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OB HOLDINGS BERHAD

(Registration No. 202301020810 (1514732-P))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF OB HOLDINGS BERHAD (“OB HOLDINGS” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING PUBLIC ISSUE OF 120,000,000 NEW ORDINARY SHARES IN OB HOLDINGS (“SHARES”) IN THE FOLLOWING MANNER:

- (I) 19,582,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- (II) 7,833,000 NEW SHARES MADE AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;**
- (III) 43,632,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- (IV) 48,953,000 NEW SHARES MADE AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY OF MALAYSIA;**

AT AN IPO PRICE OF RM[•] PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Principal Adviser, Sponsor, Sole Underwriter and Placement Agent



ALLIANCE ISLAMIC BANK

Alliance Islamic Bank Berhad 200701018870 (776882-V)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 157.

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

[BURSA SECURITIES HAS APPROVED OUR IPO AND THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES, AND THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SHARES BEING OFFERED FOR INVESTMENT.]

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THIS ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA (“SC”) UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS IS DATED [•]

RESPONSIBILITY STATEMENTS

Our Directors and Promoters (as defined in this Prospectus) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in the Prospectus false or misleading.

Alliance Islamic Bank Berhad, being our Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

[Approval has been granted by Bursa Securities for the listing of and quotation for the securities being offered. Admission to the Official List of ACE Market of Bursa Securities is not to be taken as an indication of the merits of the offering, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our Company's part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Forms (as defined in this Prospectus), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning the offering, for which any person set out in Section 236 of the CMSA, is responsible.

[Our Shares are classified as Shariah compliant by the Shariah Advisory Council of the Securities Commission Malaysia]. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the Securities Commission Malaysia. The new status is released in the updated list of Shariah compliant securities, on the last Friday of May and November.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection herewith.

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our IPO shares are issued in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Principal Adviser, Sponsor, Sole Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subjected to the laws of any countries or jurisdictions other than Malaysia, to consult your professional advisers as to whether your application for our IPO would result in the contravention of any laws of such countries or jurisdictions. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

Further, it shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptances as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus (as defined in this Prospectus) and the copy of this Prospectus registered by Bursa Securities are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined in this Prospectus) may be subject to the risk of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined in this Prospectus). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt as to the validity or integrity of the Electronic Prospectus, you should immediately request from us, our Principal Adviser or our Issuing House (as defined in this Prospectus), a paper / printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the Electronic Prospectus and the contents of the paper / printed copy of this Prospectus for any reason whatsoever, the contents of the paper / printed copy of this Prospectus, which is identical to the copy of the Prospectus registered by Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third party internet sites ("**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites or for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss, damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

- (iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are liable in respect of the integrity of the contents of the electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software;
- (ii) the Internet Participating Financial Institutions shall not be responsible in any way for the integrity of the contents of the electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (iii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the electronic Prospectus, the accuracy and reliability of the electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and / or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Event(s)	Tentative Date(s)
Opening of the application period for our IPO	[•]
Closing of the application period for our IPO	[•]
Balloting of applications	[•]
Allotment of our IPO Shares to successful applicants	[•]
Listing on the ACE Market	[•]

In the event there is any change to the indicative timetable above, we will advertise a notice of change in a widely circulated daily English and Bahasa Malaysia newspapers in Malaysia and will also announce it on Bursa Securities' website accordingly.

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP

- Bonlife** : Bonlife (M) Sdn Bhd (Registration No. 200401034277 (672786-H))
- OB Holdings or Company** : OB Holdings Berhad (Registration No. 202301020810 (1514732-P))
- OB Holdings Group or Group** : Collectively, OB Holdings, Orient Biotech, Orient Laboratories and Bonlife
- Orient Biotech** : Orient Biotech Sdn Bhd (Registration No. 199501009523 (338722-D))
- Orient Laboratories** : Orient Laboratories Sdn Bhd (Registration No. 199901021159 (496059-M))

GENERAL

- ACE Market** : ACE Market of Bursa Securities
- Acquisition of Bonlife** : Acquisition by our Company of the entire issued share capital of Bonlife from ES Teoh and CT Wong for a total purchase consideration of RM1,816,100.00, which was entirely satisfied via the issuance of 18,161,000 new Shares at an issue price of RM0.10 each
- Acquisition of Orient Biotech** : Acquisition by our Company of the entire issued share capital of Orient Biotech from ES Teoh and CT Wong for a total purchase consideration of RM19,589,200.00, which was entirely satisfied via the issuance of 195,892,000 new Shares at an issue price of RM0.10 each
- Acquisition of Orient Laboratories** : Acquisition by our Company of the entire issued share capital of Orient Laboratories from ES Teoh and CT Wong for a total purchase consideration of RM5,757,300.00, which was entirely satisfied via the issuance of 57,573,000 new Shares at an issue price of RM0.10 each
- Acquisitions** : Collectively, the Acquisition of Orient Biotech, Acquisition of Orient Laboratories and Acquisition of Bonlife
- Act** : Companies Act 2016, including amendments from time to time and any re-enactment thereof
- ADA** : Authorised Depository Agent, a person appointed by Bursa Depository under the Rules of Bursa Depository
- AGM** : Annual General Meeting
- AIS or Principal Adviser or Sponsor or Sole Underwriter or Placement Agent** : Alliance Islamic Bank Berhad (Registration No. 200701018870 (776882-V))
- Application(s)** : The application(s) for our IPO Shares by way of Application Form, the Electronic Share Application and/or the Internet Share Application
- Application Form(s)** : The printed application form(s) for the Application(s) of our IPO Shares accompanying this Prospectus
- ATM** : Automated Teller Machine
- Board** : Board of Directors of OB Holdings

DEFINITIONS (CONT'D)

Bumiputera	: In the context of:
	(i) Individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia;
	(ii) Companies, a company which fulfils, among others, the following criteria or such other criteria as may be imposed by the MITI:
	(a) registered under the Act as a private company;
	(b) its shareholders are 100.00% Bumiputera; and
	(c) its board of directors (including its staff) are at least 51.00% Bumiputera; and
	(iii) Cooperatives, a cooperative whose shareholders or cooperative members are at least 95.00% Bumiputera or such other criteria as may be imposed by the MITI
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CDS	: Central depository system
CDS Account(s)	: Account(s) established for a Depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
CCC	: Certificate of completion and compliance
CF	: Certificate of fitness for occupation
CMSA	: Capital Markets and Services Act 2007, including any amendments from time to time and any re-enactment thereof
Constitution	: The constitution of OB Holdings
COVID-19	: An infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CT Wong	: Wong Chung Theng, our Non-Independent Non-Executive Director, Promoter, Specified Shareholder and Substantial Shareholder
CTG	: CTG Adspert Sdn Bhd (202101015535 (1415835-X)). Effective from 1 July 2023, the arrangement with CTG Adspert Sdn Bhd is now replaced with Wisdom Factory Sdn Bhd (202101034949 (1435249-D)) which is controlled by common substantial shareholders and directors
Depositor	: A holder of a CDS Account
Director(s)	: Director(s) of our Company and within the meaning given in Section 2 of the CMSA
Dutch Dairy	: Dutch Dairy Products Sdn Bhd (Registration No. 200801030759 (832090-K))

DEFINITIONS (CONT'D)

Electronic Prospectus	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and / or an electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)
Electronic Share Application	: An application for our IPO Shares through Participating Financial Institutions' ATM
Eligible Person(s)	: Collectively, our eligible Directors, employees and persons who have contributed to the success of our Group and are eligible to participate in the Pink Form Allocation
EPS	: Earnings per Share
ES Teoh	: Teoh Eng Sia, our Managing Director, Promoter, Specified Shareholder and Substantial Shareholder
F&B	: Food and beverages
FDA	: United States Food and Drug Administration
Financial Years Under Review	: Collectively, FYE 2021, 2022 and 2023
FYE	: Financial year ended / ending 31 May, as the case may be
Goodone	: Goodone Holding Sdn Bhd (Registration No. 202301030171 (1524094-P)), our Specified Shareholder and Substantial Shareholder
GMP	: Good Manufacturing Practice
Government	: Government of Malaysia
GP	: Gross profit
HACCP	: Hazard Analysis and Critical Control Points
HSMC	: Hulu Selangor Municipal Council
ICOF	: Islamic cost of fund
IMR Report	: The independent market research report on the fortified F&B and dietary supplements industry in Malaysia prepared by the IMR, as set out in Section 8 of this Prospectus
Internet Participating Financial Institution(s)	: Participating financial institution(s) for the Internet Share Application, as listed in Section 16 of this Prospectus
Internet Share Application	: Application for our IPO Shares under the Retail Offering through an online share application service provided by the Internet Participating Financial Institution(s)
IPO	: Initial public offering of our IPO Shares in conjunction with the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities
IPO Price	: The price of RM[•] per IPO Share
IPO Share(s)	: 120,000,000 new Shares, representing 30.64% of our enlarged issued share capital, which are to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus

DEFINITIONS (CONT'D)

Issuing House and Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (113324-H))
JAIS	: Jabatan Agama Islam Selangor (Department of Islamic Religion Selangor)
JAKIM	: Jabatan Kemajuan Islam Malaysia (Department of Islamic Development Malaysia)
Key Senior Management	: Key senior management personnel of our Group comprising Faun Chee Yarn, Lew Yoke Chin, Lee Chee Keat, Lee Kok Onn, Pang Poh Lye and Yap Weng Fong
Listing	: The admission of OB Holdings to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital of RM[●] comprising 391,627,000 OB Holdings Shares on the ACE Market of Bursa Securities
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
Listing Scheme	: Collectively, the Acquisitions, Public Issue, Share Transfer and Listing
LPD	: 15 September 2023, being the latest practicable date prior to the issuance of this Prospectus
Malaysian Public	: Malaysian citizens and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day(s)	: Any day(s) on which Bursa Securities is open for trading of securities, which may include a Surprise Holiday
MCO	: The nationwide movement control order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 as a measure to contain the outbreak of COVID-19 pandemic
MFRS	: Malaysian Financial Reporting Standards, as issued by the Malaysian Accounting Standards Board
MITI	: Ministry of Investment, Trade and Industry of Malaysia
MOH	: Ministry of Health
MyIPO	: Intellectual Property Corporation of Malaysia
N/A	: Not applicable
NA	: Net assets
NBV	: Net book value
NPRA	: National Pharmaceutical Regulatory Agency
OB Holdings Share(s) or Share(s)	: Ordinary shares in OB Holdings
Official List	: A list specifying all securities which have been admitted for listing on the ACE Market and not removed

DEFINITIONS (CONT'D)

Participating Financial Institution(s)	: Participating financial institution(s) for the Electronic Share Application, as listed in Section 16 of this Prospectus
PAT	: Profit after taxation
PBT	: Profit before taxation
PE Multiple	: Price earnings multiple
Pink Form Allocation	: The allocation of 7,833,000 IPO Shares to the Eligible Persons
Prescribed Security	: Securities of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the SICDA and the Rules of Bursa Depository
Promoter(s)	: Collectively, ES Teoh, CT Wong and Lee Bao Yu
Prospectus	: This Prospectus dated [●] in relation to the IPO
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
Public Issue	: Public issue of 120,000,000 new Shares at the IPO Price comprising: <ul style="list-style-type: none"> (i) 19,582,000 new Shares, representing 5.00% of our enlarged issued share capital, made available for application by the Malaysian Public; (ii) 7,833,000 new Shares, representing 2.00% of our enlarged issued share capital, made available for application by the Eligible Persons; (iii) 43,632,000 new Shares, representing 11.14% of our enlarged issued share capital, made available by way of private placement to selected investors; and (iv) 48,953,000 new Shares, representing 12.50% of our enlarged issued share capital, made available by way of private placement to selected Bumiputera investors approved by the MITI
QA	: Quality assurance
QC	: Quality control
R&D	: Research and development
Rules of Bursa Depository	: The rules of Bursa Depository as issued pursuant to the SICDA
SAC	: Shariah Advisory Council of the SC
SC	: Securities Commission Malaysia
Share Transfer	: Transfer by ES Teoh and CT Wong of an aggregate of 117,488,100 Shares (representing 30.00% equity interests in OB Holdings) to Goodone, an investment holding company held by ES Teoh and CT Wong, during the prescription period
SICDA	: Securities Industry (Central Depositories) Act 1991
SMC	: Selayang Municipal Council

DEFINITIONS (CONT'D)

Smith Zander or IMR	:	SMITH ZANDER INTERNATIONAL SDN BHD (Registration No. 201301028298 (1058128-V)), our independent market researcher
Specified Shareholder(s)	:	Collectively, ES Teoh, CT Wong and Goodone
Surprise Holiday	:	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
Substantial Shareholders	:	Collectively, ES Teoh, CT Wong and Goodone, who prior to the Listing each have an interest (direct and/or indirect) in our Shares which is not less than 5.00% of the total number of all the voting shares of our Company
Underwriting Agreement	:	The underwriting agreement dated [●] entered into between our Company and AIS pursuant to our IPO

CURRENCIES

AUD	:	Australian Dollar
EUR	:	Euro
RMB	:	Renminbi
RM and sen	:	Ringgit Malaysia and sen respectively
USD	:	United States Dollar

UNITS

dL	:	deciliter
mg	:	milligram
mmHg	:	millimetres of mercury
mmol/L	:	millimoles per liter
sq. ft.	:	square feet
sq. mt.	:	square metres
%	:	per centum

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of those terms:

Acacia gum	: An extraction from the stems and branches of Acacia Senegal. It is a water-soluble dietary fibre that is used as a source for fibre and as a food stabiliser. It is also known as gum arabic.
Amino acid	: Amino acids are small organic molecules that combine to form proteins.
Angelica	: A dried root of angelica sinensis in the <i>Umbelliferae</i> family. It is used in traditional medicine.
Antibiotics	: A medication for bacterial infections in which it destroys or slows down the growth of bacteria in the body.
Antrodia extract	: An extraction from Antrodia mushroom, a type of fungi in the <i>Fomitopsidaceae</i> family. It is used in traditional medicine. It is also known as 'Niu-Chang-Chih'.
Aquamin F	: A natural mineral source produced from calcareous marine algae.
Arachidonic acid	: A type of polyunsaturated omega-6 fatty acid that can be found in the brain, liver and muscles.
Arenga	: A type of palm and is used to produce sugar and ethanol from the harvested sap.
Astragalus membranaceus	: A type of herb in the <i>Fabaceae</i> family. It is used in traditional medicine. It is also known as 'Huang Qi' or 'Huanggi'.
Atractylodes macrocephala	: A type of root in the <i>Asteraceae</i> family. The root is used in traditional medicine. It is also known as 'Bai Zhu' or 'Bai Shu'.
Bifidobacterium	: A genus of gram-positive anaerobic bacteria.
Boswellia extract	: An extract from the resin of the Boswellia sacra tree. It is used in traditional medicine. It is also known as indian frankincense.
Burdock	: A type of plant in the <i>Asteraceae</i> family. It is used in traditional medicine. It is also known as 'Niu Bang' and its dried and matured fruit known as 'Niubangzhi'.
Cardiometabolic	: A term referring to chemical processes that affect the cardiovascular and metabolic system in the body. It comprises a combination of cardiovascular diseases and metabolic disorders such as insulin resistance, impaired glucose tolerance, metabolic syndrome and hypertension.
Chondroitin sulfate	: A chemical found in cartilages of humans and animals. It acts as a building block for cartilages.
Coenzyme Q10	: A nutrient that occurs naturally in the body. It acts as antioxidant, which protects cells from damage and modification of DNA (deoxyribonucleic acid, which is a molecule that carries genetic information for the development and functioning of an organism), carbohydrates, lipids and proteins.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Coenzymes	: Organic molecules that bind to the active sites of certain enzymes to assist in the catalysis of a reaction.
Curcumin	: A bright yellow chemical produced by plants of the <i>Curcuma longa</i> species. It is used in dietary supplements and traditional medicine.
Cynanchum wilfordii	: A type of root in the <i>Asclepiadaceae</i> family. It is used in traditional medicine.
Diastolic blood pressure	: The denominator or second number on a blood pressure monitor that measures the amount of blood pressure in the arteries while the heart is resting in between heart beats.
Docosahexaenoic acid ("DHA")	: A type of omega-3 long-chain polyunsaturated fatty acid that can be found in the brain and eyes.
Enzymes	: Proteins that act as biological catalysts by accelerating chemical reactions in living organisms.
Epimedium brevicornum maxim	: A type of plant in the <i>Berberidaceae</i> family. It is used in traditional medicine.
Eucommia	: A type of tree in the <i>Eucommiaceae</i> family. It contains steroids, flavonoids and other chemical constituents. It is used in traditional medicine. It is also known as 'Du Zhong'.
Fatty acids	: Carboxylic acids with long aliphatic chains that can be saturated or unsaturated that can be broken down from fats by digestion.
Folic acid	: A type of water-soluble vitamin that is naturally present in some food such as beans, citrus fruit and leafy green vegetables. It is also known as vitamin B9 or folate.
Ganoderma lucidum extract	: An extraction from 'Ling Zhi' or 'Reishi' mushroom, a type of fungi in the <i>Ganodermataceae</i> family. It is used in traditional medicine.
Gastrointestinal	: Passageway of the digestive system that includes the mouth, pharynx (throat), esophagus, stomach, small intestine, large intestine, rectum and anus.
Green chiretta	: A type of herb in the <i>Acanthaceae</i> family. It is used in traditional medicine.
Guarana	: A type of plant in the <i>Sapindaceae</i> family. It is used in traditional medicine. It is also known as 'Paullinia cupana'.
Hyperglycaemia	: A medical condition in which excessive amount of glucose circulates in the bloodstream.
Hyperlipidaemia	: A medical condition in which abnormally high levels of fats (lipids) are present in the bloodstream.
Hypertension	: A medical condition in which the blood pressure in the arteries is persistently high.
Inulin	: A reserve carbohydrate found in plants such as chicory, dahlia bulb and onion.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Kombucha	:	A drink produced by fermenting sweet tea with a culture of yeast and bacteria.
Lactobacillus acidophilus	:	A type of good bacteria found in the intestines and are used as probiotics to promote the growth of good bacteria in the body.
L-ascorbic acid	:	A chemically active form of vitamin C, a type of water-soluble vitamin that is naturally present in some food such as citrus fruit.
Ligusticum	:	A type of plant in the <i>Umbelliferae</i> family. It is used in traditional medicine. It is also known as 'Chuan Xiong' or licorice root.
Liquorice	:	An extract from the root of a type of plant in the <i>Fabaceae</i> family. It is used in medicines and dietary supplements and used to give flavour to beverages.
Low-density lipoprotein ("LDL")	:	A type of lipoprotein (particles made of lipids and protein) that transports fat molecules throughout the bloodstream. It is also known as bad cholesterol as a high LDL level leads to a buildup of plaque in the arteries.
Lutein	:	A type of carotenoid, an antioxidant, that can be found in plants and in the eye.
L-Theanine	:	A type of nonproteinogenic amino acid found primarily in green and black tea and some mushrooms.
Maca	:	An Andean plant of the <i>Brassicaceae</i> family. It is used in traditional medicine. It is also known as Peruvian ginseng.
MAL	:	A unique number assigned by the NPRA for a registered pharmaceutical product and/or dietary supplement. For dietary supplements, the number certifies the quality and safety of the product according to the NPRA.
Maltodextrin	:	A type of carbohydrate derived from food starch and is used as a food additive.
Methylsulfonylmethane ("MSM")	:	A type of chemical found naturally in the human body and contains anti-inflammatory properties. It is also known as metabolite dimethyl sulfoxide.
Nucleotides	:	Nitrogen-containing substances that functions as the building block of nucleic acids (large biomolecules that play essential roles in cells and viruses which involves the storage and expression of genomic information), storage of chemical energy, carriers of activated metabolites for biosynthesis and metabolic regulators.
Ozonated water	:	Purified water that has been treated with ozone to remove contaminants.
Phlomis umbrosa	:	A type of plant in the <i>Lamiaceae</i> family. Its root is used in traditional medicine.
Prebiotic	:	Nondigestible food ingredients that stimulate the growth and activity of beneficial microorganisms in the colon.

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Probiotic** : Live microorganisms that naturally live in the body and it functions to aid the digestive system.
- Sea buckthorn** : A type of berry in the *Elaeagnaceae* family. It is used in traditional medicine.
- Spirulina** : A type of algae in the *Spirulinaceae* family. It is often used as a dietary supplement.
- Systolic blood pressure** : The numerator or the first number on a blood pressure monitor that measures the amount of blood pressure in the arteries while the heart is beating.
- Ultraviolet (“UV”)** : A form of radiation with shorter wavelengths than visible light, with wavelengths ranging between about 10 to 400 nanometers.
- Xanthan gum** : A type of food additive used as thickener or stabiliser, consisting of glucose, mannose and glucuronic acid.

