect the financial information of Orient Biotech, Orient Laboratories and Bonlife, as OB Holdings, was only incorporated on 1 June 2023.

The relevant financial years of the audited financial statements presented for the purpose of this report ("Relevant Financial Years") and the Auditors of the respective companies within the Group are as follows:-

Companies	**Relevant Financial Years**	**Statutory Auditors**
Orient Biotech	FYE 31 May 2021*	Reanda LLKG International
	FYE 31 May 2022	Grant Thornton Malaysia PLT
	FYE 31 May 2023	Grant Thornton Malaysia PLT
Orient Laboratories	FYE 31 May 2021*	Reanda LLKG International
	FYE 31 May 2022	Grant Thornton Malaysia PLT
	FYE 31 May 2023	Grant Thornton Malaysia PLT
Bonlife	FYE 31 May 2021*	Reanda LLKG International
	FYE 31 May 2022	Grant Thornton Malaysia PLT
	FYE 31 May 2023	Grant Thornton Malaysia PLT

* Reaudited by Grant Thornton Malaysia PLT for the purposes of these combined financial statements.

The audited financial statements of Orient Biotech, Orient Laboratories and Bonlife for the Relevant Financial Years reported above were not subject to any qualification or modification.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS

2.1 Statement of compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of the combining entities ("the Group") as disclosed in Note 1.5 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

The financial information as presented in the combined financial statements do not correspond to the combined financial statements of the Group, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting years.

2.2 Basis of measurement

The combined financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and its measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
(b) Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
(c) Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the combined financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new Standards/Amendments/Improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these combined financial statements.

The Group adopted new standards/amendments/improvements to MFRSs which have been applied using the full retrospective approach.

The initial application of the above standards/amendments/improvements to the standards did not have material financial impact to the combined financial statements of the Group.

2.4.2 Standards issued but not yet effective

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's combined financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective.

Effective for the financial period beginning on or after 1 January 2023	
MFRS 17*	Insurance Contracts and Amendments to MFRS 17 Insurance Contracts
Amendments to MFRS 17*	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements: Disclosure of Accounting Policies

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective (cont'd)

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's combined financial statements are disclosed below. The Group intends to adopt these new and amended standards, if applicable, when they become effective (cont'd).

Effective for the financial period beginning on or after 1 January 2023 (cont'd)

Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	Income Taxes - International Tax Reform Pillar Two Model Rules

Effective for the financial period beginning on or after 1 January 2024

Amendments to MFRS 16*	Leases: Lease Liability in a Sale and Leaseback
Amendments to MFRS 101*	Presentation of Financial Statements: Non-current Liabilities with Covenants
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current
Amendments to MFRS 107 and MFRS 7	Statement of Cash Flows and Disclosures – Supplier Finance Arrangements

Effective for the financial period beginning on or after 1 January 2025

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

Amendments to MFRSs – effective date deferred indefinitely

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

* Not applicable to the Group's operations

The initial application of the above applicable amendments to standards are not expected to have material financial impact to the combined financial statements of the Group.

2.5 Significant accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment and right-of-use assets to be within 5 to 87 years and reviews the useful lives of depreciable assets at each reporting date. At the reporting date, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technology developments, which may result in an adjustment to the Group's assets.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Inventories

The Group writes down its obsolete or slow-moving inventories based on assessment of their estimated net selling price, the expiry dates, condition and movements of the inventories and applies certain percentage of write down. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow-moving inventories. Where expectation differs from the original estimates, the differences will impact the carrying amount of inventories.

Provision for expected credit losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the repayment pattern of the customers, customers type and coverage by letters of credit.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing and trading sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of trade receivables (cont'd)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Income taxes

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Amortisation of intangible assets

The development costs of technology systems are amortised on a straight-line basis over their useful lives of 5 years. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, such difference will impact the amortisation expenses in the period in which such estimate had been charged.

2.5.2 Significant management judgement

The following is significant management judgements made in applying the accounting policies that has the most significant effect on the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group applies the significant accounting policies, as summarised below, consistently throughout all periods presented in the combined financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Basis of business combination

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger method

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by same party or parties both before or after the business combination, and that control is not transitory. The acquisitions of Orient Biotech, Orient Laboratories and Bonlife resulted in a business involving common control entity since the management of all the entities which took part in the acquisition were controlled by common Directors and under common shareholders before and immediately after the acquisitions, and accordingly the accounting treatment is outside the scope of MFRS 3.

For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements. The merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

Under the merger method of accounting, the results of subsidiary are presented as if the merger had been affected throughout the current year. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any reserves which are attributable to share capital of the merged entity, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

3.1.2 Subsidiaries

Subsidiaries are entities, including structured entity, controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Subsidiaries (cont'd)

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to its recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.3 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

3.1.4 Non-controlling interests

Non-controlling interests at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the combined statements of financial position and combined statements of changes in equity within equity, separately from equity attributable to the owners of the Group. Non-controlling interests in the results of the Group is presented in the combined statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owners of the Group.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.1.5 Eliminations on consolidation

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment), whether occurring before or after the combination are eliminated in full in preparing the combined financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency transactions and balances

Transactions in foreign currencies are recorded in RM at rates of exchange ruling at the date of the transactions. Foreign currencies monetary assets and liabilities are translated at reporting date.

Gains and losses resulting from settlement of such transactions and conversion of monetary assets and liabilities, whether realised or unrealised, are included in the income statement as they arise.

All other foreign exchange differences are taken to the statements of comprehensive income in the financial year in which they arise.

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful life. Freehold land with an infinite life is not depreciated.

Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Furniture and fittings	2% - 20%
Office equipment	10%
Motor vehicles	20%
Renovation	10%
Factory equipment	10%
Lab equipment	10%
Plant and machinery	10% - 20%

The residual values, useful life and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Leasehold land and building	81 - 87 years
Motor vehicles	20%

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 3.6 to the combined financial statements.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.4 **Leases (cont'd)**

As a lessee (cont'd)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery, staff quarters, factory, office and equipments (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value-assets are recognised as expense on a straight-line basis over the lease term.

As a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5 **Investment properties**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Amortisation on investment properties is computed on the straight-line basis in order to write off the cost over their estimated useful lives. The principal annual amortisation rate used is as follows:-

Freehold building	2%
Leasehold land and building	83 – 84 years

Freehold land is not depreciated but is subject to impairment test if there is indication of impairment.

Investment properties are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the investment properties, that is, the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

3.6.1 Patents

Patents are amortised on a straight-line basis over the useful lives of 5 years.

3.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly trade subsidiaries or other available fair value indicators.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss has been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3.8 Inventories

Inventories, comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value ("NRV") after adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost of raw materials comprises the original cost of purchase and the costs of bringing the inventories to their present locations and conditions. The costs of work-in-progress and finished goods comprise cost of raw materials, director labour, other direct costs and appropriate proportion of manufacturing overheads based on normal operating capacity. Cost is determined on the "first-in-first-out" basis.