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PRESENTATION OF FINANCIAL

All references to “our Company” or “OB Holdings” in this Prospectus are to OB Holdings Berhad, while references to “our Group” are to our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

In this Prospectus, references to the “Government” are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 2 decimal places. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange in this Prospectus shall (where the context admits) be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or is exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from our Management.

In particular, certain information in this Prospectus is extracted or derived from the IMR Report prepared by Smith Zander, an independent market researcher. We have appointed Smith Zander to provide an independent market review. In compiling their data for the review, Smith Zander had relied on their research methodology, industry sources, published materials, their own private databases and direct contacts within the industry. We believe that the information on the industry and other statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and should not be relied upon.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, future plans and prospects, and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Group's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our business strategies, trends and competitive position;
- (ii) our plans and objectives for future operations;
- (iii) our financial position;
- (iv) potential growth opportunities;
- (v) our future earnings, cash flow and liquidity;
- (vi) our ability to pay dividends; and
- (vii) the regulatory environment and the effects of future regulation.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (i) the general economic, business, social, political and investment environment in Malaysia and globally;
- (ii) government policy, legislation and regulation;
- (iii) interest rates, tax rates and exchange rates;
- (iv) the competitive environment in the industry in which we operate;
- (v) reliance on approvals, licences and permits;
- (vi) availability and fluctuations in prices of raw materials;
- (vii) fixed and contingent obligations and commitments; and
- (viii) any other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 9 of this Prospectus on "Risk Factors" and Section 12.3 of this Prospectus on "Management's Discussion and Analysis of Financial Conditions and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised.

FORWARD-LOOKING STATEMENTS (CONT'D)

These forward-looking statements are based on information available to us as at LPD and are made only as at LPD. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of the IPO Shares / transfer of the Offer Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name / (Designation)	Address	Nationality / Gender
Dato' Seri Abdul Puhat Bin Mat Nayan <i>(Independent Non-Executive Chairman)</i>	No. 55, Jalan Meru Suria 7 Taman Meru Suria 30020 Ipoh Perak Malaysia	Malaysian / Male
Teoh Eng Sia <i>(Managing Director)</i>	Idaman Hills, No. 32 Jalan Idaman 3 Taman Idaman Selayang 68100 Batu Caves Selangor Malaysia	Malaysian / Male
Lee Bao Yu <i>(Executive Director)</i>	No. 2, The Rafflesia Jalan PJU 8/12F Bandar Damansara Perdana 47820 Petaling Jaya Selangor Malaysia	Malaysian / Female
Wong Chung Theng <i>(Non-Independent Non-Executive Director)</i>	Idaman Hills, No. 32 Jalan Idaman 3 Taman Idaman Selayang 68100 Batu Caves Selangor Malaysia	Malaysian / Female
Dato' Haji Mohd Dusuki Bin Ya'acob <i>(Independent Non-Executive Director)</i>	No. 16, Jalan P8A/5, Presint 8 62250 Putrajaya W.P. Putrajaya Malaysia	Malaysian / Male
Vasu A/L Nallayan <i>(Independent Non-Executive Director)</i>	No. 25-04, Mont Kiara Damai Jalan Kiara 2, Mont Kiara 50480 Kuala Lumpur W.P. Kuala Lumpur Malaysia	Malaysian / Male
Ooi Gin Hui <i>(Independent Non-Executive Director)</i>	22, Jalan Durian 3 Taman Cheras 56100 Kuala Lumpur W.P. Kuala Lumpur Malaysia	Malaysian / Female

1. CORPORATE DIRECTORY (CONT'D)

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Ooi Gin Hui	Chairperson	Independent Non-Executive Director
Dato' Haji Mohd Dusuki Bin Ya'acob	Member	Independent Non-Executive Director
Vasu A/L Nallayan	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Dato' Haji Mohd Dusuki Bin Ya'acob	Chairperson	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director
Vasu A/L Nallayan	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Vasu A/L Nallayan	Chairperson	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director
Dato' Haji Mohd Dusuki Bin Ya'acob	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Cospec Management Services Sdn Bhd
(Registration No. 199301023725 (278463-H))
Third Floor, No. 77, 79 & 81,
Jalan SS21/60, Damansara Utama,
47400 Petaling Jaya,
Selangor, Malaysia
- Telephone No. : (03) 7725 1777
Facsimile No. : (03) 7722 3668
- Tea Sor Hua
SSM Practicing : 201908001272
Certificate No.
Professional : Malaysian Association of Company
Qualification Secretaries (“**MACS**”)
(Membership No.: MACS 01324)
- Lee Siew Fun
SSM Practicing : 202008000735
Certificate No.
Professional : Malaysian Institute of Chartered Secretaries
Qualification and Administrators (“**MAICSA**”)
(Membership No.: MAICSA 7063623)
- REGISTERED OFFICE** : Third Floor, No. 77, 79 & 81
Jalan SS21/60, Damansara Utama
47400 Petaling Jaya
Selangor, Malaysia
- Telephone No. : (03) 7725 1777
Facsimile No. : (03) 7722 3668
Email : cms_cospec@yahoo.com
Website : www.cospec.com.my
- HEAD OFFICE** : No. B-G-1, B-G-2 and B-G-3
Dataran Emerald, Jalan PS 11
Prima Selayang
68100 Batu Caves
Selangor, Malaysia
- Telephone No. : (03) 6127 8006
Email : sales@orient.com.my
enquiry@orient.com.my
Website : www.orient.com.my
<https://www.bonlife.com.my>
- PRINCIPAL SPONSOR,
UNDERWRITER
PLACEMENT AGENT** **ADVISER,
SOLE
AND** : Alliance Islamic Bank Berhad
(Registration No. 200701018870 (776882-V))
Level 3, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur
- Telephone No. : (03) 2604 3333

1. CORPORATE DIRECTORY (CONT'D)

AUDITORS AND REPORTING ACCOUNTANTS : Grant Thornton Malaysia PLT
(201906003682 & LLP0022494-LCA)
Chartered Accountants (AF 0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone No. : (03) 2692 4022 (Ext. 804)
Partner-in-charge : Foo Lee Meng
Approval No. : 03069/07/2025(J)
Professional : Fellow Member of Association of Chartered
Qualification : Certified Accountants, The Malaysian Institute
of Certified Public Accountants, Chartered
Accountant Malaysia

SOLICITORS FOR THE LISTING Mah-Kamariyah & Philip Koh
3A07, Block B, Phileo Damansara II
15 Jalan 16/11, Off Jalan Damansara
46350 Petaling Jaya
Selangor, Malaysia

Telephone No. : (03) 7956 8686
Partner-in-charge : Adrian Koh Yeow York

INDEPENDENT MARKET RESEARCHER : SMITH ZANDER INTERNATIONAL SDN BHD
(Registration No. 201301028298 (1058128-V))
15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur

Telephone No. : (03) 2732 7537
Managing Partner : Dennis Tan Tze Wen
Qualification : Bachelor of Science
Memorial University of Newfoundland,
Canada

(Please refer to Section 8 of this Prospectus for the profile of the firm and signing partner)

ISSUING HOUSE AND SHARE REGISTRAR : Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone No. : (03) 2783 9299

LISTING SOUGHT : ACE Market of Bursa Securities

SHARIAH STATUS : [Approved by the SAC]

2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved the admission of our Company to the Official List and the listing and quotation of our entire enlarged issued share capital of RM[●] comprising 391,627,000 Shares. The approval from Bursa Securities is subject to the following conditions:

Details of conditions imposed	Status of compliance
1. [●]	[●]
2. [●]	[●]
3. [●]	[●]

2.1.2 SC

Our IPO is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated [●], approved the resultant equity structure of our Company under the Bumiputera equity requirement for public listed companies pursuant to our Listing, subject to the following conditions:

Details of conditions imposed	Status of compliance
1. [●]	[●]
2. [●]	[●]
3. [●]	[●]

The effects of our Listing on the equity structure of our Group are as follows:

Category of shareholders	As at LPD		After our Listing	
	No. of Shares	% of number of issued Shares	No. of Shares	% of enlarged number of issued Shares
Bumiputera				
Bumiputera investors to be approved by the MITI	-	-	48,953,000 ⁽¹⁾	12.50%
Bumiputera public investors via balloting	-	-	9,791,000 ⁽¹⁾	2.50%
Total Bumiputera	-	-	58,744,000	15.00%
Non-Bumiputera	1,000	100.00%	332,883,000	85.00%
Malaysians	1,000	100.00%	391,627,000	100.00%
Foreigners	-	-	-	-
Total	1,000	100.00%	391,627,000	100.00%

2. APPROVALS AND CONDITIONS (CONT'D)

Note:

- (1) Assuming that all Shares allocated to Bumiputera investors to be approved by the MITI and Bumiputera public investors via balloting are fully subscribed.

2.1.3 MITI

The MITI had, vide its letter dated [●], taken note of and has no objection to our Listing.

2.1.4 SAC

The SAC had, vide its letter dated [●], classified our Shares as Shariah-compliant based on the latest audited combined financial statements of OB Holdings for the FYE 2023.

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2. APPROVALS AND CONDITIONS (CONT'D)

2.2 MORATORIUM ON SALE OF SHARES

In compliance with Rule 3.19 of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to our Specified Shareholders' entire shareholdings for a period of 6 months from the date of our admission to the Official List ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, we must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.00% of our total number of issued Shares (adjusted for any bonus issue or subdivision of shares) remain under moratorium for a further 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of 1/3rd per annum (on a straight-line basis) of their Shares held under moratorium.

The Shares of the following Specified Shareholders which will be subject to the moratorium are as follows:

Specified Shareholders	Year 1 after Listing				Year 2 after Listing		Year 3 after Listing	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares		Moratorium shares	
	No. of Shares	% of Shares ⁽¹⁾	No. of Shares	% of Shares ⁽¹⁾	No. of Shares	% of Shares ⁽¹⁾	No. of Shares	% of Shares ⁽¹⁾
ES Teoh	77,069,450	19.68	50,002,816	12.77	33,335,211	8.51	16,667,605	4.26
CT Wong	77,069,450	19.68	50,002,816	12.77	33,335,211	8.51	16,667,605	4.26
Goodone	117,488,100	30.00	76,226,518	19.46	50,817,678	12.98	25,408,840	6.48
Total	271,627,000	69.36	176,232,150	45.00	117,488,100	30.00	58,744,050	15.00

Note:

- (1) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.

2. APPROVALS AND CONDITIONS (CONT'D)

Our Specified Shareholders above have furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their interest in the Shares during the moratorium period. In addition, the shareholders of Goodone, namely ES Teoh and CT Wong have furnished a letter of undertaking to Bursa Securities that they will not sell, transfer or assign any part of their shareholdings in Goodone during the moratorium period.

The moratorium, which is fully accepted by our Specified Shareholders above, is specifically endorsed on our share certificates representing their shareholdings, which is under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

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3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

3.1 PRINCIPAL DETAILS OF OUR IPO

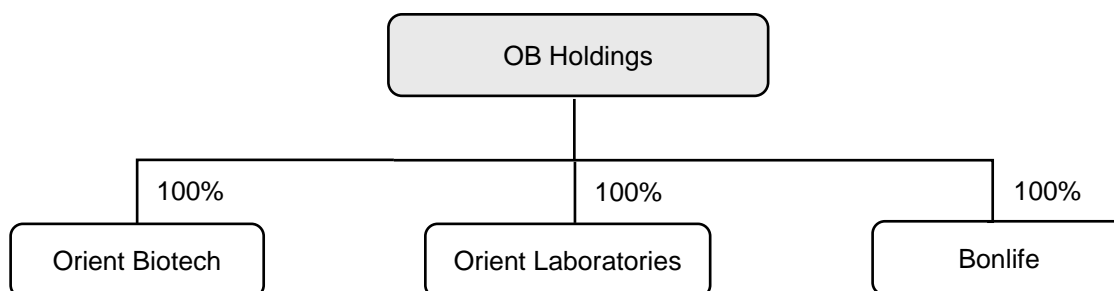
The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

Number of Shares to be issued under the Public Issue	120,000,000
- <i>Malaysian Public</i>	19,582,000
- <i>Eligible Persons</i>	7,833,000
- <i>Private placement to selected investors</i>	43,632,000
- <i>Private placement to selected Bumiputera investors approved by the MITI</i>	48,953,000
Enlarged issued share capital upon Listing	RM[●] comprising 391,627,000 Shares
IPO Price	RM[●]
Market capitalisation upon Listing (based on the IPO Price and our enlarged issued share capital after our IPO)	RM[●]

Our Specified Shareholders' entire shareholdings after IPO will be held under moratorium for 6 months from the date of our Listing. Thereafter, our Specified Shareholders' shareholdings amounting to 45.00% of our total number of IPO Shares (adjusted for any bonus issue or subdivision of shares) will remain under moratorium for another 6 months. Our Specified Shareholders may sell, transfer or assign up to a maximum of 1/3rd per year (on a straight line basis) of their Shares held under moratorium upon expiry of second 6-month period. Further details on moratorium on our Shares and our IPO are set out in Sections 2.2 and 4.1 of this Prospectus, respectively.

3.2 BACKGROUND INFORMATION OF OUR GROUP AND BUSINESS OPERATIONS

Our Company was incorporated in Malaysia under the Act as a private limited company on 1 June 2023 under the name of OB Holdings Sdn Bhd. Our company was converted to a public limited company on 21 August 2023. Our Company is principally an investment holding Company. Our Group's current corporate structure is illustrated below:



3. PROSPECTUS SUMMARY (CONT'D)

The principal activities of our subsidiaries are as follows:

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

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

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

Notes:

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

3. PROSPECTUS SUMMARY (CONT'D)

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

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

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

We leverage on our in-house product development and manufacturing capabilities to develop and manufacture fortified F&B and dietary supplements under our house brands, namely *Bonlife*, *GoHerb*, *Kids Vite*, *Zen Night*, *Sleepin' Beaute* and *EZ:Nitez*. The marketing of *Bonlife* and *Zen Night* products are carried out by our in-house sales and marketing team, whereas the marketing of *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez* are carried out by our marketing agents.

(iii) Trading of milk powder and other activities

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

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

Further details on our Group's business operations are set out in Section 7 of this Prospectus.

3.3 COMPETITIVE STRENGTHS

Our Group's competitive strengths are set out below:

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

Having been in the industry for 28 years, we have gained extensive experience in the formulation and manufacturing of fortified F&B and dietary supplements. Our ability to provide fully customisable manufacturing services to our customers is supported by our in-house capability in product development to develop products that fulfils the needs of consumers of various demographic profiles and lifestyles such as children, women, health-conscious individuals, and the elderly. In addition, we conduct internal market research to keep abreast with latest market trends, consumer preferences and updates on manufacturing technology. Through the internal market research, we will identify popular products in the market, including the pricing range, content of active ingredients, selling points and packaging sizes of the products.

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

Our Group provides end-to-end solutions to customers for the manufacturing of fortified F&B and dietary supplements, where we are able to support our customers throughout the entire process from product development to the manufacturing of fortified F&B and dietary supplements. Hence, it provides convenience and enhances efficiency as customers do not need to source for multiple suppliers to manufacture and deliver their products. In addition, we are also able to offer a wide range of product offerings to our customers, as we have the ability to manufacture products in a variety of forms.

3. PROSPECTUS SUMMARY (CONT'D)

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

For our manufacturing services, we secure new customers through direct contact with potential customers, referrals from our existing customers and social media platforms such as Facebook, where we engage with potential customers to propose our manufacturing capabilities. For our *Bonlife* products, we have established a network of sales and distribution channels comprising chain retailers and online store retailers, a sole distributor for onward distribution to other independent retailers in Malaysia. We also carry out direct sales to consumers through e-commerce platforms to market our *Bonlife* and *Zen Night* products. Further, we have appointed third party marketing agents for the distribution of our other house brands, namely *GoHerb*, *Kids Vite*, *Sleepin' Beaute* and *EZ:Nitez*. The strategy of using different distribution channels enable us to expand our market coverage in targeting the mass market without the need for significant investments in sales and marketing activities. Hence, through our various distribution platforms, we are able to reach out to a diversified customer base, thereby mitigating concentration risks when it comes to generating revenue.

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

Over the years of our business operations, we have received several certifications which attest to the manufacturing standards and product compliance of our fortified F&B and dietary supplements. Our Group places strong emphasis on the quality and safety of products manufactured in our factory. The certificates and accreditations which we have received would provide confidence to our customers that our manufacturing services are compliant with internationally recognised standards. In turn, this enhances our market reputation in the provision of manufacturing services of fortified F&B and dietary supplements. Please refer to Section 7.9 of this Prospectus for further details on the certifications obtained by our Group such as ISO 9001:2015 Quality Management System certification, FDA certification, HACCP System certification, NASAA Certified Organic certification, Halal certification, and Certificate of Registration for Food Premises.

(v) We have an experienced and hands-on management team

Our Group is led by an experienced and technically skilled management team that has strong industry and functional expertise as a result of years of experience in their respective fields.

Further details on our Group's competitive strengths are set out in Section 7.13 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.4 BUSINESS STRATEGIES AND FUTURE PLANS

Our Group's business strategies and future plans are set out below:

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

Due to the layout of the existing building of our Selayang Factory, our machines are not aligned in the most efficient manner and the space is limited for our workers to carry out the manual work which results in inefficient use of time and manpower. We intend to construct our New Serendah Factory to customise the layout of our manufacturing area to optimise the configuration of our machinery (existing machines and new machines to be purchased), as well as to invest in new machinery and equipment in order to enhance our manufacturing workflow and efficiency whereby we are able to automate certain workflows such as installing connecting pipes from one machine to another to transfer intermediate products given the larger space, thus replacing manual labour to transfer intermediate products. This will allow our manufacturing workflow to be more linear and continuous as compared to our current manufacturing workflow. Upon completion of our New Serendah Factory, we shall relocate and operate from our New Serendah Factory to focus on the manufacturing activities of fortified F&B while our Selayang Factory will focus on the manufacturing of dietary supplements. This mitigates time and manpower inefficiencies for manufacturing of dietary supplements in Selayang Factory. Hence, we expect to achieve improved manufacturing efficiency, as well as to cater for future business expansion.

(ii) We intend to purchase new machines in line with our future expansion plan

Upon the completion of our New Serendah Factory, we intend to purchase new machines to cater for our Group's planned expansion of manufacturing capacity. The new machines that we intend to purchase for our New Serendah Factory include multilane sachet packing machine, freeze dry machines, extraction and concentration machine, stability chamber, and supercritical carbon dioxide extraction machine, while the new machine to be purchased for the manufacturing of dietary supplements in our Selayang Factory is gelatin loading tank (softgel equipment).

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

We intend to set up a new laboratory in our New Serendah Factory to expand our product development activities and to expand our in-house culturing of probiotics strains. To support the new laboratory, we intend to purchase new laboratory equipment. Further, our Group intends to undertake a new clinical trial for our house brand product, namely Bonlife SachaQ10 Plus Softgel through a research collaboration agreement with Usains Infotech Sdn Bhd (a subsidiary of Usains Holding Sdn Bhd, the commercial arm of Universiti Sains Malaysia). The new clinical trial will be carried out to research on the fundamental characterisation and functional verification of a new sachet inchi oil-coenzyme Q10 formulation for *Bonlife*. The research will be carried out for a period of 30 months commencing from 1 November 2023. In selecting a product to undergo a clinical trial, we will take into consideration the marketability of a particular product, market claims on the efficacy of the product, and whether there are any similar clinical trials being carried out by other industry players in the market. It is not an industry practice to carry out clinical trial before commercialisation due to high cost, however, an industry player may carry out clinical trial to provide more information and confidence to consumers on the fundamental characterisation and functional verification of a particular product. Further details on our Group's business strategies and future plans are set out in Section 7.14 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.5 RISK FACTORS

The following are the key risks and investment considerations that we are currently facing or that may develop in the future:

(i) Our business' reputation, market competitiveness and financial performance may be adversely affected by the sales of counterfeit products

The sale of counterfeit products may negatively affect our business' reputation, market competitiveness and financial performance as counterfeit products can undermine the trust and credibility that we have developed with our customers. If our customers had unknowingly purchased counterfeit products and experience negative experience due to the poor quality of products, we may lose our customers' faith and loyalty to our products and the public may develop negative perception towards our brands and products.

(ii) Our business is dependent on necessary licences, approvals and permits

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

(iii) Our success depends on our key personnel and our ability to attract and retain skilled personnel

Our continued success and growth are largely dependent on the abilities, skills, experience, competency and continuous efforts of our Managing Director, Executive Director and Key Senior Management. Any significant or sudden loss of the services of our Managing Director, Executive Director, and/or Key Senior Management without suitable and timely replacement may have an adverse and material impact on our Group's business operations and may eventually affect our ability to maintain and/or improve our business performance.