Net realisable value represents estimated selling price in the ordinary course of business less estimated selling and distribution costs and all other estimated costs to completion.

When inventories are sold and revenue is recognised, the carrying amount of those inventories is recognised as cost of goods sold. Write-down to NRV and inventory losses are recognised as expenses when it occurred and any reversal is recognised in the profit or loss in the period in which the reversal occurs.

3.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.9.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial instruments (cont'd)

3.9.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at FVTPL.

The Group carries only financial assets at amortised cost on its combined statements of financial position.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and most of other receivables, deposits with licensed banks and cash and bank balances.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial instruments (cont'd)

3.9.1 Financial assets (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward- looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial instruments (cont'd)

3.9.1 Financial assets (cont'd)

Impairment (cont'd)

Impairment for trade receivables

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

To measure ECLs, trade receivables are grouped into categories. The categories are differentiated by the different business risks and are subject to different credit assessments.

Impairment for financial assets other than trade receivables

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

Credit impaired

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVTOCI is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group considers a receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flows have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial instruments (cont'd)

3.9.2 Financial liabilities

Initial recognition and measurement

Financial loans and are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL; or
- Financial liabilities at amortised cost.

The Group's financial liabilities include trade and most of other payables and borrowings.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss. This category generally applies to interest-bearing borrowings.

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, deposits with licensed banks and highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

For the purpose of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

3.11 Equity, reserves and distributions to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Share capital are recorded at the proceeds from ordinary shares issued, net of directly attributable incremental transactions costs.

Retained earnings include all current and prior periods' accumulated profits.

Dividend distribution to the Group's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Group's shareholders.

The distribution of non-cash assets to owners is recognised as dividend payable when the dividend was approved by shareholders. The dividend payable is measured at the fair value of the shares to be distributed. At the end of the financial year and on the settlement date, the Group reviews the carrying amount of the dividend payable, with any changes in the fair value of the dividend payable recognised in equity. When the Group settles the dividend payable, the difference between the carrying amount of the dividend distributed and the carrying amount of the dividend payable is recognised as a separate line item in profit or loss.

All transactions with owners of the Group are recorded separately within equity.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Where the Group receives a non-monetary government grant, the asset and the grant are recorded at nominal amount. The grant is deducted in arriving at the carrying amount of the asset. The grant is then recognised as income over the life of the depreciable asset by way of a reduced depreciation charge.

3.14 Employee benefits

3.14.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial years, in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as expenses in the profit or loss incurred. As required by law, companies incorporated in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 **Revenue**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties such as sales taxes.

If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

The control over the goods or services is transferred over time and revenue is recognised over time if:-

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

3.15.1 **Sales of goods**

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

3.15.2 **Services**

Services from rendering services is recognised upon performance of services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue (cont'd)

3.15.3 Other revenue recognition

Interest income

Interest income is recognised in the profit or loss on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Rental income

Rental income is recognised over the term of the lease.

3.16 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.16.1 Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax for current and prior periods is recognised in the combined statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3.16.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Sales and service tax ("SST")

Expenses and assets are recognised net of the amount of SST, except:-

(i) When the SST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the SST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
(ii) When receivables and payables are stated with the amount of SST included.

The amount of SST payable to taxation authority is included as part of payables in the combined statements of financial position.

3.18 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.19 Contingencies

3.19.1 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the combined statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19.2 Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the combined statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Related parties

A related party is a person or entity that is related to the Group that is preparing its financial statements. A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

(i) Has control or joint control over the Group;
(ii) Has significant influence over the Group; or
(iii) Is a member of the key management personnel of the ultimate holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same group;
(ii) One entity is an associate or joint venture of the other entity;
(iii) Both entities are joint ventures of the same third party;
(iv) One entity is a joint venture of a third entity and the entity is an associate of the third entity;
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) The entity is controlled or jointly-controlled by a person identified in (a) above;
(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity; or
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3.21 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.22 Earnings per share

3.22.1 Basic

Basic earnings per share for the year is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issues.

3.22.2 Diluted

Diluted earnings per share is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share equals basic earnings per share as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

4. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Total RM
Cost					
At 1 June 2020	3,819,784	932,591	64,450	10,003,391	14,820,216
Additions	721,548	-	-	951,760	1,673,308
Disposals	-	(64,070)	-	-	(64,070)
Written off	(947,002)	-	-	-	(947,002)
Transfer from right-of-use assets	-	806,552	-	-	806,552
At 31 May 2021	3,594,330	1,675,073	64,450	10,955,151	16,289,004
Additions	634,188	210,527	-	2,126,275	2,970,990
Disposals	-	(135,284)	-	(26,000)	(161,284)
Transfer from right-of-use assets	-	366,048	-	-	366,048
At 31 May 2022	4,228,518	2,116,364	64,450	13,055,426	19,464,758
Additions	816,297	705,254	-	1,475,012	2,996,563
Disposals	-	(711,750)	-	(44,850)	(756,600)
Written off	(738,942)	-	(64,450)	-	(803,392)
Transfer from right-of-use assets	-	653,430	-	-	653,430
At 31 May 2023	4,305,873	2,763,298	-	14,485,588	21,554,759
Accumulated depreciation					
At 1 June 2020	2,658,195	932,590	27,352	8,291,307	11,909,444
Charge for the financial year	293,008	3	6,445	571,462	870,918
Disposals	-	(64,070)	-	-	(64,070)
Written off	(947,002)	-	-	-	(947,002)
Transfer from right-of-use assets	-	381,947	-	-	381,947
At 31 May 2021	2,004,201	1,250,470	33,797	8,862,769	12,151,237
Charge for the financial year	284,112	177,345	6,445	738,481	1,206,383
Disposals	-	(135,284)	-	(26,000)	(161,284)
Transfer from right-of-use assets	-	366,048	-	-	366,048
At 31 May 2022	2,288,313	1,658,579	40,242	9,575,250	13,562,384
Charge for the financial year	363,546	361,529	3,221	1,152,108	1,880,404
Disposals	-	(661,566)	-	(16,245)	(677,811)
Written off	(168,060)	-	(43,463)	-	(211,523)
Transfer from right-of-use assets	-	386,995	-	-	386,995
At 31 May 2023	2,483,799	1,745,537	-	10,711,113	14,940,449
Net carrying amount					
At 31 May 2021	1,590,129	424,603	30,653	2,092,382	4,137,767
At 31 May 2022	1,940,205	457,785	24,208	3,480,176	5,902,374
At 31 May 2023	1,822,074	1,017,761	-	3,774,475	6,614,310

5. RIGHT-OF-USE ASSETS

As a lessee

The Group has leases contracts for leasehold land and building, and motor vehicles that run for 5 to 87 years.

The Group also has leases of machinery, staff quarters, factory, office and equipments with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out are the carrying amounts of right-of-use assets recognised and the movements during the financial years:-

	Leasehold land and building RM	Motor vehicles RM	Total RM
Cost			
At 1 June 2020	4,682,727	1,663,801	6,346,528
Additions	-	57,729	57,729
Transfer to property, plant and equipment	-	(806,552)	(806,552)
At 31 May 2021	4,682,727	914,978	5,597,705
Additions	13,482,692	104,500	13,587,192
Transfer to property, plant and equipment	-	(366,048)	(366,048)
At 31 May 2022	18,165,419	653,430	18,818,849
Additions	-	247,858	247,858
Disposals	(507,727)	-	(507,727)
Transfer to property, plant and equipment	-	(653,430)	(653,430)
At 31 May 2023	17,657,692	247,858	17,905,550
Accumulated depreciation			
At 1 June 2020	477,338	546,146	1,023,484
Charge for the financial year	56,672	342,379	399,051
Transfer to property, plant and equipment	-	(381,947)	(381,947)
At 31 May 2021	534,010	506,578	1,040,588
Charge for the financial year	56,672	186,469	243,141
Transfer to property, plant and equipment	-	(366,048)	(366,048)
At 31 May 2022	590,682	326,999	917,681
Charge for the financial year	206,652	79,066	285,718
Disposals	(88,941)	-	(88,941)
Transfer to property, plant and equipment	-	(386,995)	(386,995)
At 31 May 2023	708,393	19,070	727,463

5. RIGHT-OF-USE ASSETS (CONT'D)

	Leasehold land and building RM	Motor vehicles RM	Total RM
Net carrying amount			
At 31 May 2021	4,148,717	408,400	4,557,117
At 31 May 2022	17,574,737	326,431	17,901,168
At 31 May 2023	16,949,299	228,788	17,178,087

Asset held under lease liabilities

The net carrying amount of assets held under lease liabilities are:-

	2021 RM	2022 RM	2023 RM
Motor vehicles	408,400	326,431	228,788

Leased assets are pledged as securities for the related lease liabilities as disclosed in Note 15 to the combined financial statements.

Asset pledged as securities to financial institutions

The net carrying amount of assets pledged as securities for bank borrowings are:-

	2021 RM	2022 RM	2023 RM
Leasehold land and building	3,111,111	3,067,901	16,355,893

The details of assets pledged as securities for bank borrowings are disclosed in Note 14 to the combined financial statements.

6. INVESTMENT PROPERTIES

	Freehold land RM	Freehold building RM	Leasehold land RM	Leasehold buildings RM	Total RM
Cost					
At 1 June 2020/31 May 2021/31 May 2022	3,159,315	2,660,141	445,000	250,000	6,514,456
Disposals	(3,159,315)	(2,660,141)	(445,000)	-	(6,264,456)
At 31 May 2023	-	-	-	250,000	250,000

6. **INVESTMENT PROPERTIES (CONT'D)**

	Freehold land RM	Freehold building RM	Leasehold land RM	Leasehold buildings RM	Total RM
Accumulated depreciation					
At 1 June 2020	-	478,826	76,129	21,740	576,695
Charge for the financial year	-	53,202	5,361	2,717	61,280
At 31 May 2021	-	532,028	81,490	24,457	637,975
Charge for the financial year	-	53,203	5,362	2,717	61,282
At 31 May 2022	-	585,231	86,852	27,174	699,257
Charge for the financial year	-	26,601	2,234	2,717	31,552
Disposals	-	(611,832)	(89,086)	-	(700,918)
At 31 May 2023	-	-	-	29,891	29,891
Accumulated impairment loss					
At 1 June 2020	-	478,315	-	-	478,315
Additions	-	27,798	-	-	27,798
At 31 May 2021	-	506,113	-	-	506,113
Reversal	-	(81,203)	-	-	(81,203)
At 31 May 2022	-	424,910	-	-	424,910
Disposal	-	(424,910)	-	-	(424,910)
At 31 May 2023	-	-	-	-	-
Net carrying amount					
At 31 May 2021	3,159,315	1,622,000	363,510	225,543	5,370,368
At 31 May 2022	3,159,315	1,650,000	358,148	222,826	5,390,289
At 31 May 2023	-	-	-	220,109	220,109

The following items are recognised in profit or loss in respect of investment properties-

	2021 RM	2022 RM	2023 RM
Rental income	110,800	112,200	30,400
Direct operating expenses:			
- income generating investment properties	4,393	11,386	4,855

6. INVESTMENT PROPERTIES (CONT'D)

Investment properties pledged as securities to financial institution

The net carrying amount of investment properties pledged as securities for bank borrowings are:-

	2021 RM	2022 RM	2023 RM
Freehold building	1,622,000	1,650,000	-
Leasehold building	225,543	222,826	220,109

The details of investment properties pledged as securities for bank borrowings are disclosed in Note 14 to the combined financial statements.

The fair value of the investment properties are as follows:-

	2021 RM	2022 RM	2023 RM
Freehold land	7,402,000	7,530,000	-
Freehold building	1,622,000	1,650,000	-
Leasehold land	779,263	794,320	-
Leasehold buildings	296,240	298,990	370,129
	10,099,503	10,273,310	370,129

7. INTANGIBLE ASSETS

	Patents RM
Cost	
At 1 June 2020/31 May 2021/31 May 2022/31 May 2023	487,950
Accumulated amortisation	
At 1 June 2020	471,685
Charge for the financial year	16,264
At 31 May 2021/31 May 2022/31 May 2023	487,949
Net carrying amount	
At 31 May 2021	1
At 31 May 2022	1
At 31 May 2023	1

8. OTHER RECEIVABLES

	2021 RM	2022 RM	2023 RM
Non-current			
Third parties	-	-	17,990
Current			
Third parties	396,312	560,606	477,980
Amount due from related parties	357,379	4,560	-
Deposits	742,751	1,104,589	1,643,514
Prepayments	9,737	13,869	29,940
	1,506,179	1,683,624	2,151,434
Less: Allowance for expected credit losses	(594,710)	(593,510)	(583,510)
	911,469	1,090,114	1,567,924
	911,469	1,090,114	1,585,914

The movement of allowance for expected credit losses of other receivables is as follows:-

	2021 RM	2022 RM	2023 RM
Brought forward	-	594,710	593,510
Charge for the financial year	594,710	10,000	-
Written off	-	(11,200)	(10,000)
Carried forward	594,710	593,510	583,510
Individually impaired	594,710	593,510	583,510

Related parties refer to the companies in which Directors have interests.

Amount due from related parties are unsecured, non-interest bearing and receivable on demand.

9. INVENTORIES

	2021 RM	2022 RM	2023 RM
Raw materials	5,019,723	9,072,783	8,397,266
Work-in-progress	700,582	1,222,148	293,191
Finished goods	895,627	2,088,263	1,413,399
	6,615,932	12,383,194	10,103,856

9. **INVENTORIES (CONT'D)**

	2021 RM	2022 RM	2023 RM
Recognised in profit or loss:-			
Inventories recognised in cost of sales	14,675,258	20,697,684	21,038,200
Inventories written down	-	-	34,637
Inventories written off	-	-	76,170

10. **TRADE RECEIVABLES**

	2021 RM	2022 RM	2023 RM
Third parties	6,190,849	4,240,786	4,628,673
Less: Allowance for expected credit losses	(94,951)	(94,951)	(163,200)
	6,095,898	4,145,835	4,465,473

The movement of allowance for expected credit losses of trade receivables is as follows:-

	2021 RM	2022 RM	2023 RM
Individually impaired			
Brought forward	-	94,951	94,951
Additions	94,951	-	91,421
Reversal	-	-	(23,172)
Carried forward	94,951	94,951	163,200

The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition.