(iv) Our Group may be liable for our marketing agents' actions and conduct in marketing our house brand products

Our Group engages with third party marketing agents to market our house brand products, namely *GoHerb*, *KidsVite*, *Sleepin' Beaute* and *EZ:Nitez*. There is no assurance that our third party marketing agents will be able to maintain their quality of services and contribute sales to our Group consistently. Should our third party marketing agents fail to uphold their quality of services, it may reflect negatively on our brand, thus resulting in negative perception among customers towards our brand as well as the loss of existing customers.

3. PROSPECTUS SUMMARY (CONT'D)**(v) Our Group is exposed to foreign exchange fluctuation risks which may impact our profitability**

Our Group is exposed to foreign exchange fluctuation risks, particularly for our purchases. For the Financial Years Under Review, our purchases from overseas collectively contributed 41.74%, 38.03% and 27.62% to our Group's total purchases, while the remaining 58.26%, 61.97% and 72.38% are contributed from local purchases.

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

Further details and the full list of risk factors which should be considered before investing in our Shares are set out in Section 9 of this Prospectus.

3.6 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

Name	Designation
<u>Directors</u>	
Dato' Seri Abdul Puhat Bin Mat Nayan	Independent Non-Executive Chairman
ES Teoh	Managing Director
Lee Bao Yu	Executive Director
CT Wong	Non-Independent Non-Executive Director
Dato' Haji Mohd Dusuki Bin Ya'acob	Independent Non-Executive Director
Vasu A/L Nallayan	Independent Non-Executive Director
Ooi Gin Hui	Independent Non-Executive Director
<u>Key Senior Management</u>	
Faun Chee Yarn	Financial Controller
Lew Yoke Chin	General Manager
Lee Chee Keat	R&D Manager
Lee Kok Onn	Factory Manager
Pang Poh Lye	Legal Manager
Yap Weng Fong	Production Manager

Further details on our Directors and Key Senior Management are set out in Section 5 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and/or Substantial Shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Nationality / Country of Incorporation	Before our IPO / As at LPD ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and Substantial Shareholders									
ES Teoh	Malaysian	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
CT Wong	Malaysian	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
Promoter									
Lee Bao Yu	Malaysian	-	-	-	-	1,044,000	0.27	-	-
Substantial Shareholder									
Goodone ⁽⁵⁾	Malaysia	-	-	-	-	117,488,100	30.00	-	-

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.
- (3) Deemed interested by virtue of his/her spouse's direct shareholdings in our Company.
- (4) Deemed interested by virtue of their shareholdings in Goodone pursuant to Section 8 of the Act.
- (5) Goodone's shareholders are ES Teoh and CT Wong and their respective direct shareholdings in Goodone are 50.00% each.

Further details on our Promoters and Substantial Shareholders and their shareholdings in our Company as well as moratorium imposed on their Shares are set out in Sections 5.1 and 2.2 of this Prospectus, respectively.

3. PROSPECTUS SUMMARY (CONT'D)

3.8 USE OF PROCEEDS

Based on the IPO Price of RM[●], the total gross proceeds of RM[●] million from our Public Issue will be utilised by our Group in the following manner:

Purposes	RM'000	%	Estimated time frame for use (from our Listing date)
(a) Business expansion:			
- Repayment of bank borrowings	[●]	[●]	Within 36 months
- Purchase of machines	[●]	[●]	Within 36 months
- Product development expenditure	[●]	[●]	Within 36 months
(b) Marketing and advertisement	[●]	[●]	Within 24 months
(c) Working capital	[●]	[●]	Within 24 months
(d) Estimated listing expenses	[●]	[●]	Within 3 months
Total	[●]	100.00	

There is no minimum subscription level in terms of the proceeds to be raised from our IPO. Further details on the use of proceeds are set out in Section 4.4 of this Prospectus. The financial impact of the use of proceeds from our Public Issue is illustrated in our Pro Forma Combined Statements of Financial Position as at 31 May 2023 are set out in Section 13 of this Prospectus.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following table sets out a summary of our Group's audited combined financial statements for the Financial Years Under Review:

	Audited		
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Revenue	29,719	43,558	46,449
Cost of sales	(17,767)	(25,288)	(27,479)
GP	11,952	18,270	18,970
Other income	638	228	5,519 ⁽¹⁾
PBT	6,445	10,784	12,251
PAT	4,711	8,224	9,572
Total assets	30,551	52,690	44,947
Total equity	20,097	27,121	26,804
Total liabilities	10,454	25,569	18,143

3. PROSPECTUS SUMMARY (CONT'D)

The key financial ratios of the Group are as follows:

	FYE 2021	FYE 2022	FYE 2023
GP margin (%) ⁽²⁾	40.22	41.94	40.84
PBT margin (%) ⁽³⁾	21.69	24.76	26.38
PAT margin (%) ⁽⁴⁾	15.85	18.88	20.61
Effective tax rate (%) ⁽⁵⁾	26.90	23.74	21.87
Average trade receivables turnover period (days) ⁽⁶⁾	57	43	34
Average trade payables turnover period (days) ⁽⁷⁾	41	50	41
Average inventories turnover period (days) ⁽⁸⁾	141	164	190
Current ratio (times) ⁽⁹⁾	2.00	1.02	3.46
Gearing ratio (times) ⁽¹⁰⁾	0.28	0.19	0.53

Notes:

- (1) Other income includes one-off net gain from the disposal of investment properties of RM4.11 million and a right-of-use asset of RM0.63 million, respectively.
- (2) GP margin is calculated based on GP divided by revenue.
- (3) PBT margin is calculated based on PBT divided by revenue.
- (4) PAT margin is calculated based on PAT divided by revenue.
- (5) Effective tax rate is calculated based on income tax expense divided by PBT.
- (6) Computed based on average trade receivables which was derived based on the average sum of the opening balances and closing balances of trade receivables net of impairment loss of the respective financial years over the revenue of the respective financial year, multiplied by 365 days.
- (7) Computed based on average trade payables which was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years over the cost of materials consumed of the respective financial year, multiplied by 365 days.
- (8) Computed based on average inventories which was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years over the cost of materials consumed of the respective financial year, multiplied by 365 days.
- (9) Computed based on current assets divided by current liabilities.
- (10) Computed based on total borrowings divided by total equity.

Further details on our Group's historical financial information are set out in Section 12 of this Prospectus.

3. PROSPECTUS SUMMARY (CONT'D)

The following table sets out a summary of our Group's revenue segmented by principal activities for the Financial Years Under Review:

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

Notes:

- (1) The provision of manufacturing services includes the manufacturing of fortified F&B for pets for our customers in Malaysia, which contributed 0.79%, 2.30% and 2.51% to our Group's revenue for the Financial Years Under Review, respectively. On 1 June 2023, we had ceased the manufacturing of fortified F&B for pets as part of our Group's strategy to focus on the core business activities, i.e. the manufacturing of fortified F&B and dietary supplements for human consumption.
- (2) The trading of milk powder contributed 91.18%, 94.68% and 91.09% to our Group's trading of milk powder and other activities segment for the Financial Years Under Review. Our Group also undertakes other activities such as laboratory tests services, freight services and the sales of packaging materials, pallets and face masks on ad hoc basis, which contributed the remaining 8.82%, 5.32% and 8.91%.

For the Financial Years Under Review, our top 5 major customers contributed to 63.84%, 66.48% and 58.11% of our Group's revenue, respectively; whereas our top 5 major suppliers contributed 58.22%, 56.06% and 35.92% of our Group's total purchases, respectively. Further details on our Group's major customers and major suppliers are set out in Sections 7.18 and 7.19 of this Prospectus.

3.10 DIVIDEND POLICY

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

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

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

Further details on our Group's dividend policy are set out in Section 12.8 of this Prospectus.

4. DETAILS OF OUR IPO

4.1 DETAILS OF OUR IPO

Our Listing Scheme in conjunction with and as an integral part of the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities involves the following:

- (i) Acquisitions;
- (ii) Public Issue;
- (iii) Share Transfer; and
- (iv) Listing.

4.1.1 Acquisitions

On 18 August 2023, our Company entered into 3 conditional share sale agreements with ES Teoh and CT Wong, to acquire the entire issued share capital of Bonlife, Orient Biotech and Orient Laboratories for an aggregate purchase consideration of RM27,162,600.00 to be satisfied via the issuance of 271,626,000 new Shares at RM0.10 per Share.

(i) Acquisition of Bonlife

The acquisition of Bonlife entails the acquisition by our Company of the entire issued share capital of Bonlife of RM100,000.00 comprising 100,000 ordinary shares from ES Teoh and CT Wong for a purchase consideration of RM1,816,100.00. The said purchase consideration was satisfied entirely via the issuance of 18,161,000 new Shares to ES Teoh and CT Wong at an issue price of RM0.10 per Share, as follows:

Vendors	No. of Bonlife shares acquired	Shareholdings held in Bonlife (%)	Purchase consideration (RM)	No. of Shares issued
ES Teoh	50,000	50.00	908,050.00	9,080,500
CT Wong	50,000	50.00	908,050.00	9,080,500
Total	100,000	100.00	1,816,100.00	18,161,000

The purchase consideration of RM1,816,100.00 was arrived at on a willing-buyer willing-seller basis and after taking into account the audited NA of Bonlife as at 31 May 2023 of RM1,816,154.00. The acquisition of Bonlife was completed on [●] and Bonlife became a wholly-owned subsidiary of our Company.

(ii) Acquisition of Orient Biotech

The acquisition of Orient Biotech entails the acquisition by our Company of the entire issued share capital of Orient Biotech of RM1,000,000.00 comprising 1,000,000 ordinary shares from ES Teoh and CT Wong for a purchase consideration of RM19,589,200.00. The said purchase consideration was satisfied entirely via the issuance of 195,892,000 new Shares to ES Teoh and CT Wong at an issue price of RM0.10 per Share, as follows:

Vendors	No. of Orient Biotech shares acquired	Shareholdings held in Orient Biotech (%)	Purchase consideration (RM)	No. of Shares issued
ES Teoh	500,000	50.00	9,794,600	97,946,000
CT Wong	500,000	50.00	9,794,600	97,946,000
Total	1,000,000	100.00	19,589,200.00	195,892,000

4. DETAILS OF OUR IPO (CONT'D)

The purchase consideration of RM19,589,200.00 was arrived at on a willing-buyer willing-seller basis and after taking into account the audited NA of Orient Biotech as at 31 May 2023 of RM19,589,206.00. The acquisition of Orient Biotech was completed on [●] and Orient Biotech became a wholly-owned subsidiary of our Company.

(iii) Acquisition of Orient Laboratories

The acquisition of Orient Laboratories entails the acquisition by our Company of the entire issued share capital of Orient Laboratories of RM300,000.00 comprising 300,000 ordinary shares from ES Teoh and CT Wong for a purchase consideration of RM5,757,300.00. The said purchase consideration was satisfied entirely via the issuance of 57,573,000 new Shares in aggregate to ES Teoh and CT Wong at an issue price of RM0.10 per Share, as follows:

Vendors	No. of Orient Laboratories shares acquired	Shareholdings held in Orient Laboratories (%)	Purchase consideration (RM)	No. of Shares issued
ES Teoh	150,000	50.00	2,878,650.00	28,786,500
CT Wong	150,000	50.00	2,878,650.00	28,786,500
Total	300,000	100.00	5,757,300.00	57,573,000

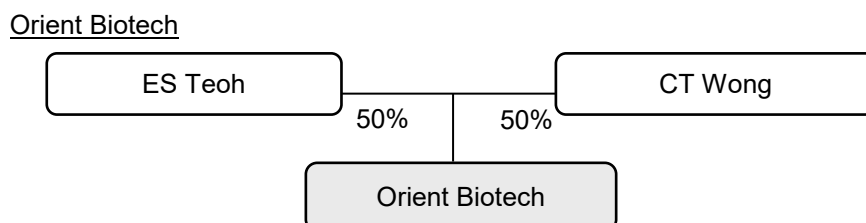
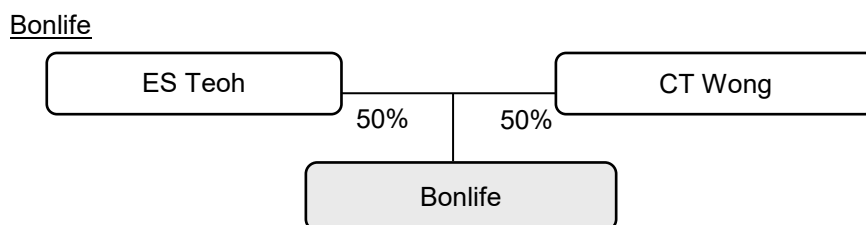
The purchase consideration of RM5,757,300.00 was arrived at on a willing-buyer willing-seller basis and after taking into account the audited NA of Orient Laboratories as at 31 May 2023 of RM5,757,303.00. The acquisition of Orient Laboratories was completed on [●] and Orient Laboratories became a wholly-owned subsidiary of our Company.

Following the completion of the Acquisitions, our issued share capital increased from 1,000 to 271,627,000 Shares.

The conditions precedent of the abovementioned share sale agreements including, among others, the approval-in-principle of Bursa Securities for the Listing, the SC, MITI and SAC's approvals or notifications as set out in Section 2.1 of this Prospectus.

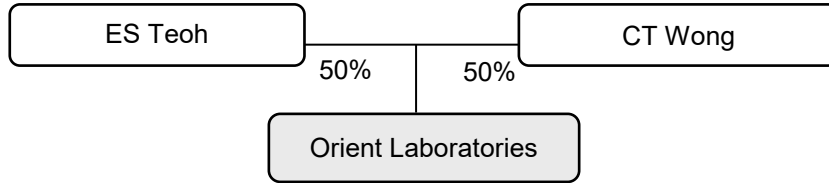
Our Group structure before and after the Acquisitions is as follows:

Before the Acquisitions

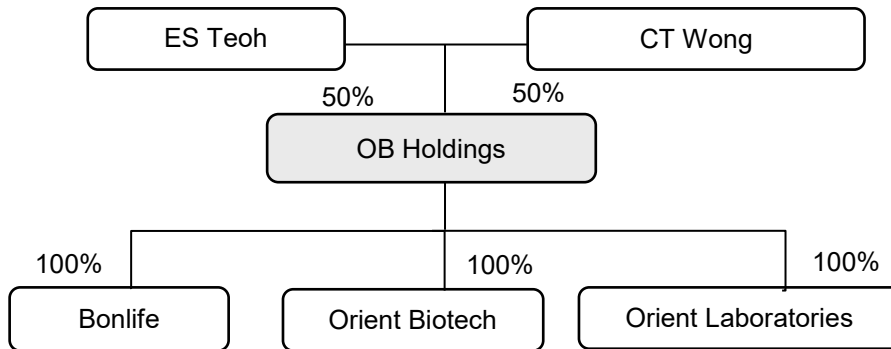


4. DETAILS OF OUR IPO (CONT'D)

Orient Laboratories



After the Acquisitions



4.1.2 Public Issue

The Public Issue of 120,000,000 new Shares, representing 30.64% of our enlarged issued share capital upon Listing, at the IPO Price, will be allocated in the following manner:

(i) Malaysian Public (via balloting)

19,582,000 IPO Shares, representing 5.00% of our enlarged issued share capital, will be made available for Application by the Malaysian Public via balloting, of which 50.00% will be set aside strictly for Bumiputera investors.

Any IPO Shares reserved under the Malaysian Public balloting portion which are not fully subscribed for by the Malaysian Public will be made available for subscription as follows:

- (a) firstly, by the Eligible Persons (excluding the eligible Directors) under the Pink Form Allocation as described in Section 4.1.2(ii) of this Prospectus;
- (b) secondly, by our selected investors as described in Section 4.1.2(iii) of this Prospectus; and
- (c) lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

(ii) Eligible Persons

7,833,000 IPO Shares, representing 2.00% of our enlarged issued share capital, will be made available for Application by the Eligible Persons under the Pink Form Allocation in the following manner:

4. DETAILS OF OUR IPO (CONT'D)

Eligibility	No. of persons	Pink Form Allocation (No. of shares)
Directors ⁽¹⁾	5	2,044,000
Employees ⁽²⁾ / Persons who have contributed to the success of our Group ⁽³⁾	Up to 150	5,789,000
Total	Up to 155	7,833,000

Notes:

- (1) The criteria of allocation to our eligible Directors are based on, among others, their respective roles and responsibilities in our Group. The Directors who are entitled to the Pink Form Allocation are set out below:

Name	Designation	No. of IPO Shares allocated
Lee Bao Yu	Executive Director	1,044,000
Dato' Seri Abdul Puhat Bin Mat Nayan	Independent Non-Executive Chairman	250,000
Dato' Haji Mohd Dusuki Bin Ya'acob	Independent Non-Executive Director	250,000
Vasu A/L Nallayan	Independent Non-Executive Director	250,000
Ooi Gin Hui	Independent Non-Executive Director	250,000
Total		2,044,000

- (2) The criteria of allocation to the eligible employees of our Group are based on, among others, the following factors:
- the employee must be a full-time employee of at least 18 years of age and on the payroll of our Group;
 - the employee is not an undischarged bankrupt nor subject to any bankruptcy proceedings; and
 - the number of IPO Shares allocated to the eligible employees is based on their position, their length of service and their past performance / contribution as well as other factors deemed relevant by our Board.

The number of IPO Shares to be allocated to our Key Senior Management are set out below:

Name	Designation	No. of IPO Shares allocated
Faun Chee Yarn	Financial Controller	400,000
Lew Yoke Chin	General Manager	100,000

4. DETAILS OF OUR IPO (CONT'D)

Name	Designation	No. of IPO Shares allocated
Lee Chee Keat	R&D Manager	100,000
Lee Kok Onn	Factory Manager	100,000
Pang Poh Lye	Legal Manager	100,000
Yap Weng Fong	Production Manager	100,000
Total		900,000

- (3) Persons who have contributed to the success of our Group include business associates, customers, and suppliers. The number of IPO Shares to be allocated to those persons who have contributed to the success of our Group are based on amongst others, the nature and terms of their business relationship with us, length of relationship as well as their level of contribution and support to our Group.

Please also see Sections 5.2.3 and 5.3.3 for further details of our Directors' and Key Senior Management's shareholdings in our Company as at LPD and after our IPO.

Any IPO Shares reserved under the Pink Form Allocation which are not taken up will be made available for subscription as follows (subject always to the availability of the IPO Shares):

- (a) firstly, by other Eligible Persons (excluding the eligible Directors);
- (b) secondly, by the Malaysian Public as described in Section 4.1.2(i) of this Prospectus;
- (c) thirdly, by our selected investors as described in Section 4.1.2(iii) of this Prospectus; and
- (d) lastly, by our Sole Underwriter based on the terms of the Underwriting Agreement.

As at LPD, save as disclosed in Section 4.1.2(ii) of this Prospectus, to the extent known to our Company:

- (a) there are no Substantial Shareholders, Directors or Key Senior Management who have indicated to us that they intend to subscribe for the IPO Shares; and
- (b) there are no persons who have indicated to us that they intend to subscribe for more than 5.00% of our IPO Shares.

(iii) Private placement to selected investors

43,632,000 IPO Shares, representing 11.14% of our enlarged issued share capital, will be made available by way of private placement to selected investors.

The IPO Shares reserved under the private placement to selected investors are not underwritten as written irrevocable undertakings to subscribe for these IPO Shares have been / will be obtained from the respective selected investors.

(iv) Private placement to identified Bumiputera investors approved by the MITI

48,953,000 IPO Shares, representing 12.50% of our enlarged issued share capital, will be allocated by way of private placement to identified Bumiputera investors approved by the MITI ("MITI Tranche").

4. DETAILS OF OUR IPO (CONT'D)

In the event of under-subscription of the MITI Tranche by the identified Bumiputera investors approved by the MITI and subject to a corresponding over-subscription by the Malaysian Public or over-subscription by selected investors, the remaining portion will be clawed-back and be made available to the investors as follows:

- (a) firstly, the selected investors under Section 4.1.2(iii) of this Prospectus (whom are institutional investors);
- (b) secondly, the Bumiputera public investors under Section 4.1.2(i) of this Prospectus; and
- (c) any remaining portion from the MITI Tranche which are not taken up by the selected investors and the Bumiputera public investors will be made available to the other public investors under Section 4.1.2(i) of this Prospectus,

(collectively referred as “MITI Clawback and Reallocation”).

The basis of allocation for our IPO Shares shall take into account our Board’s intention to distribute our IPO Shares to a reasonable number of applicants to broaden our Company’s shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Board. There is no over-allotment or “greenshoe” option that will result in an increase in the number of our IPO shares.

The salient terms of the Underwriting Agreement are set out in Section 4.6 of this Prospectus.

4.1.3 Share Transfer

Goodone is an investment holding company held by ES Teoh and CT Wong with equity interest of 50.00% each.

During the prescription period (1 day after the launching date of the Prospectus up to a period of 30 days), ES Teoh and CT Wong will transfer their respective shareholdings amounting to 117,488,100 Shares to Goodone in conjunction with the IPO.