The normal credit terms granted to the customers range from cash term to 90 days (2021: cash term to 90 days and 2022: cash term to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

11. **DEPOSITS WITH LICENSED BANKS**

Included in deposits with licensed banks is an amount of RM144,723 (2021: RM139,891 and 2022: RM141,645) which is pledged to the financial institutions for the banking facilities granted to the Group.

The effective interest rates per annum are as follows:-

	2021 %	2022 %	2023 %
Effective interest rates	1.35 – 2.95	1.35 – 1.55	1.75 – 2.55

12. SHARE CAPITAL

	Orient Biotech RM	Orient Laboratories RM	Bonlife RM	Total RM
Issued and fully paid with no par value:				
At 1 June 2020/31 May 2021/31 May 2022/ 31 May 2023	1,000,000	300,000	100,000	1,400,000

	Orient Biotech Unit	Orient Laboratories Unit	Bonlife Unit	Total Unit
Issued and fully paid with no par value:				
At 1 June 2020/31 May 2021/31 May 2022/ 31 May 2023	1,000,000	300,000	100,000	1,400,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

13. DEFERRED TAX LIABILITIES

	2021 RM	2022 RM	2023 RM
Brought forward	222,000	270,847	352,764
Recognised in profit or loss	48,847	81,917	(12,645)
Carried forward	270,847	352,764	340,119

The balance in the deferred tax liabilities is made up of temporary differences arising from:-

	Inventory RM	Impairment RM	Property, plant and equipment RM	Right-of-use assets RM	Total RM
At 1 June 2020	-	-	222,000	-	222,000
Recognised in profit or loss	(62,651)	-	106,898	4,600	48,847
At 31 May 2021	(62,651)	-	328,898	4,600	270,847
Recognised in profit or loss	(49,885)	-	131,802	-	81,917
At 31 May 2022	(112,536)	-	460,700	4,600	352,764
Transfer from/(to)	-	-	4,600	(4,600)	-
Recognised in profit or loss	(9,156)	(3,982)	493	-	(12,645)
At 31 May 2023	(121,692)	(3,982)	465,793	-	340,119

14. BORROWINGS

	2021 RM	2022 RM	2023 RM
Non-current			
Secured:-			
Term loans	1,090,476	914,195	11,041,243
Unsecured:-			
Term loans	683,024	1,175,430	602,250
	1,773,500	2,089,625	11,643,493
Current			
Secured:-			
Bankers' acceptance	3,185,000	2,040,000	1,324,000
Term loans	171,516	176,281	605,004
	3,356,516	2,216,281	1,929,004
Unsecured:-			
Term loans	196,455	534,101	579,852
	3,552,971	2,750,382	2,508,856
	5,326,471	4,840,007	14,152,349

Term loans

The term loans are secured by:-

(i) Legal charge over a freehold building of the Group;
(ii) Joint and several guarantee by certain Directors of the Group; and
(iii) Corporate guarantee by Orient Biotech for the financial year 2021 and 2022.

Bankers' acceptance

The bankers' acceptance are secured by:

(i) Certain properties of the Group as disclosed in Notes 5 and 6 to the combined financial statements;
(ii) Pledged of fixed deposit of the Group as disclosed in Note 11 to the combined financial statements; and
(iii) Joint and severally guaranteed by two Directors of the Group.

The effective interest rates per annum are as follows:-

	2021 %	2022 %	2023 %
Term loans	4.01 - 5.00	4.01 - 5.01	4.51 – 5.88
Bankers' acceptance	3.50 - 5.00	3.60 - 3.85	3.95 – 5.30

15. LEASE LIABILITIES

	2021 RM	2022 RM	2023 RM
Non-current	174,669	142,617	112,771
Current	135,089	98,646	37,039
	309,758	241,263	149,810

The maturity analysis of lease liabilities is disclosed in Note 30.2.2 to the combined financial statements.

The effective interest rates of lease liabilities of the Group are charged at rates of 3.97% to 7.18% (2021: 3.97% to 6.11%, and 2022: 3.97% to 6.11%) per annum.

The following are the amounts recognised in profit or loss:-

	2021 RM	2022 RM	2023 RM
Depreciation of right-of-use assets	399,051	243,141	285,718
Interest expense on lease liabilities	29,519	13,161	31,637
Expense relating to variable lease payments not included in the measurement of lease liabilities	56,266	163,372	419,220
	484,836	419,674	736,575

The Group had total cash outflows for the leases of RM702,310 (2021: RM665,987 and 2022: RM320,628).

16. TRADE PAYABLES

The trade payables are non-interest bearing and the normal credit terms granted by the trade payables range from 30 days to 90 days (2021 and 2022: 30 days to 90 days).

17. OTHER PAYABLES

	2021 RM	2022 RM	2023 RM
Non-trade payables	417,241	15,198,837	976,329
Amount due to related parties	50,267	95,045	-
Amount due to Director	309,055	91,788	-
Deposits	30,000	30,000	-
Accruals	574,340	686,628	392,734
Sales tax payable	73,072	156,766	178,042
	1,453,975	16,259,064	1,547,105

Amounts due to related parties and Director are unsecured, non-interest bearing and repayable on demand.

18. GOVERNMENT GRANT

	2021 RM	2022 RM	2023 RM
Brought forward	214,017	-	-
Amortised during the financial year	(214,017)	-	-
Carried forward	-	-	-

On 25 February 2014, the Group applied for the government grants. On 31 March 2014, the government grants amounting to RM2,142,000 has been duly approved. The government grants are for the purchase of machinery and laboratory equipment under the modernisation and upgrading of facilities and tools to undertake manufacturing activity, purchase of a new technology patent and related research and development expenditure, and employee training expenditure. Grants which are related to assets are recognised as income over the expected useful lives of the assets, on a systematic basis. While, grants related to research and development expenditure, and employee training expenditure are recognised as income over the periods to match the related costs which grants are intended to compensate, on a systematic basis.