Further details of the Share Transfer are set out below:

Shareholders	No. of Shares held before the Share Transfer to Goodone	%(1)	No. of Shares to be transferred to Goodone pursuant to the Share Transfer		No. of Shares held after the Share Transfer to Goodone	
				%(2)		%(2)
ES Teoh	135,813,500	50.00	58,744,050	15.00	77,069,450	19.68
CT Wong	135,813,500	50.00	58,744,050	15.00	77,069,450	19.68
Total	271,627,000	100.00	117,488,100	30.00	154,138,900	39.36

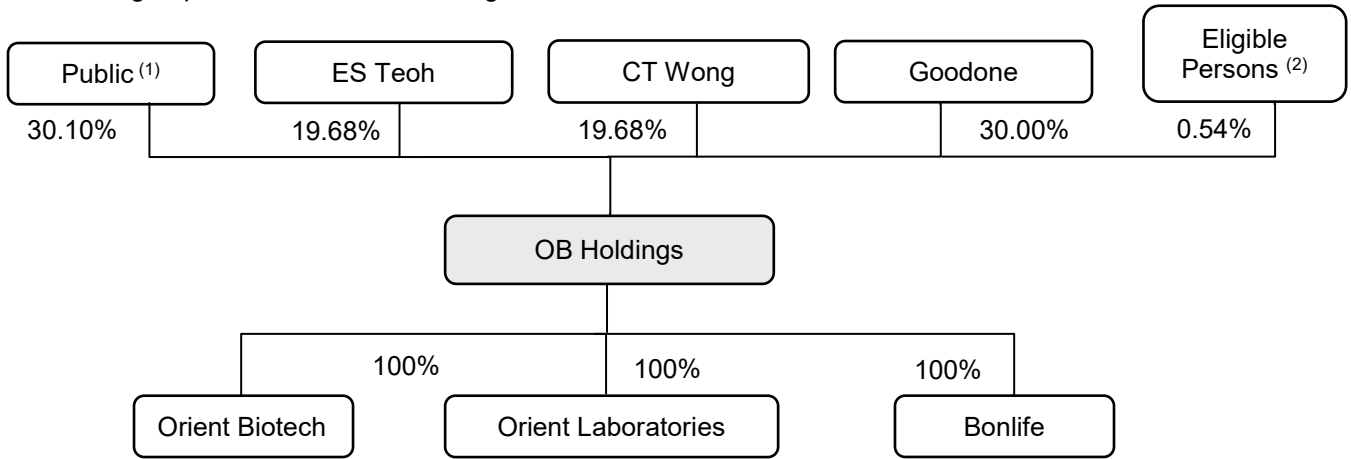
Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our Listing.
- (2) Based on our enlarged share capital of 391,627,000 Shares after our Listing.

4. DETAILS OF OUR IPO (CONT'D)

The Share Transfer above is based on the mutual agreement between the shareholders of Goodone. The Share Transfer does not involve any issuance of new Shares. Upon Listing, Goodone will hold in aggregate 30.00% of the enlarged issued share capital. Please refer to Section 5.1.2(iv) of the Prospectus for further details on Goodone.

Our group structure after the Listing is set out below:



Notes:

- (1) The public shareholdings spread upon Listing is 30.10%.
- (2) Based on 2,100,400 IPO Shares to be allocated to Eligible Persons who are not included as public pursuant to the Pink Form Allocation and assuming the pink form allocated to them are fully subscribed.

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4. DETAILS OF OUR IPO (CONT'D)

4.1.4 Listing

Upon completion of our IPO, our Company's entire enlarged issued share capital of RM[●] comprising 391,627,000 Shares shall be listed on the ACE Market of Bursa Securities. Our share capital upon completion of our IPO will be set out below:

	No. of Shares	Share capital (RM)
Issued share capital as at the date of this Prospectus	271,627,000	27,163,600
New Shares to be offered pursuant to our Public Issue	120,000,000	[●]
Enlarged issued share capital upon Listing	391,627,000	[●]
IPO Price		RM [●]
Pro forma combined NA per Share as at 31 May 2023 <i>(based on our enlarged issued share capital after our IPO, the use of proceeds raised from our Public Issue and net of listing expenses)</i>		RM [●]
Market capitalisation upon Listing <i>(based on the IPO Price and our enlarged issued share capital after our IPO)</i>		[●]

The IPO Price is payable in full upon Application.

We only have 1 class of shares, being ordinary shares, all of which rank equally with each other. Our IPO Shares will, upon issuance and allotment, rank equally in all respects with our existing Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our IPO Shares.

Subject to special rights attaching to any Share which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed among the shareholders in proportion to the issued share capital at the commencement of the liquidation, in accordance with our Constitution and provisions of the Act.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, or by proxy, or by his / its representative under the instrument of proxy or certificate of appointment of corporate representative or power of attorney ("**Representative**"). On a vote by show of hands, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote. On a vote by way of poll, each shareholder present (either in person, or by proxy, or by Representative) shall have 1 vote for each Share held. A proxy may but need not be a shareholder of our Company.

4. DETAILS OF OUR IPO (CONT'D)

4.2 BASIS OF ARRIVING AT OUR IPO PRICE

Our Directors and Promoters, together with AIS, being our Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, had determined and agreed upon our IPO Price after taking into consideration the following factors:

(i) Financial and operating history

Based on the historical audited combined statements of profit or loss and other comprehensive income of our Group for FYE 2023, we recorded a PAT of RM9.57 million representing an EPS of 2.44 sen (based on the enlarged issued share capital of 391,627,000 Shares) resulting in PE Multiple of [●] times.

The adjusted PAT for FYE 2023 after excluding the one-off net gain from the disposal of investment properties and a right-of-use asset of RM4.74 million, the other related expenses in relation to the disposals of RM0.68 million, as well as the listing expenses incurred of RM1.08 million (being one-off and non-recurring in nature) in FYE 2023 would be RM6.59 million. The exclusion of listing expenses in deriving the adjusted PAT would be a more accurate representation of the Group's PAT under ordinary course of business circumstance. Based on the adjusted PAT of RM6.59 million for FYE 2023, this would translate into an adjusted EPS of 1.68 sen and a PE Multiple of [●] times.

(ii) Business strategies and future plans

Our business strategies and future plans as set out in Section 7.14 of this Prospectus.

(iii) Competitive strengths and the industry overview

Our competitive strengths as set out in Section 7.13 of this Prospectus, and the industry overview as set out in the IMR Report in Section 8 of this Prospectus.

(iv) Pro forma combined NA

The pro forma combined NA per Share of RM[●] as at 31 May 2023 based on the enlarged issued share capital of 391,627,000 Shares, after our IPO and subsequent to the utilisation of proceeds from our Public Issue as set out in Section 13 of this Prospectus.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the market price of our Shares. You should form your own views on the valuation of our IPO and reasonableness of the bases used before deciding to invest in our IPO Shares. You are reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4. DETAILS OF OUR IPO (CONT'D)

4.3 DILUTION

Dilution is the amount by which the IPO Price to be paid by investors for our IPO Shares exceeds our pro forma combined NA per Share after our IPO and is as follows:

	RM
IPO Price	[●]
Pro forma combined NA per Share as at 31 May 2023 before our Public Issue	0.10
Pro forma combined NA per Share as at 31 May 2023 after our Public Issue and utilisation of proceeds	[●]
Increase in NA per Share attributable to existing shareholders	[●]
Dilution in NA per Share to new investors	[●]
Dilution in NA per Share as a percentage of the IPO Price	[●] %

Further details of our Group's pro forma combined NA per Share as at 31 May 2023 are set out in Section 13 of this Prospectus.

Save as disclosed below and Section 4.1.1 of this Prospectus, there has been no acquisition of any existing equity securities in our Company by our Promoters, Directors, Substantial Shareholders, and/or Key Senior Management, or persons connected with them from the date of our incorporation to the date of this Prospectus, or which they have the right to acquire:

	No. of Shares held before our IPO ⁽¹⁾	No. of Shares held from our IPO ⁽²⁾	Total consideration RM	Effective cost per Share RM
Promoters, Directors and Substantial Shareholders				
ES Teoh	135,813,500	-	13,581,350	0.10
CT Wong	135,813,500	-	13,581,350	0.10
Substantial Shareholder				
Goodone	-	117,488,100	[●]	[●]
Promoter and Director				
Lee Bao Yu	-	1,044,000	[●]	[●]
Independent Non-Executive Directors				
Dato' Seri Abdul Puhat Bin Mat Nayan	-	250,000	[●]	[●]
Dato' Haji Mohd Dusuki Bin Ya'acob	-	250,000	[●]	[●]
Vasu A/L Nallayan	-	250,000	[●]	[●]
Ooi Gin Hui	-	250,000	[●]	[●]

4. DETAILS OF OUR IPO (CONT'D)

	No. of Shares held before our IPO ⁽¹⁾	No. of Shares held from our IPO ⁽²⁾	Total consideration RM	Effective cost per Share RM
Key Senior Management				
Faun Chee Yarn	-	400,000	[●]	[●]
Lew Yoke Chin	-	100,000	[●]	[●]
Lee Chee Keat	-	100,000	[●]	[●]
Lee Kok Onn	-	100,000	[●]	[●]
Pang Poh Lye	-	100,000	[●]	[●]
Yap Weng Fong	-	100,000	[●]	[●]

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) After the Share Transfer to Goodone and assuming all Pink Form Allocation are fully subscribed.

As at the date of this Prospectus, save for the Pink Form Allocation, there is no outstanding right granted to anyone to acquire our Shares. The Pink Form Allocation is based on our IPO Price.

4.4 USE OF PROCEEDS FROM OUR IPO

Based on the IPO Price of RM[●], the total gross proceeds of RM[●] million from our Public Issue will be utilised by our Group in the following manner:

Purposes	RM'000	%	Estimated time frame for use (from our Listing date)
(a) Business expansion			
- Repayment of bank borrowings	[●]	[●]	Within 36 months
- Purchase of machines	[●]	[●]	Within 36 months
- Product development expenditure	[●]	[●]	Within 36 months
(b) Marketing and advertisement	[●]	[●]	Within 24 months
(c) Working capital	[●]	[●]	Within 24 months
(d) Estimated listing expenses	[●]	[●]	Within 3 months
Total	[●]	100.00	

There is no minimum level of subscription in terms of the proceeds to be raised from the IPO.

Pending the eventual use of proceeds raised from our Public Issue, the proceeds will be placed in interest-bearing short-term deposits and/or money market instruments/funds with licensed financial institutions. The interest income and/or dividend income to be received from the proceeds placed in interest-bearing short-term deposits and/or money market instruments/funds with licensed financial institutions will be utilised for working capital purposes.

4. DETAILS OF OUR IPO (CONT'D)

4.4.1 Business Expansion

(a) Repayment of bank borrowings

We intend to construct our New Serendah Factory to achieve improved manufacturing efficiency, as well as to cater for increasing demand in anticipation of future business expansion. By constructing a new factory, we will have a larger manufacturing space where we will be able to customise the layout of our manufacturing area to optimise the configuration of our machinery (existing machines and new machines to be purchased), as well as to invest in new machinery and equipment in order to enhance our manufacturing workflow and efficiency. We expect our New Serendah Factory to commence the construction in the 1st half of 2024 and complete in the 2nd half of 2025. Please refer to Section 7.14 of this Prospectus for further details on our Group's business strategies and future plans.

Based on the above, our Group had secured bank borrowings of RM[●] million for acquisition of New Serendah Land and construction of New Serendah Factory. The details are set out below:

Details	Bank borrowings RM'000	Internally generated funds RM'000	Estimated costs RM'000
(i) Acquisition of New Serendah Land	[●]	[●]	[●]
(ii) Construction of New Serendah Factory	[●]	[●]	[●]
Total	[●]	[●]	[●]

We intend to allocate RM[●] million representing [●]% of the gross proceeds from our Public Issue for the repayment of 2 term loans, i.e. Term Financing 1 and Term Financing 2 (hereinafter refers to the "Banking Facilities") which are utilised to part finance the acquisition of New Serendah Land and the construction of New Serendah Factory, for which the details of the Banking Facilities are set out below:

Banking facility	Purpose	Interest rate per annum	Maturity date	Amount drawdown / to be drawdown RM'000	Balance as at LPD RM'000	Amount to be repaid from IPO proceeds RM'000	Estimated time frame for use of IPO Proceeds (from our Listing date)
Term Financing 1 (Hong Leong Islamic Bank Berhad)	To part finance the acquisition of New Serendah Land	ICOF + 1.25%	July 2042	[●] ⁽¹⁾	[●]	[●]	Within 6 months
Term Financing 2 (Hong Leong Islamic Bank Berhad)	To part finance the construction of New Serendah Factory	ICOF + 1.25%	June 2044	[●] ⁽²⁾	-	[●]	Within 36 months
Total				[●]	[●]	[●]	

4. DETAILS OF OUR IPO (CONT'D)

Notes:

- (1) The facility amount of RM[●] million had been fully drawdown as at LPD. Our Group intends to utilise RM[●] million of the gross proceeds from Public Issue for the part repayment of Term Financing 1.
- (2) The facility amount of RM[●] million shall be released progressively in accordance to the architect's /engineer's /contractor's /surveyor's certificate of work done which is satisfied by the bank. Our Group intends to utilise RM[●] million of the gross proceeds from Public Issue for the part repayment of Term Financing 2. As at LPD, there is no drawdown from Term Financing 2. Please refer to Section 7.14.1 of this Prospectus for further information on the indicative timeline for the construction of our New Serendah Factory.

For avoidance of doubt, there is no penalty charge for early settlement of the Banking Facilities. Nonetheless, as the Banking Facilities are subject to lock-in period of 5 years, in the event of any early settlement before the expiry of its tenure, our Group is required to pay the costs incurred for the early settlement which includes, but not limited to, legal fees, disbursement fees, stamp duty and valuation fees, if any.

The repayment of bank borrowings will reduce our Group's overall gearing level from [●] times (after drawdown of bank borrowings for the construction of the New Serendah Factory) to [●] times based on the pro forma combined statement of financial position as at 31 May 2023 and after taking into consideration the proposed repayment of bank borrowings.

For illustration purpose, the repayment of the above-mentioned borrowings is expected to result in a positive financial impact on our Group with interest savings of approximately RM[●] million per annum based on the interest rate of 4.94% (assuming that ICOF as at LPD is 3.69% + 1.25%) multiplied by RM[●] million, being the amount to be repaid from IPO proceeds. However, the actual interest savings may vary depending on the applicable interest rate. Any excess amount required for the repayment of bank borrowings will be funded by internally generated funds.

(b) Purchase of machines

Upon the completion of our New Serendah Factory, we will relocate our existing machines for the manufacturing of F&B from our Selayang Factory and Rented Serendah Factory to our New Serendah Factory. Further, with the larger manufacturing space in our New Serendah Factory, we intend to purchase new machines to cater for our Group's planned expansion of manufacturing capacity.

We intend to allocate RM[●] million representing [●]% of the gross proceeds from our Public Issue for the purchase of machines upon the completion of our New Serendah Factory, which is expected to take place in the 2nd half of 2025. The estimated cost for the purchase of machines upon the completion of our New Serendah Factory is set out below:

Machines	Description	Number of unit(s)	Estimated cost (RM'000) ⁽¹⁾	Estimated funds by IPO proceeds (RM'000)
(i) Multilane sachet packing machine	A machine with multiple lanes that allow simultaneous packing of liquid, jelly or powdered products into sachets.	1	[●]	[●]

4. DETAILS OF OUR IPO (CONT'D)

Machines	Description	Number of unit(s)	Estimated cost (RM'000) ⁽¹⁾	Estimated funds by IPO proceeds (RM'000)
(ii) Freeze dry machine	A machine that dehydrates liquid active ingredients at a low temperature and pressure.	2	[●]	[●]
(iii) Extraction and concentration machine	A machine that uses reverse osmosis water technology to extract active ingredients at temperatures between 70 degrees Celsius and 90 degree Celsius, and at a controlled duration. This machine has an extraction capacity of 500 litres for commercial use.	1	[●]	[●]
(iv) Stability chamber	A machine that measures the stability of the product formulated at a controlled temperature and humidity.	1	[●]	[●]
(v) Supercritical carbon dioxide extraction machine	A machine that is used for the extraction of molecules or substances from materials such as herbs, using carbon dioxide as a supercritical fluid.	1	[●]	[●]
(vi) Gelatine loading tank (softgel equipment)	A machine used for the mixing and dissolution of formulated gelatine powder at a controlled temperature and condition.	1	[●]	[●]
Total:			[●]	[●]

Note:

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

Any excess amount required for the purchase of machines will be funded by internally generated funds. Please refer to Section 7.14 of this Prospectus for further details on our Group's business strategies and future plans.

4. DETAILS OF OUR IPO (CONT'D)

(c) Product development expenditure

A clinical trial is conducted by our Group to provide more information and confidence to the consumers on the fundamental characterisation and functional verification of a product. In selecting our Group's products to undergo a clinical trial, we have taken into consideration the marketability of a particular product, market claims on the efficacy of the product, and whether there are any similar clinical trials being carried out by other industry players in the market.

From December 2020 to June 2022, our Group conducted a clinical trial to investigate whether an oral dose of 500mg of sacha inchi oil supplementation daily could reduce glycated haemoglobin, reduce systolic and diastolic blood pressure, improve lipid profile and improve cardiometabolic health profile of patients suffering from hyperglycemia, hypertension and hyperlipidemia. This was the first clinical trial conducted by our Group. The result of the clinical study shows that, with the consumption of our house brand product, Bonlife Organic Sacha Inchi Oil 500mg Softgel supplementation, participants with hyperglycaemia, hypertension and hyperlipidaemia had shown improvement in their health conditions. Please refer to Section 7.10.2 of this Prospectus for further details on our clinical trial for sacha inchi oil supplement.

In order to stay abreast with the latest trends introduced in the market to identify possible opportunities to develop and introduce new products to expand our offerings, our in-house product development team will continue to focus on the development of new product formulations and improvement of existing product formulations.

We intend to allocate RM[●] million representing [●]% of the gross proceeds from our Public Issue to set up a new laboratory in our New Serendah Factory to expand our product development activities as well as to expand our in-house culturing of probiotics strain. Further details of the product development expenditure are set out below:

Details	RM'000
(i) Purchase of laboratory equipment	[●]
(ii) Clinical trial for Bonlife SachaQ10 Plus Softgel	[●]
Total	[●]

Notes:

- (i) We intend to purchase the following laboratory equipment which will be used for our product development activities:

Laboratory Equipment	Description	Number of unit(s)	Estimated costs (RM'000)
(i) Autoclave ⁽¹⁾	A machine that sterilises laboratory apparatus at a high pressure to kill harmful bacteria, viruses, fungi, and spores.	1	[●]
(ii) Biohazard cabinet ⁽¹⁾	An equipment that allows personnel to work with biological samples in a sterile and enclosed environment to prevent cross-contamination.	1	[●]
(iii) High performance	A machine that measures the active ingredients present in	1	[●]

4. DETAILS OF OUR IPO (CONT'D)

Laboratory Equipment	Description	Number of unit(s)	Estimated costs (RM'000)
liquid chromatography	the raw materials or the dietary supplements manufactured.		
(iv) Incubator shaker ⁽¹⁾	An equipment that incubates and shakes samples or formulations at a large capacity, and at a controlled temperature and speed.	1	[●]
(v) Spray dryer	A machine that dries liquid active ingredients into powder form by exposing the liquid active ingredients to a controlled temperature and pressure environment.	1	[●]
(vi) Stability chamber ⁽¹⁾	A machine that measures the stability of the product formulated at a controlled temperature and humidity, which is a small-scale stability chamber, catered for laboratory use.	1	[●]
(vii) Extraction machine (lab-scale)	A machine with technology that uses reverse osmosis water to extract active ingredients at a temperature between 70 degrees Celsius and 90 degrees Celsius, and at a controlled duration. This machine, which is a small-scale extraction machine, has an extraction capacity of 8-10 litres, catered for laboratory use.	1	[●]
(viii) Other measurement instruments	Instruments that used for measurement purpose	3	[●]
Total:			<u>[●] ⁽²⁾</u>

Notes:

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

4. DETAILS OF OUR IPO (CONT'D)

- (ii) We intend to undertake a new clinical trial for our house brand product, namely Bonlife SachaQ10 Plus Softgel through a contract research agreement dated 27 September 2023 with Usains Infotech Sdn Bhd (a subsidiary of Usains Holding Sdn Bhd, the commercial arm of Universiti Sains Malaysia).

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

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

Any excess amount required for the product development expenditure will be funded by internally generated funds. Please refer to Section 7.14 of this Prospectus for further details on our business strategies and future plans.