19. REVENUE

	2021 RM	2022 RM	2023 RM
Revenue from contracts with customers:			
Sales of goods	29,692,746	43,515,244	46,274,949
Services	26,402	42,819	173,891
	29,719,148	43,558,063	46,448,840
Revenue recognised at a point in time	29,719,148	43,558,063	46,448,840
Primary geographical market:			
- Malaysia	28,030,975	42,693,644	41,423,931
- Overseas	1,688,173	864,419	5,024,909

20. FINANCE INCOME

	2021 RM	2022 RM	2023 RM
Interest income:			
- Fixed deposits	9,407	4,983	9,049

21. FINANCE COSTS

	2021 RM	2022 RM	2023 RM
Interest expenses:			
- Lease liabilities	29,519	13,161	31,637
- Term loans	100,109	124,123	450,265
- Bank overdrafts	473	620	104
- Bankers' acceptance	50,073	81,081	60,774
	180,174	218,985	542,780

22. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the following:-

	2021 RM	2022 RM	2023 RM
Charging:-			
Auditors' remuneration related to:			
- Statutory services	39,500	85,000	112,000
- Assurance related services	-	85,000	-
Amortisation of intangible assets	16,264	-	-
Bad debts written off	73,734	-	14,861
Goods and services tax written off	584	-	-
Depreciation of property, plant and equipment	870,918	1,206,383	1,880,404
Depreciation of right-of-use assets	399,051	243,141	285,718
Depreciation of investment properties	61,280	61,282	31,552
Directors' fees	-	-	172,000
Expenses relating to short term leases	56,266	163,372	419,220
Impairment loss on investment properties	27,798	-	-
Property, plant and equipment written off	-	-	591,869
Crediting:-			
Amortisation of deferred income	(214,017)	-	-
Rental income	(113,800)	(112,200)	(34,950)
Gain on disposal of property, plant and equipment	(21,000)	(24,900)	(88,967)
Gain on disposal of investment properties	-	-	(4,111,848)
Gain on disposal of right-of-use assets	-	-	(628,814)
Realised gain on foreign exchange	(57,271)	(87,985)	(14,901)
Wages subsidies income	(227,400)	-	-
Reversal of impairment loss on investment properties	-	(81,203)	-

23. TAX EXPENSE

	2021 RM	2022 RM	2023 RM
Current tax:			
- Current financial years	1,653,356	2,485,111	2,494,040
- Under/(Over) provision in prior financial years	31,845	(6,757)	197,228
	1,685,201	2,478,354	2,691,268
Deferred tax:			
- Current year	(67,949)	22,115	(80,343)
- Under recognised in prior financial years	116,796	59,802	67,698
	48,847	81,917	(12,645)
	1,734,048	2,560,271	2,678,623

Malaysian income tax is calculated at statutory tax rate of 24% (2021 and 2022: 24%) of the estimated assessable profits for the financial years.

The numerical reconciliations between the effective tax rate and the statutory tax rate of the Group are as follows:-

	2021 RM	2022 RM	2023 RM
Profit before tax	6,445,127	10,784,277	12,251,390
Tax at Malaysian statutory tax rate of 24% (2021 and 2022: 24%)	1,546,830	2,588,226	2,940,334
Tax effects in respect of:-			
Expenses not deductible for tax purposes	214,977	142,874	736,254
Income not subject to tax	(90,964)	(110,237)	(1,159,111)
Change in tax for the first tranche of categories income	(78,704)	(113,637)	(40,500)
Change in tax for the second tranche of categories income	-	-	(75,677)
Under/(Over) provision of tax expense in prior financial years	31,845	(6,757)	197,228
Movement of deferred tax not recognition	(6,732)	-	12,397
Under recognised of deferred tax liabilities in prior financial years	116,796	59,802	67,698
Total tax expense	1,734,048	2,560,271	2,678,623

24. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the financial year attributable to ordinary equity holders of the Group over the weighted average number of ordinary shares in issue during the financial year as follows:

	2021 RM	2022 RM	2023 RM
Net profit for the financial year attributable to equity holders of the Group (RM)	4,711,079	8,224,006	9,572,767
Weighted average number of ordinary shares in issue	1,400,000	1,400,000	1,400,000
Basic earnings per share (RM)	3.37	5.87	6.84

Diluted earnings per share

Diluted earnings per share equals basic earnings per share because there are no potential dilutive instruments in existence at the reporting date.

25. DIVIDENDS

	2021 RM	2022 RM	2023 RM
In respect of financial year ended 31 May 2021			
First interim single tier dividend of RM5.00 per share on 100,000 ordinary shares, paid on 11 January 2021	500,000	-	-
Second interim single tier dividend of RM3.00 per share on 100,000 ordinary shares, paid on 11 January 2021	300,000	-	-
First single tier dividend of RM3.55 per share on 1,000,000 ordinary shares, paid on 24 February 2021	3,550,000	-	-
In respect of financial year ended 31 May 2022			
First single tier dividend of RM1.00 per share on 1,000,000 ordinary shares, paid on 31 December 2021	-	1,000,000	-
First interim single tier dividend of RM0.667 per share on 300,000 ordinary shares, paid on 27 May 2022	-	200,000	-

25. DIVIDENDS (CONT'D)

	2021 RM	2022 RM	2023 RM
In respect of financial year ended 31 May 2023			
- First single tier dividend of RM7.10 per share on 1,000,000 ordinary shares, paid on 26 September 2022 and 29 September 2022	-	-	7,100,000
- First interim single tier dividend of RM9.30 per share on 300,000 ordinary shares, paid on 20 October 2022 and 31 October 2022	-	-	2,790,000
	4,350,000	1,200,000	9,890,000

The Directors do not recommend any final dividend payment for the current financial year.

26. EMPLOYEE BENEFITS EXPENSE

	2021 RM	2022 RM	2023 RM
Salaries, bonus and other emoluments	3,297,962	4,424,073	5,680,105
Defined contribution plans	288,960	356,293	528,172
	3,586,922	4,780,366	6,208,277

The employee benefits expense for cost of sales is amounted to RM3,075,649 (2021: RM1,647,409 and 2022: RM2,355,711).

Directors' Remuneration

Included in the employee benefits expenses is the Directors remuneration as below:

	2021 RM	2022 RM	2023 RM
Salaries, bonus and other emoluments	446,285	471,030	412,832
Defined contribution plans	37,430	39,890	49,615
	483,715	510,920	462,447

The estimated monetary value of benefits-in-kind received by Directors other than cash from the Group are amounted to RM65,767 (2021: RM41,350 and 2022: RM41,350).

27. CAPITAL COMMITMENT

	2021 RM	2022 RM	2023 RM
Capital expenditure			
Authorised and contracted for:-			
- Property, plant and equipment	74,500	185,604	941,607
Authorised but not contracted for:-			
- Property, plant and equipment	-	-	100,974
- Construction of factory	-	-	16,623,748
	74,500	185,604	17,666,329

28. CONTINGENT LIABILITY

	2021 RM	2022 RM	2023 RM
Corporate guarantee			
Corporate guarantee given to bank for credit facility granted to a Company in which Directors have interest	1,297,275	1,020,887	734,024

29. RELATED PARTY DISCLOSURES

Related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group are as follows:-

	2021 RM	2022 RM	2023 RM
Companies in which Directors have interests:-			
Sales	2,251,210	2,813,457	896,368
Purchase	83,985	220,916	265,840
Rental income	110,800	112,200	14,950
Purchase of property, plant and equipment from	-	441,500	-
Advances to	778,659	836,135	283,200
Directors:-			
Rental expenses	12,000	12,000	17,000
Advances from	2,027,649	1,193,517	1,289,705
Sales of property, plant and equipment to	-	-	79,000

29. RELATED PARTY DISCLOSURES (CONT'D)

Related party balances

Outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 8 and 17 to the combined financial statements.

Compensation with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Group and certain members of senior management of the Group.

	2021 RM	2022 RM	2023 RM
Directors' fees	-	-	172,000
Directors' remuneration	483,715	510,920	462,447
Benefits-in-kind	41,350	41,350	65,767
	525,065	552,270	700,214
Other key management personnel:			
- Salaries and other emoluments	321,953	394,898	609,164
- Defined contribution plans	35,211	39,447	73,877
- Benefits-in-kind	28,300	19,500	30,333
	910,529	1,006,115	1,413,588

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost.

	2021 RM	2022 RM	2023 RM
Financial assets			
Trade receivables	6,095,898	4,145,835	4,465,473
Other receivables	901,732	1,076,245	1,555,974
Deposits with licensed banks	480,353	372,330	381,379
Cash and bank balances	2,266,281	5,450,597	4,220,012
	9,744,264	11,045,007	10,622,838

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost (cont'd).

	2021 RM	2022 RM	2023 RM
Financial liabilities			
Trade payables	2,439,504	3,377,662	1,530,858
Other payables	1,380,903	16,102,298	1,369,063
Borrowings	5,326,471	4,840,007	14,152,349
	9,146,878	24,319,967	17,052,270

30.2 Financial risk management

The Group is exposed to financial risks arising from their operations and the use of financial instruments. They have established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk.

The following sections explain key risks faced by the Group and their management. Financial assets and financial liabilities of the Group is summarised in Note 3.9 to the combined financial statements.

30.2.1 Credit risk

Credit risk refer to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers of appropriate standing to mitigate credit risk and customer who wish to trade on credit terms are subject to credit evaluation. Receivables are monitored on an ongoing basis to mitigate risk of bed debts. For other financial assets, the Group adopts the policy of dealing with reputable institutions.

Maximum exposure of the Group to credit risk is represented by the carrying amount of financial assets recognised at reporting date summarised below:-

	2021 RM	2022 RM	2023 RM
Financial assets			
Trade receivables	6,095,898	4,145,835	4,465,473
Other receivables	901,732	1,076,245	1,555,974
Deposits with licensed banks	480,353	372,330	381,379
Cash and bank balances	2,266,281	5,450,597	4,220,012
	9,744,264	11,045,007	10,622,838

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.1 Credit risk (cont'd)

Trade receivables and other receivables

Credit risk concentration

In respect of trade receivables, the Group has no significant concentration of credit risk with any single counterparty or any group of counterparties having similar characteristics, except below mentioned.

	2021		2022		2023	
	RM	%	RM	%	RM	%
Trade receivables						
Malaysia						
3 customers (2021: 1 and 2022: 2 customers)	3,264,458	54	1,539,128	37	2,118,658	47

The Group continuously monitor credit standing of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and take appropriate actions to recover long overdue balances. For trade receivables' credit term that are past due but not impaired, the Group's debt recovery process is the Group will initiate a structured debt recovery process which is monitored via management reporting procedures.

The Group applies the simplified approach under MFRS 9 to measure expected credit losses, which uses a lifetime expected credit losses for all trade receivables. The Group evaluates the credit losses on a case-by-case basis.

The Group assesses the expected loss rates based on historical payment profiles of the trade receivables and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the financial capability of the debtor and default or significant delay in payments. No significant changes to estimation techniques or assumptions were made during the reporting period.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired. The gross carrying amounts of credit impaired trade receivables are written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Trade receivables that are written off are still subjected to enforcement activities.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.1 Credit risk (cont'd)

Trade receivables and other receivables (cont'd)

Recognition and measurement of impairment loss (cont'd)

As at the reporting date, the management is of the opinion that all necessary impairment that is required has been provided for and trade receivables have not been impaired are credit worthy debtors whereby impairment is not required.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Set out below is the information about the credit risk exposure and ECLs on the Group's trade receivables which is grouped together as they are expected to have similar risk nature:-

		Days past due				
	Current	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RM	RM	RM	RM	RM	RM
2021						
Gross amount	2,675,783	2,584,327	307,069	239,791	383,879	6,190,849
Expected credit losses	-	-	-	-	(94,951)	(94,951)
Net balance	2,675,783	2,584,327	307,069	239,791	288,928	6,095,898

		Days past due				
	Current	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RM	RM	RM	RM	RM	RM
2022						
Gross amount	2,412,899	670,230	275,583	189,078	692,996	4,240,786
Expected credit losses	-	-	-	-	(94,951)	(94,951)
Net balance	2,412,899	670,230	275,583	189,078	598,045	4,145,835

		Days past due				
	Current	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
	RM	RM	RM	RM	RM	RM
2023						
Gross amount	2,028,008	1,741,544	290,559	206,953	361,609	4,628,673
Expected credit losses	-	-	-	-	(163,200)	(163,200)
Net balance	2,028,008	1,741,544	290,559	206,953	198,409	4,465,473

As at the reporting date, the management is of the opinion that all necessary impairment that is required has been accounted for and other receivables that have not been impaired are no indication that other receivables are not recoverable.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.1 Credit risk (cont'd)

Cash and bank balances and deposits with licensed banks

The credit risk for cash and bank balances and deposits with licensed banks is considered low, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

30.2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk that arises principally from their various payables, borrowings and lease liabilities, the Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follow:-

		←	Maturity	→
	Total contractual cash flows RM	Within 1 year RM	2 to 5 years RM	More than 5 years RM
2021				
Non derivative financial liabilities				
Secured:				
Borrowings	4,628,423	3,404,028	876,114	348,281
Unsecured:				
Trade payables	2,439,504	2,439,504	-	-
Other payables	1,380,903	1,380,903	-	-
Lease liabilities	333,398	145,875	168,175	19,348
Borrowings	983,372	226,455	756,917	-
	9,765,600	7,596,765	1,801,206	367,629
2022				
Non derivative financial liabilities				
Secured:				
Borrowings	3,264,394	2,259,028	1,005,366	-
Unsecured:				
Trade payables	3,377,662	3,377,662	-	-
Other payables	16,102,298	16,102,298	-	-
Lease liabilities	260,412	107,400	153,012	-
Borrowings	1,817,159	605,778	893,662	317,719
	24,821,925	22,452,166	2,052,040	317,719

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.2 Liquidity risk (cont'd)

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follow (cont'd):-

	Total contractual cash flows RM	← Within 1 year RM	Maturity 2 to 5 years RM	More than 5 years → RM
2023				
Non derivative financial liabilities				
Secured:				
Borrowings	20,454,425	2,673,217	5,045,316	12,735,892
Unsecured:				
Trade payables	1,530,858	1,530,858	-	-
Other payables	1,369,063	1,369,063	-	-
Lease liabilities	166,996	44,976	122,020	-
Borrowings	1,213,608	591,804	621,804	-
	24,734,950	6,209,918	5,789,140	12,735,892

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

30.2.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

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

The Group's interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group targets a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date is as follows:-