4.4.2 Marketing and advertisement

We intend to allocate RM[●] million representing [●]% of the gross proceeds from our Public Issue for our marketing and advertising activities. The estimated costs are set out below:

Details	RM'000
(i) Marketing activities including participation in local and overseas exhibitions, and production of corporation videos	[●]
(ii) Advertising activities including outdoor advertising on billboards and online advertising	[●]
Total	[●]

As at LPD, we have identified and intend to participate in several exhibitions in relation to fortified F&B and dietary supplements which are expected to take place between 2024 to 2025. The participation of these exhibitions present us the key source for developing initial contact with potential customers.

As the widespread use of internet enables us to cross geographical borders, we intend to leverage more on our social media platforms to promote our products and services. As such, part of our IPO proceeds will be earmarked for the online advertising fees in social media platforms.

Any excess amount required for the marketing and advertisement will be funded by internally generated funds. Please refer to Section 7.14 of this Prospectus for further details on our business strategies and future plans.

4.4.3 Working capital

Our Group's working capital requirement is expected to increase in tandem with our future plan to expand the manufacturing capacity of fortified F&B and dietary supplements. For the Financial Years Under Review, the purchases of raw materials, food ingredients and packaging materials, being the main component of our cost of sales, represent 83.12%, 83.68% and 78.58% of our total cost of sales, respectively.

4. DETAILS OF OUR IPO (CONT'D)

We intend to allocate RM[●] million, representing [●]% of the gross proceeds from our Public Issue, for the purchase of raw materials and food ingredients. Some of our raw materials that are used for manufacturing are herbal plant powder and extract, animal-derived products, amino acid, plant oil, algae powder, vitamins and minerals, prebiotics and probiotics, while some of our food ingredients that are used for manufacturing are milk powder, excipients, fruit and vegetable powder, nuts, seeds, beans, grains, oats and coffee powder.

Our Group had in the past and currently been funding our working capital via bank borrowings and/or internally generated funds. Therefore, the above working capital allocation from our Public Issue is expected to enhance our Group's liquidity and cash flow position to support the expected growth in our daily operations.

4.4.4 Estimated listing expenses

Our listing expenses are estimated to be RM[●] million, details of which are as follows:

Details	RM'000
Professional fees ⁽¹⁾	[●]
Fees to authorities	[●]
Estimated underwriting, placement and brokerage fees	[●]
Printing and advertising	[●]
Miscellaneous expenses and contingencies ⁽²⁾	[●]
Total	[●]

Notes:

- (1) Includes professional and advisory fees for, among others, Principal Adviser, Solicitors, Reporting Accountants, IMR and other professional advisers.
- (2) Includes other incidental or related expenses in connection with our IPO, such as fees to translators, media related expenses and IPO event expenses, and fund reserved for contingency purposes.

If the actual listing expenses are higher than budgeted, the deficit will be funded by the amount allocated for working capital purposes. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

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4. DETAILS OF OUR IPO (CONT'D)

4.5 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES

4.5.1 Underwriting commission

AIS, as our Sole Underwriter, has agreed to underwrite 19,582,000 IPO Shares made available for application by the Malaysian Public and 7,833,000 Pink Form Allocation made available to the Eligible Persons as set out in Sections 4.1.2 (i) and (ii) of this Prospectus. We will pay our Sole Underwriter an underwriting commission at the rate of [●]% of the total value of the underwritten Shares based on the IPO Price.

4.5.2 Brokerage fee

We will bear the brokerage fee at the rate of [●]% of the IPO Price in respect of all successful applications that bear the stamp of either AIS, the participating organisations of Bursa Securities, the members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

4.5.3 Placement fee

Our Placement Agent has agreed to place out 43,632,000 IPO Shares to the selected investors (as set out in Section 4.1.2 (iii) of this Prospectus) as well as 48,953,000 IPO Shares to the selected Bumiputera investors approved by the MITI (as set out in Section 4.1.2 (iv) of this Prospectus).

We are obliged to pay a placement fee at the rate of [●]% of the total value of the IPO Shares successfully placed out by the Placement Agent at the IPO Price.

4.6 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

On [●], we have entered into the Underwriting Agreement with AIS, being the Sole Underwriter to underwrite 19,582,000 IPO Shares ("**Underwritten Shares**"), on the terms and conditions as set out in the Underwriting Agreement.

The salient terms of the Underwriting Agreement are as follows:

[To be inserted upon execution of the Underwriting Agreement]

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and Substantial Shareholders' shareholdings

The details of our Promoters and Substantial Shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Nationality / Country of incorporation	Before our IPO / As at LPD ⁽¹⁾				After our IPO ⁽²⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and Substantial Shareholders									
ES Teoh	Malaysian	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
CT Wong	Malaysian	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
Promoter									
Lee Bao Yu	Malaysian	-	-	-	-	1,044,000	0.27	-	-
Substantial Shareholder									
Goodone ⁽⁵⁾	Malaysia	-	-	-	-	117,488,100	30.00	-	-

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.
- (3) Deemed interested by virtue of his/her spouse's direct shareholdings in our Company.
- (4) Deemed interested by virtue of their shareholdings in Goodone pursuant to Section 8 of the Act.
- (5) Goodone's shareholders are ES Teoh and CT Wong and their respective direct shareholdings in Goodone are 50.00% each.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Save for our Promoters and Substantial Shareholders above, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at LPD, our Promoters and Substantial Shareholders have the same voting rights as the other shareholders of our Company and there is no arrangement between our Company and our shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of our Company.

5.1.2 Profile of our Promoters and Substantial Shareholders

(i) ES Teoh

Promoter, Specified Shareholder, Substantial Shareholder and Managing Director

ES Teoh, a Malaysian aged 60, is our Managing Director. He was appointed to our Board on 1 June 2023. He obtained his London Chamber of Commerce & Industry (LCCI), Diploma in Accounting qualification via Kolej Unitek Malaysia in 1997.

He began his career in 1984 as a general worker in Eastern Global (M) Sdn Bhd, where he was involved in the frozen seafood production. A year later, he was promoted to the position of executive director of the company and in that position he was responsible for the day-to-day operations and overall management of the company. In 1991, he joined E.G. Food Industries Sdn Bhd, a company involved in the manufacturing of dried noodles, as the managing director of the company, where he was responsible for managing the day-to-day operations of the manufacturing facility. In 1993, he established Makmur Jaya Aquaculture, a sole proprietorship that was involved in the business of breeding and selling of tiger prawns. The sole proprietorship business ceased in 1995.

In 1995, he co-founded Orient Biotech together with his wife, CT Wong. He started with a small-scale business where our Group carried out the activity of supplying food ingredients to beverages and dietary supplement manufacturers. Subsequently in 1999, through Orient Biotech, ES Teoh oversaw our in-house research team's which undertook product formulation activities to develop new product formulations for fortified F&B and dietary supplements. Under the leadership of ES Teoh, our in-house research team has continuously conducted in-house research to develop new product formulations and enhance our existing product formulations for fortified F&B and dietary supplements, based on the latest market trends and our customers' requirements. Over the years, ES Teoh has gained extensive experience in the process of product formulations for fortified F&B and dietary supplements, particularly in non-technical strategic management aspects such as the identification of market needs, understanding the competitive landscape, conceptualising products and developing product solutions with the help of our Group's technical personnel and crafting roadmaps for the development of new product formulations.

With the continued growth and expansion of our Group, ES Teoh focused on the sales and marketing aspects of our Group, where he identified new markets, both locally and internationally, for existing and new products. He also oversaw finance matters for our Group. He successfully secured our Group's first export sale to Hong Kong in 2007 and overseen the growth of our Group's export sales. Throughout the years, he has charted the overall strategic direction of our Group, including among others, expanding service offerings and entering into research collaboration with university to undertake clinical research on our Group's products.

As our Group's Managing Director, he will continue to be responsible for overseeing our Group's overall finance matters, crafting the business model, business direction as well as strategic planning of our Group and he will continue to leverage on his 28 years of experience in the industry to help chart our Group's future business direction.

He is the director and shareholder of various private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Lee Bao Yu

Promoter and Executive Director

Lee Bao Yu, a Malaysian aged 35, is our Executive Director. She was appointed to our Board on 1 June 2023. She graduated from the Curtin University of Technology with a Bachelor of Commerce in Accounting and Finance degree in 2012.

She began her career in 2012 as a credit controller with Ann Yak Siong Hardware Sdn Bhd, a company involved in trading, processing and marketing of steel products, where she was mainly responsible for debt collection matters, in particular ensuring that all the outstanding debts of the company are collected in a timely manner. In 2013, she joined San Yang Enterprise Sdn Bhd, a company involved in manufacturing and trading of vegetarian food and other related products, as business manager, where she took charge of the accounts, sales and marketing for the company, including among others, business planning, financial management, performance monitoring and customer relationship management.

In 2019, she joined our Group as a data analytic manager, where she was responsible for data collection and analysis of the sales performance of the products and the impact of marketing initiatives undertaken by our Group. Apart from data analysis, she also took charge of our Group's finance matters such as management and monitoring cash flows, accounts and budgets for our Group. Since 2021, she was appointed as a director of our Group and apart from taking charge of our Group's finance matters, she also took charge of the marketing aspects of our Group, in particular the sales and marketing for Bonlife products. She plays a crucial role in ensuring effective communication, coordination and alignment between different departments to optimise overall business performance, she also identifies business opportunities, developing and executing strategic plans to achieve sales targets and expanding our Group's customer base and developing internet marketing strategies in particular for Bonlife products in e-commerce platforms. Upon Faun Chee Yarn joining our Group as our Group's Financial Controller in May 2022, Lee Bao Yu ceased to handle our Group's finance matters.

As our Group's Executive Director, Lee Bao Yu will continue to oversee our Group's day to day operational functions and assist the Managing Director in the crafting of the business model, business direction as well as strategic planning of our Group for future growth plans.

She is a director and shareholder of various private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

(iii) CT Wong

Promoter, Specified Shareholder, Substantial Shareholder and Non-Independent Non-Executive Director

CT Wong, a Malaysian aged 65, is our Non-Independent Non-Executive Director. She was appointed to our Board on 1 June 2023. She graduated from the University of Malaya with a Bachelor of Law (Honours) degree in 1982.

CT Wong began her career in the Judicial Legal Service in 1982, where she had served, among others, the roles of a magistrate and senior federal counsel and deputy public prosecutor. In 1991, she joined Eastern Global (M) Sdn Bhd as an administrative manager where she handled mainly administrative matters for the company. In 1994, she joined Indah Water Konsortium Sdn Bhd as a legal manager, where she was involved in legal advisory matters and overseeing legal compliance matters of the company. She was promoted to the position of head of legal department in 1997, where she was responsible for leading and managing the legal department of the company, including among others, developing legal strategies that aligned with the business of the company, provide legal advice, ensuring the company is in compliance with applicable laws, regulations and industry standards and overseeing the drafting, review and negotiation of contracts with external parties. She left Indah Water Konsortium Sdn Bhd in 2008.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

CT Wong co-founded Orient Biotech together with her husband, ES Teoh, in 1995. However, she was not involved in the business operations of our Group until she left Indah Water Konsortium Sdn Bhd in 2008, at which time she joined our Group as executive director and oversaw our Group's administrative matters, legal and company secretarial matters. In 2018, CT Wong stepped down from being involved in the day-to-day operations of our Group. Nevertheless, as our Non-Independent Non-Executive Director, she continues to advise our Group on operational, administrative and legal matters and assists in ensuring that our Group complies with the requisite standards of corporate governance and compliance.

She is a director and shareholder of various private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

(iv) Goodone

Specified Shareholder and Substantial Shareholder

Goodone was incorporated on 4 August 2023 in Malaysia under the Act as a private limited company under its present name. Goodone is an investment holding company.

As at LPD, the issued share capital of Goodone is RM100.00 comprising 100 ordinary shares.

As at LPD, the directors and shareholders of Goodone are as follows:

Directors and shareholders	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
ES Teoh	Malaysian	50	50.00	50	50.00 ⁽¹⁾
CT Wong	Malaysian	50	50.00	50	50.00 ⁽¹⁾

Note:

(1) Deemed interested by virtue of his/her spouse' direct shareholdings in Goodone.

Please see Section 5.6 of this Prospectus for further details of the family relationship between our Promoters, Substantial Shareholders and Directors.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholdings

The changes in our Promoters' and Substantial Shareholders' shareholdings in our Company since our incorporation up to LPD are as follows:

Name	As at the date of incorporation				Before our IPO / As at LPD ⁽¹⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and Substantial Shareholders								
ES Teoh	500	50.00	500	50.00 ⁽³⁾	135,813,500	50.00	135,813,500	50.00 ⁽³⁾
CT Wong	500	50.00	500	50.00 ⁽³⁾	135,813,500	50.00	135,813,500	50.00 ⁽³⁾
Promoter								
Lee Bao Yu	-	-	-	-	-	-	-	-
Substantial Shareholder								
Goodone	-	-	-	-	-	-	-	-
After our IPO ⁽²⁾								
Name	Direct		Indirect					
	No. of Shares	%	No. of Shares	%				
Promoters and Substantial Shareholders								
ES Teoh	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾				
CT Wong	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾				
Promoter								
Lee Bao Yu	1,044,000	0.27	-	-				
Substantial Shareholder								
Goodone	117,488,100	30.00	-	-				

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.
- (3) Deemed interested by virtue of his/her spouse's direct shareholdings in our Company.
- (4) Deemed interested by virtue of their shareholdings in Goodone pursuant to Section 8 of the Act.

5.1.4 Promoters and Substantial Shareholders' remuneration and benefits-in-kind

Save for the dividends paid or to be paid, if any, to our Promoters and Substantial Shareholders and the aggregate remuneration and benefits paid or proposed to be paid to our Promoters and Substantial Shareholders for services rendered to our Group in all capabilities for FYE 2023 and proposed to be paid for FYE 2024 as set out in Section 5.2.5 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and Substantial Shareholders within the 2 years preceding the date of this Prospectus.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Board of Directors

The details of our Directors and the date of expiration of the current term of office for each of our Directors and the period for which each of them has served in that office as at LPD are as follows:

<u>Name</u>	<u>Designation</u>	<u>Age</u>	<u>Nationality / Gender</u>	<u>Date of appointment</u>	<u>Date of expiration of the current term of office</u>	<u>No. of year(s) in office</u>
Dato' Seri Abdul Puhat Bin Mat Nayan	Independent Non-Executive Chairman	66	Malaysian / Male	23 August 2023	At our first annual general meeting	Less than 1 year
ES Teoh	Managing Director	60	Malaysian / Male	1 June 2023	At our first annual general meeting	Less than 1 year
Lee Bao Yu	Executive Director	35	Malaysian / Female	1 June 2023	At our first annual general meeting	Less than 1 year
CT Wong	Non-Independent Non-Executive Director	65	Malaysian / Female	1 June 2023	At our first annual general meeting	Less than 1 year
Dato' Haji Mohd Dusuki Bin Ya'acob	Independent Non-Executive Director	64	Malaysian / Male	23 August 2023	At our first annual general meeting	Less than 1 year
Vasu A/L Nallayan	Independent Non-Executive Director	60	Malaysian / Male	23 August 2023	At our first annual general meeting	Less than 1 year
Ooi Gin Hui	Independent Non-Executive Director	43	Malaysian / Female	23 August 2023	At our first annual general meeting	Less than 1 year

In accordance with our Constitution, at the first annual general meeting of our Company, all of our Directors shall retire from office. At the subsequent annual general meeting, 1/3, or the number nearest to 1/3 shall retire from office and be eligible for re-election provided always that all of our Directors shall retire from office once at least in every 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he/she retires. An election of Directors shall take place each year.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.2 Profile of our Directors

The profiles of ES Teoh, Lee Bao Yu and CT Wong are set out in Section 5.1.2 above. The profiles of our other Directors are set out below:

(i) **Dato' Seri Abdul Puhat Bin Mat Nayan**
Independent Non-Executive Chairman

Dato' Seri Abdul Puhat Bin Mat Nayan, a Malaysian aged 66, is our Independent Non-Executive Chairman. He was appointed to our Board on 23 August 2023. He graduated from the University of Malaya with a Bachelor of Arts (with honours) degree in 1980.

Dato' Seri Abdul Puhat Bin Mat Nayan began his career in 1982 as an officer with the Public Service Department of Malaysia, where he was involved in employment establishment and schemes of service for public sector. In 1983, he attended a one-year mandatory training course with the National Institute of Public Administration and upon completion, he was appointed as an administrative and diplomatic officer. He resumed employment with the Public Service Department of Malaysia as assistant director, where he continued to assist in the employment establishment and schemes of service for public sector. In 1987, he was transferred to the Perak State Secretary Office as assistant director, where he was involved in matters relating to rural planning and development.

In 1993, he was transferred to the Kinta district land office as an assistant district officer, where he assisted in planning and managing land-related matters for rural areas. In 1994, he was transferred to the Perak State Secretary Office as an assistant secretary, where he managed the scholarships and loans for Perak students. During the period from 1997 to 2004, he was transferred to the Perak Sports Council as its director, where he was involved in, amongst others, athlete and sports development programmes within the state of Perak, management of sports infrastructure in Perak and collaboration with national and international sports organisations. In 2004, he was transferred to the Kerian district and land office as district officer, where he was in charge of overseeing and coordinating various development activities at the district level, such as local development planning, land development, management, land acquisitions and social projects for rural communities. Subsequently, he assumed the position of president of the Kerian district council where he took charge of strata ownership, licensing and land development. In 2007, he was transferred to the Ministry of Rural Development as director general, where he oversaw the development of rural areas in Malaysia, including implementing various development projects such as healthcare, education and welfare in the rural communities. In 2011, he was transferred to the Perak State Secretary's Office as Perak state secretary where he was responsible for managing and overseeing all state government matters such as economic development, policy implementation, budget management, legal compliances and crisis management for the Perak state government. He retired from the Perak State Secretary's Office in April 2018.

Dato' Seri Abdul Puhat Bin Mat Nayan is currently the chairman of the Public Service Commission of Perak, a position he has held since 2022.

He is also the director of various private limited companies, details of which are set out in Section 5.2.4 of this Prospectus.

(ii) **Dato' Haji Mohd Dusuki Bin Ya'acob**
Independent Non-Executive Director

Dato' Haji Mohd Dusuki Bin Ya'acob, a Malaysian aged 64, is our Independent Non-Executive Director. He was appointed to our Board on 23 August 2023. He graduated from the Universiti Kebangsaan Malaysia with a degree in Geography in 1983. He also holds a Master of Arts (Center for International Studies) degree from the Ohio University, United States of America ("**Ohio University**") which was obtained in 1997.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

He began his career in 1983 as an assistant secretary with the Ministry of Health in the finance division, where he assisted with the budget preparation, financial planning and financial reporting of the Ministry of Health. Subsequently, he was transferred to the Ministry of Rural Development in the human resource division in 1991, where he assisted in employment matters such as the promotion and discipline of staffs.

He was offered a scholarship in 1995 to pursue his master degree in Ohio University. In 1997, he joined the Public Service Department of Malaysia as an assistant secretary in the human resource division. Subsequently, he was transferred to the Ministry of Home Affairs as principal assistant secretary in the human resource division, where he took charge of human resource matters such as recruitment, employee training, employee relations and human resources development policies. In 2001, he was transferred to the Ministry of Human Resources, where his job scope was similar to the role that he performed at the Ministry of Home Affairs.

In 2003, he was transferred to the Department of Registration of Societies, Kelantan as its director, where he oversaw the registration and activities of societies in Kelantan. In 2006, he was transferred to Hospital Raja Perempuan Zainab, Kelantan as deputy director, where he took charge of the human resource, finance, budget, development and procurement of medical devices and equipment for the hospital. In 2008, he served as the deputy under secretary for the Ministry of Health at the finance division where he was responsible for the planning, budgeting and reviewing of financial report. In 2013, he was promoted to as the under secretary for the Ministry of Health at the procurement division where he was responsible for the procurement of medical devices and equipment required by the hospital and health facilities in Malaysia as well as ensuring that selected medical devices and equipment comply with the relevant regulatory standards and certifications required by the health authorities. In 2018, he was promoted and served as the under secretary for the Ministry of Home Affairs at the development division, where he took charge of the development of infrastructure such as police force, national registration and immigration department. He retired from the Ministry of Home Affairs in December 2019 after a long and distinguished career in government service.

He is a director and shareholder of a private limited company, details of which are set out in Section 5.2.4 of this Prospectus.

(iii) Vasu A/L Nallayan
Independent Non-Executive Director

Vasu A/L Nallayan, a Malaysian aged 60, is our Independent Non-Executive Director. He was appointed to our Board on 23 August 2023. He graduated from the Universiti Kebangsaan Malaysia with a Business Administration degree in 1989.

In 1989, he began his career as an economic officer in the textiles and building materials division of MIDA, where he was involved in processing applications for manufacturing licences and tax incentives. In 1994, he was transferred to the industrial metal and engineering support division, where his job scope was similar to the role that he performed in the textiles and building division. In 2001, he was transferred to the MIDA state office in Melaka as director where he oversaw all matters in the MIDA state office in Melaka including promoting investments and facilitating economic development at the regional level.

In 2003, he was transferred back to MIDA's headquarters in Kuala Lumpur and was promoted as deputy director in the industrial chemicals and life science division, where he was involved in amongst others, investment promotion and facilitating investment to enhance the growth of the chemicals and life science sectors in Malaysia. In 2005, he was posted to MIDA's overseas office in Osaka, Japan as director where he was involved in strategic planning to attract foreign direct investment, investment promotion, investor facilitation, market intelligence as well as trade and investment seminars. In 2006, he was transferred back to MIDA's headquarters in Kuala Lumpur, where he resumed his role in the industrial metal and engineering supporting division as deputy director. In 2008, he was posted to MIDA's overseas office in Mumbai, India as director, where he set up the MIDA overseas office in Mumbai, India and his job scope was

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

similar to the role that he performed in Osaka, Japan. He was promoted to the position of senior deputy director in 2008.

In 2013, he was transferred back to MIDA's headquarters in Kuala Lumpur and was placed in the foreign direct investment division as senior deputy director, where he worked closely with other departments within MIDA and relevant government agencies to develop and enhance policies, regulations and incentives to attract and retain foreign investments. From 2013 to 2023, he was placed in the metal & alloy metal division, the machinery & metal division and machinery & metal technology division, respectively, where he oversaw the development of metal and engineering supporting industries, attract foreign investments and enhance policies. He retired from MIDA as a senior deputy director in June 2023. On 1 November 2023, he joined Posco-Malaysia Sdn Bhd, a company engaged in the production of electro-galvanised iron in coil, as a consultant to provide advisory services.

(iv) **Ooi Gin Hui**
Independent Non-Executive Director

Ooi Gin Hui, a Malaysian aged 43, is our Independent Non-Executive Director. She was appointed to our Board on 23 August 2023. She graduated from University Tunku Abdul Rahman, Malaysia with a Bachelor of Commerce (Honours) in Accounting degree in 2006.

Ooi Gin Hui began her career in 2006 as an audit trainee with Leslie Yap & Co, where she was involved in providing audit and accounting services. She left Leslie Yap & Co as an audit senior in 2009 and joined GHJ Systems Berhad ("**GHJ**"), a company listed on the Main Market of Bursa Securities as an assistant accountant where she was responsible for accounting and finance matters of the company. In 2010, she was promoted to the position of finance manager, where she handled finance, corporate affairs, internal control matters of GHJ and its group of companies. In 2012, she joined Tanco Holdings Berhad, a company listed on the Main Market of Bursa Securities as finance manager and was promoted to the position of senior finance manager in 2013 and group financial controller in 2014, in which she managed the overall finance and accounting functions, internal control and oversaw the project development and corporate exercises undertaken by the company. She left Tanco Holdings Berhad in 2018.

In 2018, she joined ACO Group Berhad as its chief financial officer, where she oversaw the finance and accounting matters of the company, including financial planning, management of financial risks and financial reporting. She was involved in the process of the listing of ACO Group Berhad where the company was listed on the ACE Market of Bursa Securities on 18 March 2020. In October 2020, she left ACO Group Berhad and was involved in the Art of Living, a voluntary service organisation committed to humanitarian service.

On 1 September 2023, Ooi Gin Hui joined BTM Resources Berhad ("**BRB**"), a company listed on the Main Market of Bursa Securities as chief financial officer, a position she currently holds, where she oversees the finance and accounting matters of the BRB group of companies. On 25 October 2023, she was appointed as the independent non-executive director of Systech Bhd, a company listed on the ACE Market of Bursa Securities.

She is presently a partner in two limited liability companies and director of Systech Bhd, details of which are set out in Section 5.2.4 of this Prospectus.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Directors' shareholdings

The details of our Directors and their respective shareholdings in our Company before and after our IPO are as follows:

Directors	Before our IPO / As at LPD ⁽¹⁾				After our IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Seri Abdul Puhat Bin Mat Nayan	-	-	-	-	250,000	0.06	-	-
ES Teoh	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
Lee Bao Yu	-	-	-	-	1,044,000	0.27	-	-
CT Wong	135,813,500	50.00	135,813,500	50.00 ⁽³⁾	77,069,450	19.68	194,557,550	49.68 ⁽³⁾⁽⁴⁾
Dato' Haji Mohd Dusuki Bin Ya'acob	-	-	-	-	250,000	0.06	-	-
Vasu A/L Nallayan	-	-	-	-	250,000	0.06	-	-
Ooi Gin Hui	-	-	-	-	250,000	0.06	-	-

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.
- (3) Deemed interested by virtue of his/her spouse's direct shareholdings in our Company.
- (4) Deemed interested by virtue of their shareholdings in Goodone pursuant to Section 8 of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Involvement of our Directors in other businesses / corporations

The following table sets out the directorships and shareholdings of our Directors outside our Group as at [LPD] (“**Present Involvement**”) and those which were held within the past 5 years up to LPD (“**Past Involvement**”):

(i) ES Teoh

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
Orient Development Sdn Bhd ⁽¹⁾	20 October 2005	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Property investment
TS Aqua Farm Sdn Bhd	23 February 2007	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 20.00%) 	Aquafarming and wholesale of seafood
Bagan Eco-Farm Sdn Bhd (<i>previously known as Orient Eco-Farm Sdn Bhd</i>) (“ Bagan Eco-Farm ”)	16 March 2007	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 37.50%) 	Property investment
Great Discovery Sdn Bhd	15 April 2008	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Investment holding. As at LPD, Great Discovery Sdn Bhd does not hold shares in any company.
Special Gain Sdn Bhd (“ Special Gain ”)	27 September 2013	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Investment holding. As at LPD, Special Gain does not hold shares in any company.
Luckie Holding Pte Ltd ⁽²⁾	27 January 2014	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 65.00%) 	Investment holding. As at LPD, Luckie Holding Pte Ltd does not hold shares in any company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
TES & W Pty Ltd ⁽³⁾	17 June 2016	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Property investment
Kytta Kebun Sdn Bhd	18 May 2021	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 25.00%) 	Cultivation and sale of durian
OBV Lab Sdn Bhd (<i>formerly known as VK Lab Sdn Bhd</i>)	30 December 2022	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Has not commenced any operations - intended activities are manufacture of prepared animal feeds; wholesale of animal/pet food. Currently in the process of striking off
Goodone	4 August 2023	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Investment holding. As at LPD, Goodone does not hold shares in any company
<u>Past Involvement</u>				
Dutch Dairy	9 September 2008	30 May 2023	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 0.40%) 	Ceased trading in milk powder operations on 31 October 2022
Bagan Tiang Aquatic Sdn Bhd	28 July 2010	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 10.00%) 	Aquaculture. Dissolved on 10 April 2023
T&T Gold and Silver Sdn Bhd	-	-	<ul style="list-style-type: none"> ▪ Shareholder (Direct: 20.00%) 	Previously trading of silver. Struck off on 28 November 2018

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
Mazgazine Sdn Bhd	24 March 2016	22 May 2020	▪ Director	Web portals, publishing of newspapers, journals, magazines and periodicals in print or electronic form, other information service activities
Qaseh Hikmat Sdn Bhd	1 February 2018	15 March 2022	▪ Director	Durian plantation
Famp Sdn Bhd (“ Famp ”)	22 January 2019	18 October 2021	▪ Director ▪ Shareholder (Direct: 30.00%)	Wholesale, retail and trading in health supplements, vitamins and beauty products
Little Apple Baby Products PLT	28 August 2019	18 August 2020	▪ Partner	Has not commenced any operations – intended activities are retail sale of any kind of product over the internet; wholesale of a variety of goods without any particular specialisation; wholesale of textiles, clothing
(ii) Lee Bao Yu				
<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
OBV Lab Sdn Bhd (<i>formerly known as VK Lab Sdn Bhd</i>)	30 December 2022	-	▪ Director	Has not commenced any operations - intended activities are manufacture of prepared animal feeds; wholesale of animal/pet food. Currently in the process of striking off.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Past Involvement</u> Petavit Marketing	5 December 2019	7 February 2023	▪ Sole Proprietorship	Trading of pet supplements
Fruitlink Sdn Bhd	18 November 2020	15 November 2021	▪ Director	Retail sale of fresh or preserved vegetables and fruits; wholesale of fruits; wholesale of vegetables
B Bintang Trading Sdn Bhd (" B Bintang ")	17 February 2021	5 October 2022	▪ Director ▪ Shareholder (Direct: 40.00%)	Wholesale of a variety of goods without any particular specialization; other retail sale not in stores, stalls or markets; retail sale of any kind of product over the internet
Petavit Sdn Bhd (" Petavit ")	14 January 2022	31 May 2023	▪ Director ▪ Shareholder (Direct: 100.00%)	Retail sale of pet supplements over the internet
Pawtection Sdn Bhd	20 April 2022	29 September 2022	▪ Director	Retail sale of pet supplements over the internet
Dutch Dairy	5 October 2022	30 May 2023	▪ Director	Ceased trading in milk powder operations on 31 October 2022
Pawfectional Pets Store	11 July 2022	12 July 2023	▪ Partner	Retails sale of pet product

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) CT Wong

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
Orient Development Sdn Bhd ⁽¹⁾	20 October 2005	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Property investment
Bagan Eco-Farm	16 March 2007	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 12.50%) 	Property investment
Special Gain	10 December 2013	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Investment holding. As at LPD, Special Gain does not hold shares in any company
OBV Lab Sdn Bhd (<i>formerly known as VK Lab Sdn Bhd</i>)	30 December 2022	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Has not commenced any operations - intended activities are manufacture of prepared animal feeds; wholesale of animal/pet food. Currently in the process of striking off.
Goodone	4 August 2023	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Investment holding. As at LPD, Goodone does not hold shares in any company
TES & W Pty Ltd ⁽³⁾	6 September 2013	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 50.00%) 	Property investment

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Past Involvement</u>				
Dutch Dairy	-	-	▪ Shareholder (Direct: 0.30%)	Ceased trading in milk powder operations on 31 October 2022
Bonlife Health (Aus) Pty Ltd ⁽³⁾	3 November 2020	-	▪ Director ▪ Shareholder (Direct: 50.00%)	Has not commenced any operations – intended to carry out retail sale of health products. Bonlife Health (Aus) Pty Ltd was deregistered on 4 September 2023
(iv) Dato' Seri Abdul Puhat Bin Mat Nayan				
<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
Pafa Holdings Sdn Bhd	29 January 2016	-	▪ Director	Sport promotion, event management and general trading
Essential Educare Sdn Bhd	4 February 2020	-	▪ Director	Operation of schools
UPSI Holdings Sdn Bhd	1 October 2020	-	▪ Director	Administrative educational services, and business and other applications
Royal Perak Golf Club Berhad	26 July 2021	-	▪ Director	Operation and management of golf and recreational club

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
Perak Agro Corporation Sdn Bhd	1 June 2022	-	▪ Director	Investment holding. Its subsidiaries are principally involved in amongst others, oil palm mill, property investment, farm and agriculture industries
<u>Past Involvement</u>				
Digital Perak Corporation Holdings	18 June 2012	31 December 2019	▪ Director	To act as a promotion arm for the state of Perak in the field of information and communication technology which include telecommunication & multimedia and carry out programme enhancing the information and communication technology prospects among the citizen and community in the state of Perak
USAS Berhad	9 August 2012	19 December 2018	▪ Director	Higher learning institution
Agroto Business (M) Sdn Bhd	19 August 2014	30 September 2018	▪ Director	Development of integrated tourism farming, estate management and plantation

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(v) Dato' Haji Mohd Dusuki Bin Ya'acob

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
Kid Force Sdn Bhd	7 October 2020	-	<ul style="list-style-type: none"> ▪ Director ▪ Shareholder (Direct: 40.00%) 	Security systems; landscape care and maintenance service activities; investigation and detective activities
<u>Past Involvement</u>				
Nil	Nil	Nil	Nil	Nil

(vi) Vasu A/L Nallayan

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present and past involvement</u>				
Nil	Nil	Nil	Nil	Nil

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(vii) Ooi Gin Hui

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / partner</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
System Bhd	25 October 2023	-	▪ Non-executive Director	Investment holding. Its subsidiaries are principally involved in amongst others, software research and development, provision of the related software services and trade in software related peripherals
SLGO PLT	27 December 2017	-	▪ Partner	Has not commenced any operations – intended to carry out retail sale of any kind of product over the internet
Unique SPRO Services PLT	5 July 2018	-	▪ Partner	Has not commenced any operations – intended to carry out other service activities; other management consultancy activities.; financial consultancy services
<u>Past Involvement</u>				
Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Orient Development Sdn Bhd is currently involved in two civil proceedings in the Shah Alam High Court pertaining to a land dispute. As at LPD, the two civil suits are still ongoing, ES Teoh and CT Wong have undertaken that they will make an application to change the name of the company upon completion and/or settlement of the two proceedings.
- (2) Incorporated in Singapore.
- (3) Incorporated in Australia.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

The involvement of our Directors mentioned above in other principal activities outside of our Group will not affect their commitment and responsibilities to our Group in their respective roles as our Director, as:

- (a) our Managing Director and Executive Director are not involved in the day-to-day operations of other business activities outside our Group. Their involvement, if any, will not affect their ability to perform their roles and responsibilities as well as their contribution to our Group; and
- (b) our Non-Executive Directors are not involved in the day-to-day operations of our Group. Their involvement in other business activities outside our Group will not affect their contributions to our Group as the principal activities of those companies are not similar to our Group's business.

5.2.5 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration accrued for the year) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for the FYE 2023 and estimated for FYE 2024 are as follows:

(i) FYE 2023 (Actual)

	<u>Salaries</u> (RM'000)	<u>Directors' fees</u> (RM'000)	<u>Other emolument ⁽¹⁾</u> (RM'000)	<u>Allowances</u> (RM'000)	<u>Bonus</u> (RM'000)	<u>Benefits-in-kind</u> (RM'000)	<u>Total</u> (RM'000)
Dato' Seri Abdul Puhat Bin Mat Nayan	-	-	-	-	-	-	-
ES Teoh	216	20	40	60	-	26	362
Lee Bao Yu	112	10	15	-	19	16	172
CT Wong	-	142	-	-	-	24	166
Dato' Haji Mohd Dusuki Bin Ya'acob	-	-	-	-	-	-	-
Vasu A/L Nallayan	-	-	-	-	-	-	-
Ooi Gin Hui	-	-	-	-	-	-	-

Note:

- (1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) FYE 2024 (Estimate)

	Salaries	Directors' fees	Other emolument ⁽¹⁾	Allowances	Bonus ⁽²⁾	Benefits-in-kind	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Dato' Seri Abdul Puhat Bin Mat Nayan	-	28 ⁽³⁾	-	1	-	-	29
ES Teoh	264	-	40	60	-	26	390
Lee Bao Yu	142	-	18	-	-	16	176
CT Wong	-	142	-	-	-	24	166
Dato' Haji Mohd Dusuki Bin Ya'acob	-	28 ⁽³⁾	-	1	-	-	29
Vasu A/L Nallayan	-	28 ⁽³⁾	-	1	-	-	29
Ooi Gin Hui	-	28 ⁽³⁾	-	1	-	-	29

Notes:

- (1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.
- (2) Bonuses, if any, will be determined later based on the individual's performance as well as our Group's performance at the time of assessment.
- (3) Based on their respective appointment date from 23 August 2023 up to 31 May 2024.

The remuneration for each of our Directors, which includes salaries, bonuses, Directors' fees and allowances as well as other benefits, is subject to annual review by our Remuneration Committee. Our Directors' fees must be approved by our shareholders at a general meeting.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.6 Board practices

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance (“MCCG”) which contains best practices and guidance for listed companies to improve upon or to enhance their corporate governance as it forms an integral part of their business operations and culture. Our Board believes that our current Board composition provides an appropriate balance in terms of skills, knowledge and experience to promote the interest of all shareholders and to govern our Group effectively. Our Company has adopted the recommendations under the MCCG to have at least half of the Board comprising Independent Non-Executive Directors, that our chairperson of the Board should not be a member of our Audit and Risk Management Committee, Nomination Committee or Remuneration Committee, and to have at least 30% women directors on our Board.

5.2.7 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 25 August 2023 and its members are appointed by our Board. Our Audit and Risk Management Committee comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Ooi Gin Hui	Chairperson	Independent Non-Executive Director
Dato’ Haji Mohd Dusuki Bin Ya’acob	Member	Independent Non-Executive Director
Vasu A/L Nallayan	Member	Independent Non-Executive Director

The main functions of our Audit and Risk Management Committee include among others:

- (i) to consider any matters concerning the appointment and re-appointment, the audit and non-audit fees and any questions of resignation or dismissal of external auditors;
- (ii) to review with the external auditors –
 - (a) audit plan, scope and nature of the audit of our Group;
 - (b) evaluation and findings of the system of risk management and internal controls;
 - (c) the management letter and management’s response with regard to the problems and reservations arising from their audits;
 - (d) audit reports on financial statements;
 - (e) the coordination of audits where more than one audit firm is involved; and
 - (f) any other matters that the external auditors wish to discuss (in the absence of management where necessary);
- (iii) to annually assess the suitability, objectivity and independence of the external auditors, taking into consideration –
 - (a) the adequacy of the experience, competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - (b) the persons assigned to the audit;
 - (c) the accounting firm’s audit engagements;
 - (d) the size and complexity of our Company being audited;
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit;
 - (f) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
 - (g) assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (iv) to review the annual transparency report of the external auditors, if applicable;
- (v) to ensure the internal auditors are independent and objective, and have the relevant qualifications and be responsible for assuring our Audit and Risk Management Committee that the internal controls are operating effectively;
- (vi) to review the internal audit plan, processes and results of the internal audit assessments, and investigation undertaken and where necessary, ensure that appropriate and prompt action is taken by management on deficiencies in controls or procedures that are identified for the recommendations of the internal audit function;
- (vii) to review the adequacy and effectiveness of internal control systems, anti-corruption and whistle-blowing as evaluated, identified and reported by the management, internal auditors or external auditors as well as to review whether actions taken to ratify the same are appropriate or timely;
- (viii) to review the quarterly and year-end financial statements of our Group before the approval by our Board, focusing particularly on the following –
 - (a) any changes in or implementation of major accounting policies changes and practices;
 - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events and/or transactions, significant adjustments arising from the audit and how these matters are addressed; and
 - (c) compliance with accounting standards and other legal requirements;
- (ix) to assist our Board in effectively discharging its risk oversight responsibilities by monitoring and overseeing our Group's risk management and processes in identifying, evaluating, monitoring and managing significant risks within our Group;
- (x) to review our Group's risk management policy and implementation of the risk management framework;
- (xi) to ensure that our Board establishes a framework/policy to identify, evaluate, approve and report related party transactions;
- (xii) to perform the following in relation to the sustainability –
 - (a) oversee and review the development and implementation of our Company's sustainability vision, strategy, framework, initiatives, policies and practices, and explore ways to incorporate them into our Company's overall operations and business goals;
 - (b) regularly review the sustainability framework of our Company which is grounded in the Environmental, Social and Governance (ESG) pillars, to ensure its alignment with evolving local and global sustainability trends and developments, while also confirming its feasibility within our Company's existing resources and capabilities; and
 - (c) to assist our Board with regard to the disclosures in the Sustainability Statement to be included in our Company's Annual Report.
- (xiii) to assess all the disclosed conflicts by our Directors and key senior management, to evaluate their nature, significance and potential impact on our Group. During the process of evaluating and handling the conflict of interest, our Audit and Risk Management Committee has the authority to seek independent advice or opinions to aid in their evaluation;
- (xiv) to report promptly to Bursa Securities on any matter which has not been satisfactorily resolved resulting in a breach of the Listing Requirements;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (xv) to verify the allocation of options under a share issuance scheme or the allocation of shares according to any incentive plan for employees of our Group, if any;
- (xvi) to review and conduct an annual performance evaluation of the internal and external auditors in respect of each financial year under review;
- (xvii) to prepare our Audit and Risk Management Committee report at the end of the financial year for inclusion in the annual report of our Company; and
- (xviii) to carry out such other functions or assignments as may be delegated by our Board from time to time.