	2021 RM	2022 RM	2023 RM
Fixed rate instruments			
Financial asset			
Deposits with licensed banks	480,353	372,330	381,379

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.3 Interest rate risk (cont'd)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the reporting date is as follows (cont'd):-

	2021 RM	2022 RM	2023 RM
Fixed rate instruments			
Financial liabilities			
Lease liabilities	309,758	241,263	149,810
Bankers' acceptance	3,185,000	2,040,000	1,324,000
	3,494,758	2,281,263	1,473,810
Net	(3,014,405)	(1,908,933)	(1,092,431)
Floating rate instrument			
Financial liability			
Term loans	2,141,471	2,800,007	12,828,349

Fair values sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rate of +/-25 (2021 and 2022: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instrument held at each reporting date that is sensitive to changes in interest rate. All other variables are held constant

	Impact on profit/equity (Decrease)/Increase	
	+25bp RM	-25bp RM
2021	(5,354)	5,354
2022	(7,000)	7,000
2023	(32,071)	32,071

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.2 **Financial risk management (cont'd)**

30.2.4 **Foreign currency risk**

The Group is exposed to foreign currency risk as a result of their normal operating activities, where the currency denomination differs from the local currency, RM. The Group's policy is to keep the foreign exchange exposure to an acceptable level.

The Group is exposed to transactional currency risk primarily through costs of sales and purchases of property, plant and equipment that are denominated in a currency other than the functional currency to which they related. The currency giving rise to this risk are United States Dollar ("USD"), Singapore Dollar ("SGD"), Renminbi ("RMB"), Japanese Yen ("JPY") and Euro ("EUR").

Foreign currency denominated financial assets which expose the Group to currency risk are disclosed below. The amount shown is those reported to key management translated into RM at the closing rate:-

	2021 RM	2022 RM	2023 RM
Denominated in USD			
Other receivables	70,413	38,835	64,533
Cash and bank balances	15,330	5,937	849
Trade payables	(116,735)	(79,235)	-
	(30,992)	(34,463)	65,382
Denominated in SGD			
Trade receivables	13,398	-	-
Denominated in RMB			
Other receivables	434	221,063	80,876
Denominated in JPY			
Other receivables	-	-	407,573
Denominated in EUR			
Trade receivables	266,626	88,320	-
Trade payables	-	(1,116,133)	-
Cash and bank balances	-	-	870,798
	266,626	(1,027,813)	870,798

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit/equity with regards to the Group's financial assets and financial liabilities and the RM/USD, RM/SGD, RM/JPY, RM/RMB and RM/EUR exchange rate assuming all other things being equal. A +/-1% (2021 and 2022: +/-1%) change in the RM/USD, RM/SGD, RM/JPY, RM/RMB and RM/EUR exchange rate at the reporting is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Financial risk management (cont'd)

30.2.4 Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates. If the RM had strengthened/weakened against the USD, SGD, JPY, RMB and EUR, then the impact would be as follows:-

	Impact on profit/equity Increase/(Decrease)	
	+1%	-1%
	RM	RM
RM/USD		
2021	(310)	310
2022	(345)	345
2023	(654)	654
RM/SGD		
2021	134	(134)
2022	-	-
2023	-	-
RM/RMB		
2021	4	(4)
2022	2,211	(2,211)
2023	809	(809)
RM/JPY		
2021	-	-
2022	-	-
2023	4,076	(4,076)
RM/EUR		
2021	2,666	(2,666)
2022	(10,278)	10,278
2023	8,708	(8,708)

30.3 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group at the reporting date approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or immaterial discounting impact.

30.4 Fair value hierarchy

As at the end of the reporting year, the Group has no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

30. **FINANCIAL INSTRUMENTS (CONT'D)**

30.5 **Reconciliation of liabilities arising from financing activities**

	1 June 2020 RM	New lease/ Drawdown borrowings RM	Cash flows RM	31 May 2021 RM
Term loans	1,338,349	1,000,000	(196,878)	2,141,471
Bankers' acceptance	1,235,000	-	1,950,000	3,185,000
Lease liabilities	853,960	36,000	(580,202)	309,758
Amount due to related parties	761,152	-	(710,885)	50,267
Amount due to a Director	37,071	-	271,984	309,055
	4,225,532	1,036,000	734,019	5,995,551

	1 June 2021 RM	New lease/ Drawdown borrowings RM	Cash flows RM	31 May 2022 RM
Term loans	2,141,471	1,013,720	(355,184)	2,800,007
Bankers' acceptance	3,185,000	-	(1,145,000)	2,040,000
Lease liabilities	309,758	75,600	(144,095)	241,263
Amount due to related parties	50,267	-	44,778	95,045
Amount due to a Director	309,055	-	(217,267)	91,788
	5,995,551	1,089,320	(1,816,768)	5,268,103

	1 June 2022 RM	New lease/ Drawdown borrowings RM	Cash flows RM	31 May 2023 RM
Term loans	2,800,007	12,100,000	(2,071,658)	12,828,349
Bankers' acceptance	2,040,000	-	(716,000)	1,324,000
Lease liabilities	241,263	160,000	(251,453)	149,810
Amount due to related parties	95,045	-	(95,045)	-
Amount due to a Director	91,788	-	(91,788)	-
	5,268,103	12,260,000	(3,225,944)	14,302,159

31. SEGMENT

For management purpose, the Group's revenue are categorised by principal activities as follows:

Provision of manufacturing services	Provision of manufacturing services of fortified food and beverages, and dietary supplements to third party brand owners
House brands products	Manufacturing, sales and marketing of fortified food and beverages, and dietary supplements under its house brand
Trading and others	Trading of milk powder and other activities such as laboratory tests services, freight services, and the sales of packaging materials, pallets and face masks on an ad hoc basis

The Group has aggregated certain operating segments to form a reportable segment due to the similar nature and operational characteristics of the products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the combined financial statements. These policies have been applied consistently throughout the financial years.

The inter-segment assets are adjusted against the segment assets to arrive at total assets reported in the statements of financial position.

	Note	Provision of manufacturing services RM	House brands products RM	Trading and others RM	Elimination RM	Total RM
2021						
Revenue						
External revenue		22,487,772	4,089,394	3,141,982	-	29,719,148
Inter-segment revenue	(i)	-	3,199,684	402,665	(3,602,349)	-
Total revenue		22,487,772	7,289,078	3,544,647	(3,602,349)	29,719,148
Results						
Finance income						9,407
Finance costs						(180,174)
Depreciation of property, plant and equipment						(870,918)
Depreciation of right-of-use assets						(399,051)

31. SEGMENT (CONT'D)

	Note	Provision of manufacturing services RM	House brand products RM	Trading and others RM	Elimination RM	Total RM
2021 (cont'd)						
Results (cont'd)						
Depreciation of investment properties						(61,280)
Amortisation of intangible assets						(16,264)
Amortisation of deferred income						214,017
Other non-cash expenses	(ii)					(770,777)
Tax expense						(1,734,048)
Segment profit	(iii)					4,881,846
Assets						
Unallocated segment assets	(iv)					30,435,185
Additions to non-current assets	(v)					1,731,037
Liabilities						
Unallocated segment liabilities	(vi)					3,893,479
2022						
Revenue						
External revenue		32,871,325	7,643,823	3,042,915	-	43,558,063
Inter-segment revenue	(i)	-	4,918,934	-	(4,918,934)	-
Total revenue		32,871,325	12,562,757	3,042,915	(4,918,934)	43,558,063
Results						
Finance income						4,983
Finance costs						(218,985)
Depreciation of property, plant and equipment						(1,206,383)
Depreciation of right-of-use assets						(243,141)
Depreciation of investment properties						(61,282)
Other non-cash income	(ii)					96,103
Tax expense						(2,560,271)
Segment profit	(iii)					8,438,008

31. SEGMENT (CONT'D)

	Note	Provision of manufacturing services RM	House brand products RM	Trading and others RM	Elimination RM	Total RM
2022 (cont'd)						
Assets						
Unallocated segments assets	(iv)					52,635,901
Additions to non-current assets	(v)					16,558,182
Liabilities						
Unallocated segment liabilities	(vi)					19,636,726
2023						
Revenue						
External revenue		34,776,329	8,697,499	2,975,012	-	46,448,840
Inter-segment revenue	(i)	-	3,970,899	1,818,168	(5,789,067)	-
Total revenue		34,776,329	12,668,398	4,793,180	(5,789,067)	46,448,840
Results						
Finance income						9,049
Finance costs						(542,780)
Depreciation of property, plant and equipment						(1,880,404)
Depreciation of right-of-use assets						(285,718)
Depreciation of investment properties						(31,552)
Other non-cash income	(ii)					4,043,843
Tax expense						(2,678,623)
Segment profit	(iii)					10,106,498
Assets						
Unallocated segment assets	(iv)					44,769,140
Additions to non-current assets	(v)					3,244,421
Liabilities						
Unallocated segment liabilities	(vi)					3,077,963

31. SEGMENT (CONT'D)

Notes to the nature of adjustments and eliminations to arrive at amount reported in the combined financial statements.

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Other major non-cash (expenses)/income consist of the followings items are presented in the respective notes to the combined financial statements:-

	2021 RM	2022 RM	2023 RM
Bad debts written off	(73,734)	-	(14,861)
Gain on disposal of property, plant and equipment	21,000	24,900	88,967
Gain on disposal of investment properties	-	-	4,111,848
Gain on disposal of right-of-use assets	-	-	628,814
Goods and services tax written off	(584)	-	-
Impairment loss on investment properties	(27,798)	-	-
Net impairment loss on receivables	(689,661)	(10,000)	(68,249)
Inventories written down	-	-	(34,637)
Inventories written off	-	-	(76,170)
Property, plant and equipment written off	-	-	(591,869)
Reversal of impairment loss on investment properties	-	81,203	-
	(770,777)	96,103	4,043,843

(iii) The following items are added to/(deducted from) segment profit to arrive at "profit after tax" presented in the combined statements of profit or loss and other comprehensive income:-

	2021 RM	2022 RM	2023 RM
Segment profit	4,881,846	8,438,008	10,106,498
Finance income	9,407	4,983	9,049
Finance costs	(180,174)	(218,985)	(542,780)
Profit after tax	4,711,079	8,224,006	9,572,767

31. **SEGMENT (CONT'D)**

Notes to the nature of adjustments and eliminations to arrive at amount reported in the combined financial statements (cont'd).

(iv) The following items are added to segment assets to arrive at total assets reported in the combined statements of financial position:-

	2021 RM	2022 RM	2023 RM
Segment assets	30,435,185	52,635,901	44,769,140
Intangible assets	1	1	1
Tax recoverable	116,299	54,143	177,494
Total assets	30,551,485	52,690,045	44,946,635

(v) Additions to non-current assets other than the financial instruments and deferred tax assets consist of:-

	2021 RM	2022 RM	2023 RM
Property, plant and equipment	1,673,308	2,970,990	2,996,563
Right-of-use assets	57,729	13,587,192	247,858
	1,731,037	16,558,182	3,244,421

(vi) The following items are added to segment liabilities to arrive at total liabilities reported in the combined statements of financial position:-

	2021 RM	2022 RM	2023 RM
Segment liabilities	3,893,479	19,636,726	3,077,963
Deferred tax liabilities	270,847	352,764	340,119
Lease liabilities	309,758	241,263	149,810
Borrowings	5,326,471	4,840,007	14,152,349
Tax payable	654,073	498,422	422,764
Total liabilities	10,454,628	25,569,182	18,143,005

(vii) It was not practicable to separate out the segment results for its business segments as the Directors of the Company are of the opinion that excessive costs would be incurred.

31. SEGMENT (CONT'D)

Business segment

(a) Geographical information

Revenue and non-current assets information based on geographical location of the customers and assets respectively are as follows:-

	Revenue RM	Non-current assets RM
2021		
Malaysia	28,030,975	14,065,253
Overseas	1,688,173	-
	29,719,148	14,065,253
2022		
Malaysia	42,693,644	29,193,832
Overseas	864,419	-
	43,558,063	29,193,832
2023		
Malaysia	41,423,931	24,030,497
Overseas	5,024,909	-
	46,448,840	24,030,497

Non-current assets information presented above consist of the following items as presented in the combined statements of financial position:-

	2021 RM	2022 RM	2023 RM
Property, plant and equipment	4,137,767	5,902,374	6,614,310
Right-of-use assets	4,557,117	17,901,168	17,178,087
Investment properties	5,370,368	5,390,289	220,109
Intangible assets	1	1	1
Other receivables	-	-	17,990
	14,065,253	29,193,832	24,030,497

31. SEGMENT (CONT'D)

Business segment (cont'd)

(b) **Information about major customers**

The following are the major customers with revenue equal to or more than ten percent of revenue of the Group:-

	RM	%	Operating segment
2021			
Customer A	10,037,276	34	Provision of manufacturing services
Customer B	3,377,609	11	Provision of manufacturing services
	13,414,885	45	
2022			
Customer A	12,441,749	29	Provision of manufacturing services
Customer B	9,805,581	23	Provision of manufacturing services
	22,247,330	52	
2023			
Customer A	13,318,327	29	Provision of manufacturing services

32. CAPITAL MANAGEMENT

Total capital managed at the Group's level is the shareholders' fund as shown in the statements of financial position.

The primary objective of the Group's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholders' value.

The Group manages their capital structure and make adjustments to it, in light of changes in economic conditions including the interest rate movements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital.

No changes were made in the objective, policies or processes during the financial year/period and prior financial years.

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the Group, do hereby state that, in our opinion, the accompanying combined financial statements set out on pages 4 to 69 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 31 May 2021, 31 May 2022 and 31 May 2023 and of their combined financial performance and their cash flows for the financial years ended 31 May 2021, 31 May 2022 and 31 May 2023.

Signed in accordance with a resolution of the directors dated 3 October 2023.

On behalf of the Board of Directors

....	....
TEOH ENG SIA	LEE BAO YU

Kuala Lumpur