5.2.8 Nomination Committee

Our Nomination Committee was established on 25 August 2023 and its members are appointed by our Board. Our Nomination Committee comprises the following members:

Name	Designation	Directorship
Dato' Haji Mohd Dusuki Bin Ya'acob	Chairperson	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director
Vasu A/L Nallayan	Member	Independent Non-Executive Director

The main functions of our Nomination Committee include among others:

- (i) to review, assess, and recommend suitable candidates for appointment as Directors of our Company, as well as retiring Directors seeking re-election at the annual general meeting. When making recommendations to our Board regarding directorship or reappointment, our Nomination Committee must consider the "Fit and Proper Criteria" outlined in our Company's Directors' Fit and Proper Policy. These criteria include, but are not limited to –
 - (a) diversity in skills, knowledge, expertise, experience, age, cultural background and gender;
 - (b) competence and professionalism;
 - (c) character and integrity;
 - (d) time and commitment;
 - (e) any business interest or relationship that may result in a conflict of interest that could affect the execution of the role; and
 - (f) in the case of candidates for the position of Independent Director, the committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as expected from an Independent Director;
- (ii) to evaluate the necessary mix of skills, experience, core competencies, and diversity (including age, cultural background, and gender) of our Board and its committees. Our Nomination Committee will assess the contribution and performance of each Director to ensure our Board and its committees operate effectively and efficiently;
- (iii) to review the size, structure, balance, and composition of our Board to ensure optimal performance;
- (iv) to identify and review the core competence, skills and other qualities including but not limited to the skills, knowledge, experience and diversity required by each of the Non-Executive Directors, that are essential to contribute towards the effectiveness and balance of our Board;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (v) to assess each Director's ability to contribute to our Board's decision-making process and ensure that our Board operates actively, efficiently, and effectively in all its decision-making;
- (vi) to conduct an annual review of the term of office and performance of our Audit and Risk Management Committee and each of its members to assess whether our Audit and Risk Management Committee and its members have fulfilled their duties in accordance with their terms of reference;
- (vii) to evaluate annually the effectiveness of our Board and Board committees as a whole for assessing the contribution to the effectiveness of the decision-making process of our Board;
- (viii) to review and assess annually the independence of our Independent Non-Executive Directors;
- (ix) to review, consider and make recommendations regarding the continuation in office of Independent Non-Executive Directors who have served for more than 9 years;
- (x) to oversee the development of succession planning of our Board and key senior management;
- (xi) to assess and recommend the re-election of Directors who are due to retire in accordance with our Constitution;
- (xii) to remain up-to-date and fully informed about strategic issues and commercial changes that impact our Company and the market in which it operates; and
- (xiii) to carry out such other functions or assignments as may be delegated by our Board from time to time.

5.2.9 Remuneration Committee

Our Remuneration Committee was established on 25 August 2023 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Vasu A/L Nallayan	Chairperson	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director
Dato' Haji Mohd Dusuki Bin Ya'acob	Member	Independent Non-Executive Director

The main functions of our Remuneration Committee include among others:

- (i) to review and recommend to our Board the appropriate remuneration packages for all Directors, with or without professional advice;
- (ii) to review and recommend fees and benefits payable to the Directors;
- (iii) to assist our Board in formulating policies and guidelines for the composition of various components of remuneration such as basic salary, bonus, and other benefits for Directors and key senior management of our Company;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (iv) to ensure that remuneration packages and benefits for Directors and key senior management of our Company align with our Company's business strategies, long-term objectives, and remuneration policy, as well as comply with all laws, rules, regulations, and guidelines set by relevant authorities and our Board;
- (v) to develop and administer a fair and transparent procedure for setting policy on the remuneration of Directors and key senior management of our Company, which considers the demands, complexities, and performance of our Company, as well as the skills and experience required;
- (vi) to implement our Board's remuneration policy and procedures in a transparent process, including reviewing and recommending matters related to the remuneration of our Board and key senior management;
- (vii) to ensure that the level of remuneration packages is fair and appropriate according to the industry, general market sentiments, or conditions, and our Company's operating results, as well as our Directors or key senior management's merit, qualification, competence, and individual performance;
- (viii) to ensure that appropriate rewards, benefits, compensation, and remuneration are offered to retain Directors, and structuring remuneration packages to link rewards to individual performance; and
- (ix) to carry out any other functions delegated by our Board that would benefit our Company and ensure the effective discharge of the Remuneration Committee's duties and responsibilities.

5.3 KEY SENIOR MANAGEMENT

5.3.1 Key Senior Management team

Our Key Senior Management comprises the following:

Name	Age	Nationality / Gender	Designation
Faun Chee Yarn	63	Malaysian / Male	Financial Controller
Lew Yoke Chin	41	Malaysian / Female	General Manager
Lee Chee Keat	41	Malaysian / Male	R&D Manager
Lee Kok Onn	62	Malaysian / Male	Factory Manager
Pang Poh Lye	62	Malaysian / Female	Legal Manager
Yap Weng Fong	47	Malaysian / Female	Production Manager

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.2 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

(i) **Faun Chee Yarn**
Financial Controller

Faun Chee Yarn, a Malaysian aged 63, is our Financial Controller. He graduated from Universiti Sains Malaysia with a Bachelor of Social Science (Honours) in 1987. He has been a member of the Association of Chartered Certified Accountants (“**ACCA**”) and the Malaysian Institute of Accounts since 1992, a fellow of ACCA since 1997 and a certified financial planner of the Financial Planning Association of Malaysia since 2002.

Faun Chee Yarn began his career in 1987 as a lecturer in Goon Institution (Perak) Sdn Bhd, an education placement centre, where he provided lectures on accounting subjects to pre-university students. In 1988, he joined Raja Salleh, Lim & Co, an accounting firm, as an audit assistant, where he was responsible for the statutory audits for various companies. In 1990, he joined Jasa Kita Berhad, an investment holding company whose subsidiaries are principally involved in amongst others, trading in electric motors and provision of related engineering services and sale and distribution of power tools and other industrial equipment, as an assistant accountant, where he was responsible for the accounting matters of the company. In 1993, he joined Spanco Sdn Bhd, a company involved in fleet management for the supply and lease of saloon vehicles, as a financial accountant, where he was responsible for the finance and accounting matters of the company as well as setting up the accounting system and procedures for the company. In 1996, he was promoted to be the general manager and was placed in charge of the business development of the company, including negotiating agreements and contracts. In 1998, he was transferred to the fleet rental services department where he took charge of the rental and leasing of the fleet of cars operated by the company. Subsequently in 2000, he was transferred to the insurance department, where he was responsible for managing the company’s fleet related insurances and claims.

He left Spanco Sdn Bhd in 2007 and joined KS Secondary Fibre Suppliers Sdn Bhd, a company involved in providing recycling solutions, as a financial controller, where he managed the finance and accounting matters of the company. In 2019, he left KS Secondary Fibre Suppliers Sdn Bhd and joined KPS Consortium Berhad, an investment holding company whose subsidiaries are principally involved in amongst others, trading of plywood and building materials, manufacturing of tissue papers and tissue related products and trading in paper products, stationery and general household products, as their executive director, where he oversaw the operations of KPS Consortium Berhad and its group of companies. Thereafter in 2020, he joined DXN Holdings Berhad, an investment holding and management company whose subsidiaries are principally involved in the sales of health-oriented and wellness consumer products through a direct selling model, as a finance personnel where he mainly took charge of project costing for the projects undertaken by the company. He left DXN Holdings Berhad in 2021 and joined our Group in May 2022 as Financial Controller, where he is responsible for among others, the preparation of our Group’s financial and accounting reporting and managing the accounts department’s day-to-day functions, the management of cash flows and funding needs of our Group, tax-related matters as well as human resource and administrative matters of our Group. Prior to Faun Chee Yarn joining our Group as our Financial Controller in May 2022, ES Teoh together with Lee Bao Yu oversaw the finance related matters of our Group. Upon Faun Chee Yarn joining our Group as our Group’s Financial Controller in May 2022, Lee Bao Yu ceased to handle our Group’s finance matters, while Faun Chee Yarn reports all finance related matters directly to our Managing Director.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(ii) Lew Yoke Chin
General Manager

Lew Yoke Chin, a Malaysian aged 41, is our General Manager. She graduated from Universiti Teknologi Malaysia with a Bachelor of Science with Education (Biology) degree in 2004.

Lew Yoke Chin began her career in 2004 as a product development executive with Esthetics International Group Berhad, where she was responsible for developing new products or improve product formulation for cosmetics. She also liaised with the relevant authorities for product registrations on behalf of the company.

In 2005, she joined our Group as a microbiologist, where she was mainly responsible for the cultivation of probiotics or enzyme fermentation protocols for fortified beverages and dietary supplements. She set up the protocols to ensure the stability and efficacy of the probiotics and enzyme fermentation of the products. In 2006, she was promoted to be our Group's R&D executive, where she worked closely with the marketing team of our Group in generating new and improved ideas for product formulation that address customer needs and emerging trends. In 2009, she was promoted to the position of production manager of our Group, where she was responsible for monitoring the entire production process of our Group, including production planning, process improvement, inventory management and production capacity planning to ensure efficiency, quality and timely delivery of products. In 2016, she was promoted to be the production cum senior manager, where she assumed added responsibility for the sales and marketing activities of our Group, including developing and implementing strategic marketing plans to achieve sales target and actively sourcing for new suitable distributors and assessing new marketing prospects through e-commerce platforms to increase our Group's sales revenue. In 2022, she was promoted to the position of General Manager, where she oversees the sales, marketing and manufacturing department of our Group and leads our Group's business development activities, implements new strategic marketing plans and opens new markets for the products.

(iii) Lee Chee Keat
R&D Manager

Lee Chee Keat, a Malaysian aged 41, is our R&D Manager. He graduated from Universiti Kebangsaan Malaysia with a Bachelor of Science Nutrition (Honours) degree in 2006.

Lee Chee Keat began his career in 2006 as a nutritionist and product trainer with Kaslynet (M) Sdn Bhd, a company involved in the selling of health food products, where he was responsible for educating others, such as employees and customers of the company, about the new health products launched by the company, nutrition-related topics and promoting the company's products related to health and nutrition.

In 2007, he joined our Group as a nutritionist, where he was responsible for managing the health and wellness events organised by our Group or customers through which he provided the public about nutrition-related topics. In 2009, he was promoted to the position of quality assurance cum research & development manager, where he was responsible for overseeing initiatives of the quality department. Through his contributions, various quality control procedures have been developed and implemented to ensure the consistency and purity of the products. He also conducted regular inspections and testing to verify that the products are in compliance with the relevant rules and regulations and are safe for consumption. Apart from that, he set up an in-house research team for the purpose of conducting in-house research, analysis and developing new fortified beverages and dietary supplements for our Group. Our Group's in-house research team are involved in new product formulation for fortified beverages and dietary supplements that align with consumer health needs and market trends. Once the new products are formed, the in-house research team will liaise with the relevant authorities for product registration such as MAL certificates for newly formulated dietary supplements, HACCP and HALAL certificates. In 2019, he was promoted to the position of R&D Manager, where he oversees and leads our Group's research and

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

development department. He will continue to spearhead the efforts to conduct research in and to develop more new product formulations for fortified beverages and dietary supplements for our Group

(iv) Lee Kok Onn
Factory Manager

Lee Kok Onn, a Malaysian aged 62, is our Factory Manager. He graduated from Tunghai University, Taiwan with a Bachelor of Business Administration degree in 1986.

He began his career in 1988 by joining Finecast Industrial (M) Sdn Bhd as a manager, where he was involved in overseeing and coordinating the daily production activities, supervising production staff and ensuring that the company's products meet quality standards. In 1990, he joined Jiann Lih Optical Co. (M) Sdn Bhd as a manager, where his job scope was similar to the role that he performed as manager in Finecast Industrial (M) Sdn Bhd. Thereafter in 1994, he joined Classic Frame Moulding Sdn Bhd as a planning manager, where he developed and implemented strategic plans for the company, oversaw the development of operational planning, budgeting and forecasting initiatives of the company and helped to ensure that the planning activities complied with relevant laws, regulations and industry standards. During the period from 1999 to 2009, he was with Scenic Moulding (M) Sdn Bhd and Smith International Company Limited (China) as a production manager, where his job scope was similar to the role that he performed with Classic Frame Moulding Sdn Bhd.

He was employed by SCI Cabinet Industry Sdn Bhd as a factory manager in 2009, Unilever Foods (Malaysia) Sdn Bhd as assistant manufacturing manager in 2010 and Benelli Keeway Industrial (M) Sdn Bhd as operation manager in 2012, where he oversaw the production control department of the respective companies. In 2017, he left Benelli Keeway Industrial (M) Sdn Bhd and attended a tourist guide course. Upon completion of the tourist guide course, he joined Stadthuys Holidays Sdn Bhd as a tour guide in 2019. In 2020, he left Stadthuys Holidays Sdn Bhd and joined our Group as a business development manager and was re-designated as our Factory Manager in 2022, where he now oversees all aspects of our Group's factory operations including among others, production management, quality assurance, health and safety compliance, inventory control and staff management and ensures that the factories comply with all relevant laws, regulations and industry standards.

(v) Pang Poh Lye
Legal Manager

Pang Poh Lye, a Malaysian aged 62, is our Legal Manager. She graduated from the University of London with a Bachelor of Laws (Honours) degree in 1997, and she subsequently obtained a certificate in legal practice in 1998. She was called to the Malaysian Bar as an advocate and solicitor in 1999.

Pang Poh Lye began her career in 1982 as a tax assistant with Kassim Chan Taxation Services, where she assisted in the preparation of tax filings for individuals and companies. In 1987, she left Kassim Chan Taxation Services and joined Saw & Co as a tax assistant where she supported the tax department of the firm in various tasks related to tax compliances. In 1991, she joined Tan & Co as a senior tax assistant, where her job scope was similar to the role that she performed in Saw & Co.

In 1994, she left Tan & Co to pursue her law degree at the University of London. In 1998, she commenced her pupillage with Nordin Torji & Yussuf Ahmad, where she handled mainly property conveyancing and banking matters. Upon completion of her pupillage, she joined Ghani & Co as a legal assistant and continued handling property conveyancing and banking matters. In 2003, she left Ghani & Co and joined our Group as an administrative staff, where she provided support to various departments in our Group such as handling our Group's applications for licences, certifications and trademarks and ensuring our Group is in compliance with various laws and regulations governing our Group's business. She also

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

reviewed our Group's contracts such as sale and purchase agreements, tenancy agreements and financing documents.

In 2009, she became the personal assistant to ES Teoh, in which she continued with her administrative duties and also now assists ES Teoh in liaising with various departments within our Group for internal documentations.

In 2022, Pang Poh Lye was redesignated to the position of Legal Manager, where she continues to provide legal advice to our Group and ensures our Group is in compliance with the relevant rules and regulations governing our Group's business.

(vi) Yap Weng Fong
Production Manager

Yap Weng Fong a Malaysian aged 47, is our Production Manager. She completed her secondary school education at Sekolah Menengah Kebangsaan (Perempuan) Jalan Ipoh in 1992.

Yap Weng Fong began her career in 1993 as a production worker in New Era Enterprise Sdn Bhd involved in the manufacturing of marker pen. She left the company in 1995 and took a career break thereafter. In 1996, she joined Ikon Industries Sdn Bhd as a production worker, where she was involved in various types of machinery and equipment operations used in the car starter system manufacturing process. She monitored and helped to ensure the smooth operation of the production line.

She joined our Group as a production worker in 2001, where she was responsible for the operation of various types of machinery and equipment used in the production of fortified beverages and dietary supplements. In 2005, she was promoted to the position of production supervisor, where she helped to oversee the production activities of our Group. In 2009, she was re-designated to be an assistant quality assurance manager, where she continued to ensure that the fortified F&B and dietary supplements produced by our Group meet the required quality standards. Thereafter in 2011, she was promoted to become assistant production manager, where she assisted the production manager in the planning of day-to-day production activities of our Group including among others, production planning, resources allocation, quality control and coordinating with other departments such as procurement, maintenance, logistics and inventory.

In 2019, she was promoted to her current position of Production Manager and in this capacity she is responsible for the overall day-to-day production activities of our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.3 Shareholdings of our Key Senior Management

The following table sets forth the direct and indirect shareholdings of our Key Senior Management before and after our IPO, assuming each of our Key Senior Management will subscribe for their respective Pink Form Allocation:

Name	Before our IPO / As at LPD ⁽¹⁾				After our IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	% ⁽³⁾	No. of Shares	%
Faun Chee Yarn	-	-	-	-	400,000	0.10	-	-
Lew Yoke Chin	-	-	-	-	100,000	0.03	-	-
Lee Chee Keat	-	-	-	-	100,000	0.03	-	-
Lee Kok Onn	-	-	-	-	100,000	0.03	-	-
Pang Poh Lye	-	-	-	-	100,000	0.03	-	-
Yap Weng Fong	-	-	-	-	100,000	0.03	-	-

Notes:

- (1) Based on our issued share capital of 271,627,000 Shares after the Acquisitions but before our IPO.
- (2) Based on our enlarged issued share capital of 391,627,000 Shares after our IPO.
- (3) Assuming our Key Senior Management will fully subscribe for their respective allocation under the Pink Form Allocation.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.4 Involvement of our Key Senior Management in other businesses/corporations

Save as disclosed below, none of our Key Senior Management has any principal directorships and/or shareholdings outside our Group as at LPD and in the past 5 years preceding the LPD:

(i) Faun Chee Yarn

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present Involvement</u>				
Nil				
<u>Past Involvement</u>				
KPS Consortium Berhad	1 November 2008	30 June 2020	▪ Director	Investment holding. Its subsidiaries are principally involved in amongst others, trading of plywood and building materials, manufacturing of tissue papers and tissue related products and trading in paper products, stationery and general household products
I' Kranji Industries Sdn Bhd	14 February 2020	8 January 2021	▪ Director	Manufacturing and trading of printed laminated plywood
Health Benefits Dot Com	26 July 2002	20 November 2022	▪ Sole proprietorship	Trading in health foods, financial planning services, life and general insurance agency

The involvement of our Key Senior Management mentioned above in other business activities outside of our Group will not affect his commitment and responsibilities to our Group as he is not involved in the day-to-day operations of other business activities outside our Group. His involvement, if any, will not affect his ability to perform his roles and responsibilities as well as his contribution to our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.5 Key Senior Management remuneration and material benefits-in-kind

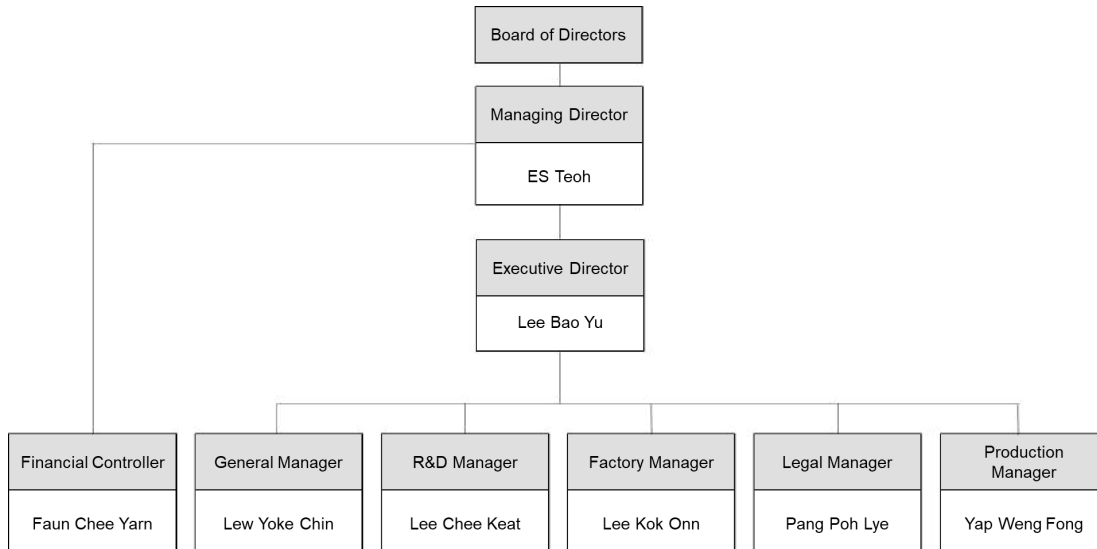
The aggregate remuneration and material benefits-in-kind (including any contingent and deferred remuneration) paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for FYE 2023 and estimated for FYE 2024 are as follows:

Key Senior Management	Remuneration band	
	FYE 2023 (Actual) (RM'000)	FYE 2024 (Estimate) (RM'000)
Faun Chee Yarn	150-200	150-200
Lew Yoke Chin	100-150	150-200
Lee Chee Keat	100-150	100-150
Lee Kok Onn	50-100	100-150
Pang Poh Lye	100-150	100-150
Yap Weng Fong	50-100	50-100

The above remuneration comprises salaries, bonuses, emoluments and allowances.

5.4 MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is as follows:



5.5 DECLARATIONS BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

Our Promoters, Directors and Key Senior Management have confirmed that, as at LPD, he or she is not and has not been involved in any of the following events (whether within or outside Malaysia) save as disclosed below:

- (i) in the last 10 years, a petition under (i) any bankruptcy or insolvency law was filed (and not struck out) against him/her or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, he/she was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (vi) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body, temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against such person.

Dato' Haji Mohd Dusuki Bin Ya'acob ("**Dato' Haji Mohd Dusuki**") has confirmed that a final judgment in default of appearance has been entered against him on 21 July 2023 for the sum of RM1,628,899.27 in connection with Kuala Lumpur High Court Civil Suit No. WA-22M-1147-06/2023 commenced by Bank Muamalat Malaysia Berhad ("**Bank Muamalat**"). The final judgment relates to a claim by Bank Muamalat for outstanding instalment payments amounting to RM9,656.14 due and payable in respect of a property financing facility of the principal loan amount of RM466,900.00 ("**Loan Facility**") granted by Bank Muamalat to himself and his son, Mohd Faiz Hafizuddin Bin Mohd Dusuki ("**Borrowers**"), to part finance the purchase of a property. The Borrowers have since settled the outstanding instalment payments and regularised servicing of the Loan Facility and hence no enforcement action of the judgment obtained by Bank Muamalat has to date been pursued by Bank Muamalat.

Our Board is of the view that the above case will not affect the ability of Dato' Haji Mohd Dusuki to discharge his duties and obligations as our Independent Non-Executive Director or affect his eligibility or suitability to act as an Independent Non-Executive Director of our Group.

5.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no other family relationships and/or associations between any of our Promoters, Substantial Shareholders, Directors and Key Senior Management:

- (i) ES Teoh and CT Wong are spouse;
- (ii) Lee Bao Yu is the daughter-in-law of ES Teoh and CT Wong; and
- (iii) ES Teoh and CT Wong are directors and shareholders of Goodone.

5.7 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or any member of our Key Senior Management with our Group.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

6.1.1 Background and history

Our Company was incorporated in Malaysia under the Act as a private limited company on 1 June 2023 under the name of OB Holdings Sdn Bhd. On 21 August 2023, our Company was converted into a public limited company.

6.1.2 Principal place of business

The principal place of business of our Company is at No. 37, Jalan PS 3, Taman Industri Prima Selayang 68100 Batu Caves, Selangor, Malaysia.

6.1.3 Principal activities

Our company is principally an investment holding company. The principal activities of our subsidiaries are set out in Section 6.3 of this Prospectus.

6.1.4 Share capital and changes in share capital

As at LPD, our issued share capital is RM1,000.00 comprising 1,000 ordinary shares. There has been no changes to our issued share capital since incorporation up to the LPD.

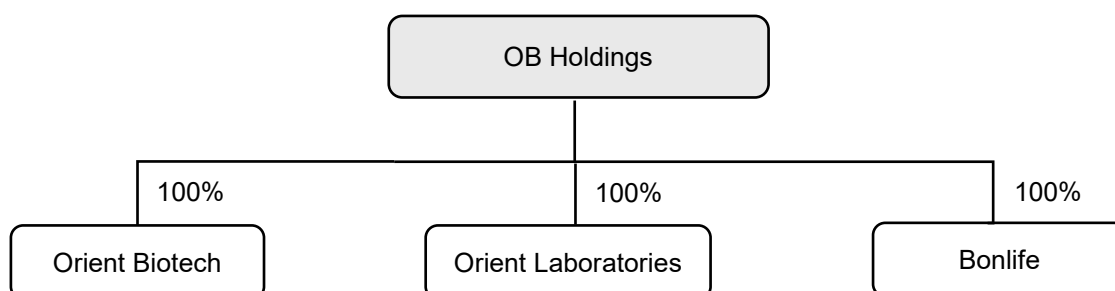
There were no discounts, special terms or installment payment terms given in consideration of the allotment.

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM[●] comprising 391,627,000 Shares.

6.2 OUR GROUP

Our current corporate Group structure is illustrated below:



Upon the completion of Acquisitions on [●], our Group was formed. Further details on the Acquisitions are set out in Section 4.1.1 of this Prospectus.

6. INFORMATION ON OUR GROUP (CONT'D)

6.3 OUR SUBSIDIARIES

As at LPD, we have 3 subsidiaries and we do not have any associated company. The details of our subsidiaries are set out below:

Company name	Date / Place of incorporation	Principal place of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
Orient Biotech	4 April 1995 / Malaysia	Malaysia	1,000,000.00	100.00	Provision of manufacturing services of fortified F&B to third party brand owners; manufacturing of fortified F&B under its house brands; as well as trading of related products
Orient Laboratories	12 October 1999 / Malaysia	Malaysia	300,000.00	100.00	Product development and research and development for fortified F&B and dietary supplements; provision of manufacturing services of dietary supplements to third party brand owners; manufacturing of dietary supplements under its house brands; as well as packing of related products
Bonlife	24 November 2004 / Malaysia	Malaysia	100,000.00	100.00	Sales and marketing of fortified F&B and dietary supplements under its house brands

6.3.1 Orient Biotech

(i) Background and history

Orient Biotech was incorporated on 4 April 1995 in Malaysia under the Companies Act 1965 as a private limited company under the name of Orient Group Sdn Bhd and is deemed registered under the Act. It subsequently changed its name to Orient Biotech on 29 July 2003.

6. INFORMATION ON OUR GROUP (CONT'D)

(ii) Principal place of business

The principal place of business of Orient Biotech is at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor, Malaysia.

(iii) Principal activities

Orient Biotech is principally involved in the provision of manufacturing services of fortified F&B to third party brand owners; manufacturing of fortified F&B under its house brands; as well as trading of related products.

(iv) Share capital

As at LPD, the issued share capital of Orient Biotech is RM1,000,000.00 comprising 1,000,000 ordinary shares. For the Financial Years under Review and up to the LPD, there has been no changes to the issued share capital of Orient Biotech. Orient Biotech does not have any outstanding warrants, options, convertible securities or uncalled capital.

(v) Shareholder and director

As at LPD, Orient Biotech is our wholly-owned subsidiary and its directors are ES Teoh, CT Wong and Lee Bao Yu.

(vi) Subsidiary or associated company

As at LPD, Orient Biotech does not have any subsidiary or associated company.

6.3.2 Orient Laboratories

(i) Background and history

Orient Laboratories was incorporated on 12 October 1999 in Malaysia under the Companies Act 1965 as a private limited company under the name of Greenfood Worldwide Sdn Bhd and is deemed registered under the Act. It subsequently changed its name to Orient Laboratories on 17 June 2003.

(ii) Principal place of business

The principal place of business of Orient Laboratories is at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor, Malaysia.

(iii) Principal activities

Orient Laboratories is principally involved in the product development and research and development for fortified F&B and dietary supplements; provision of manufacturing services of dietary supplements to third party brand owners; manufacturing of dietary supplements under its house brands; as well as packing of related products.

(iv) Share capital

As at LPD, the issued share capital of Orient Laboratories is RM300,000.00 comprising 300,000 ordinary shares. For the Financial Years under Review and up to the LPD, there has been no changes to the issued share capital of Orient Laboratories. Orient Laboratories does not have any outstanding warrants, options, convertible securities or uncalled capital.

6. INFORMATION ON OUR GROUP (CONT'D)

(v) Shareholder and director

As at LPD, Orient Laboratories is our wholly-owned subsidiary and its directors are ES Teoh, CT Wong and Lee Bao Yu.

(vi) Subsidiary or associated company

As at LPD, Orient Laboratories does not have any subsidiary or associated company.

6.3.3 Bonlife

(i) Background and history

Bonlife was incorporated on 24 November 2004 in Malaysia under the Companies Act 1965 as a private limited company under the name of Orient Pharmatech Sdn Bhd and is deemed registered under the Act. It subsequently changed its name to GF Biofuel Industries Sdn Bhd on 18 October 2006 before assuming its current name with effect from 4 March 2008.

(ii) Principal place of business

The principal place of business of Bonlife is at C-1-13A, 162 Residency, KM 12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor, Malaysia.

(iii) Principal activities

Bonlife is principally involved in the sales and marketing of fortified F&B and dietary supplements under its house brands.

(iv) Share capital

As at LPD, the issued share capital of Bonlife is RM100,000.00 comprising 100,000 ordinary shares. For the Financial Years under Review and up to the LPD, there has been no changes to the issued share capital of Bonlife. Bonlife does not have any outstanding warrants, options, convertible securities or uncalled capital.

(v) Shareholder and director

As at LPD, Bonlife is our wholly-owned subsidiary and its directors are ES Teoh, CT Wong and Lee Bao Yu.

(vi) Subsidiary or associated company

As at LPD, Bonlife does not have any subsidiary or associated company.

6. INFORMATION ON OUR GROUP (CONT'D)

6.4 MATERIAL INVESTMENTS AND DIVESTITURES

6.4.1 Material investments

Our Group's material investments in Malaysia for the Financial Years Under Review and up to the LPD are as follows:

Descriptions	FYE 2021	FYE 2022	FYE 2023	From 1 June 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Plant and Machinery	-	-	440	1,349
Motor Vehicle	-	-	563	-
Leasehold Land	-	13,483	-	-
Total	-	13,483	1,003	1,349

During the FYE 2022, our material investment incurred for leasehold land amounted to RM13.48 million, was the purchase of New Serendah Land for the purpose of business expansion. Please refer to Sections 4.4.1 and 7.14.1 of this Prospectus for further details on the New Serendah Land.

During the FYE 2023, our material investments comprise the purchase of a machine amounted to RM0.44 million for the use of factory operations and purchase of a motor vehicle amounted to RM0.56 million for the use of transportation.

From 1 June 2023 up to the LPD, our material investment comprises the purchase of a multilane sachet packing machine amounted to RM1.35 million for the use of factory operations.

The above investments were primarily financed by a combination of bank borrowings and internally generated funds.

6.4.2 Material divestitures

Our Group's material divestitures in Malaysia for the Financial Years Under Review and up to the LPD are as follows:

Descriptions	FYE 2021	FYE 2022	FYE 2023	From 1 June 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Freehold Land	-	-	3,159	-
Building	-	-	2,398	-
Total	-	-	5,557	-

The material divestitures for the FYE 2023 includes the disposal of investment properties and right-of-use asset as set out below:

- (i) 2 pieces of leasehold lands held under PM 284 Lot 3356 and PM 285 Lot 3357, both in Mukim Jasin, Daerah Jasin, Negeri Melaka, measuring 366 sq. mt., respectively, together with a factory erected thereon at NBV of RM0.36 million;
- (ii) freehold agriculture vacant lands held under Geran Mukim 5439, Lot 1344 and Geran Mukim 8061, Lot 86003, both in Mukim Rawang, Daerah Gombak, Negeri Selangor measuring 1.2014 hectares and 0.8183 hectares respectively, at NBV of RM3.16 million;

6. INFORMATION ON OUR GROUP (CONT'D)

- (iii) piece of leasehold land held under H.S.(M) 17969, PT 29434, Mukim Batu, Daerah Gombak, Negeri Selangor together with a 3 storey terrace factory erected thereon at NBV of RM0.42 million; and
- (iv) all that parcel of retail unit held under strata title Geran 73333/M1/2/220, Petak No. 220, Tingkat No. 2, Bangunan No. M1, Lot 1283 Seksyen 69, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur located at Unit 1-85, Kompleks Kenanga Wholesale City, No. 2, Jalan Gelugor, 55200 Kuala Lumpur at NBV of RM1.62 million.

Our Group has no material divestitures from 1 June 2023 up to the LPD.

6.5 MATERIAL PROPERTY, PLANT AND EQUIPMENT

Please refer to Annexure A of this Prospectus for the material property, plant and equipment of our Group.

As at LPD, the material properties owned and rented by our Group as disclosed in Annexure A of this Prospectus are not in breach of any land use conditions and are in compliance with current statutory requirements, land rules, building regulations or by-laws, the breach or non-compliance of which would have a material adverse impact on the operations of our Group.

6.6 MAJOR LICENCES, APPROVALS AND PERMITS

Please refer to Annexure B of this Prospectus for the major licences, approvals and permits obtained by our Group for our business of operations and the status of compliance.

Our Group has obtained all the required major licences, approvals and permits for our business operations. As at LPD, save for the following conditions to be complied with:

- (i) the major conditions imposed by MITI and/or MIDA as disclosed in No. 7, 8, 9 and 17 of Annexure B of this Prospectus in respect of the notification of the sale of shares in Orient Biotech and/or Orient Laboratories to MITI and/or MIDA upon completion of the Acquisition of Orient Biotech and Acquisition of Orient Laboratories, respectively; and
- (ii) the condition imposed by MITI to comply with full-time workforce consisting of 80% Malaysian citizens as disclosed in No. 9 of Annexure B of this Prospectus, in relation to which our Group will endeavour to comply with such condition within the stipulated timeframe,

our Group has complied with all the major conditions imposed under the major licences, approvals and permits as disclosed in Annexure B of this Prospectus.

In respect of the major licences, approvals and permits for which the validity periods are less than 12 months as disclosed in Annexure B of this Prospectus, our Group will submit applications for renewal within the stipulated periods prior to expiration of the licences to ensure continuous usage of the licences, approvals and permits. Our Group does not foresee any issue in the renewal of the licences, approvals and permits. In the event that the licences, approvals and permits are not renewed or obtained, our Group may not be able to conduct our business as usual.

Save as disclosed in Annexure B of this Prospectus, our Group is not dependent on any major licences, permits and approvals for our business operations.

6. INFORMATION ON OUR GROUP (CONT'D)

6.7 BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Please refer to Annexure C of this Prospectus for the brand names, trademarks, patents and other intellectual property rights of our Group.

In respect of the trademark for which the validity period is less than 12 months as disclosed in No. 1 of Annexure C of this Prospectus, our Group does not intend to renew the trademark as it is no longer active.

In the event the registered trademarks as disclosed in Annexure C of this Prospectus are not renewed and/or the applications for registration of the trademarks with MyIPO are not successful, our Group does not foresee any material impact to our Group's business operations and financial performance as our Group is not dependent on the registered trademarks as disclosed in Annexure C of this Prospectus for our Group's business operations.

6.8 MATERIAL REGULATORY REQUIREMENTS

Please refer to Annexure D of this Prospectus for the material laws and regulations that are relevant to the business operations of our Group.

6.9 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at LPD, our Group is not materially dependent on any contracts, arrangements or any matters that could affect our business or profitability.

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7. BUSINESS OVERVIEW

7.1 OVERVIEW AND HISTORY

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.2 AWARDS AND RECOGNITIONS

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

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

Notes:

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

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

7.3 PRINCIPAL ACTIVITIES AND BUSINESS MODEL

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

7. BUSINESS OVERVIEW (CONT'D)

A summary of our business model is set out below:

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

7. BUSINESS OVERVIEW (CONT'D)

Notes:

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

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

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

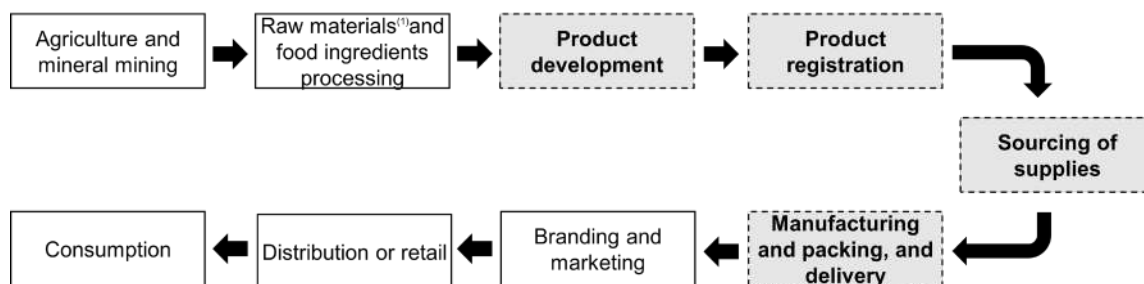
In Malaysia, dietary supplements must be registered with the NPRA before they are allowed to be commercialised in the market as dietary supplements. Registered dietary supplements will be issued with MAL certificates, bearing their individual registration number which had been approved by the NPRA, for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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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



Notes:

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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



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

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

(i) ***Bonlife***

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

(ii) GoHerb

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

(iii) **Kids Vite**

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

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

(iv) **Zen Night**

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

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

7. BUSINESS OVERVIEW (CONT'D)

(v) Sleepin' Beaute

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

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

(vi) EZ:Nitez

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.3.3 Trading of milk powder and other activities

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

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

7.4 OUR PRODUCTS AND SERVICES

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

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

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

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

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

Note:

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

7.4.1 Products manufactured for third party brand owners

(a) Fortified F&B

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

7. BUSINESS OVERVIEW (CONT'D)

(b) Dietary supplements

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

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

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

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

(a) Fortified F&B

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7. BUSINESS OVERVIEW (CONT'D)

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

GoHerb

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

Kids Vite

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

Zen Night

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

Sleepin' Beaute

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

Sleepin' Beaute Powder
Collagen Tripeptide
Contains cranberry and orange powder, collagen tripeptide, lemon balm and sourdate extracts. Does not contain preservatives.

EZ:Nitez

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

Some illustrations of our products are as shown below:



7. BUSINESS OVERVIEW (CONT'D)

(b) Dietary supplements

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

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

Product name	Form	Description	MAL registration number
Traditional medicines			
Bonlife Green Tea Extract 300mg Capsule	Hard capsules	Traditionally used for general health.	MAL20034537T
Bonlife Organic Sacha Inchi Oil 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL20116100T
Bonlife Sea Buckthorn 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL18046099T
Product name	Form	Description	MAL registration number
Bonlife Spirulina 200mg Tablets	Tablets	Traditionally used for general health.	MAL20002552T
Bonlife Virgin Coconut Oil 500mg Softgel	Vegetable capsules	Traditionally used for general health.	MAL20172798T
GoHerb Phyto Pomegranate	Vegetable capsules	Traditionally used for general health.	MAL20172969T
Nutraceutical-based products			
Bonlife Bonguard Capsule	Hard capsules	As a health supplement.	MAL21026120N
Bonlife Kids Vitamin C 300 Plus Effervescent Tablet	Effervescent tablets	As a health supplement.	MAL21066088N
Bonlife SachaQ10 Plus Softgel	Vegetable capsules	As a health supplement.	MAL21026130N
Bonlife Vta C Pro Vitamin C 1000 Plus Effervescent Tablet	Effervescent tablets	As a health supplement.	MAL21066069N

7. BUSINESS OVERVIEW (CONT'D)

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

As a health MAL21066066N
supplement.

Some illustrations of our products are as shown below:



7.4.3 Warranty

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.5 OUR REVENUE SEGMENTATION

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

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

Notes:

- (1) The provision of manufacturing services includes the manufacturing of fortified F&B for pets for our customers in Malaysia, which contributed 0.79%, 2.30% and 2.51% to our Group's revenue for the Financial Years Under Review, respectively. On 1 June 2023, we had ceased the manufacturing of fortified F&B for pets as part of our Group's strategy to focus on the core business activities, i.e. the manufacturing of fortified F&B and dietary supplements for human consumption.
- (2) The trading of milk powder contributed 91.18%, 94.68% and 91.09% to our Group's trading of milk powder and other activities segment for the Financial Years Under Review. Our Group also undertakes other activities such as laboratory tests services, freight services and the sales of packaging materials, pallets and face masks on ad hoc basis, which contributed the remaining 8.82%, 5.32% and 8.91%.

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7. BUSINESS OVERVIEW (CONT'D)

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

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

Note:

- (1) Revenue by geographical location is based on the delivery locations determined by our Group's customers.

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7. BUSINESS OVERVIEW (CONT'D)

7.6 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

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

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

7. BUSINESS OVERVIEW (CONT'D)

Notes:

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

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

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

The prices of raw materials, food ingredients and packaging materials may be subject to price fluctuations due to foreign exchange fluctuations and/or supply and demand conditions. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost to our customers. During the Financial Years Under Review, our Group's financial performance was not materially impacted by the price fluctuations on our imported raw materials, food ingredients and packaging materials. Please refer to Sections 8.2 and 12.3.3 of this Prospectus for further details on the impact arising from the fluctuation in prices to our Group's financial performance.

7. BUSINESS OVERVIEW (CONT'D)

7.7 PRODUCTION OUTPUT, CAPACITY AND UTILISATION

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

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

Table 1: Production capacity of Mixing Machines

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

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

Notes:

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

7. BUSINESS OVERVIEW (CONT'D)

Table 2: Production Capacity of Final Product Machines*

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

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

Notes:

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

(1) The estimated annual capacity is calculated by multiplying the estimated daily capacity with the number of working days of 25 days per month and 12 months per year.

(2) The estimated daily capacity is derived based on the sachet filling capacity of 8 sachet filling machines, which has a daily filling capacity of 15,000 sachets for each machine, calculated based on 8 working hours per day.

(3) The estimated daily capacity is derived based on the vegetable softgel encapsulation capacity of 1 vegetable softgel encapsulation machine, which has a daily encapsulation capacity of 136,000 vegetable softgel capsules, calculated based on 8 working hours per day.

(4) The estimated daily capacity is derived based on the powder canning capacity of 1 metal tin /paper can filling machine, which has a daily filling capacity of 4,444 cans, calculated based on 8 working hours per day.

7. BUSINESS OVERVIEW (CONT'D)

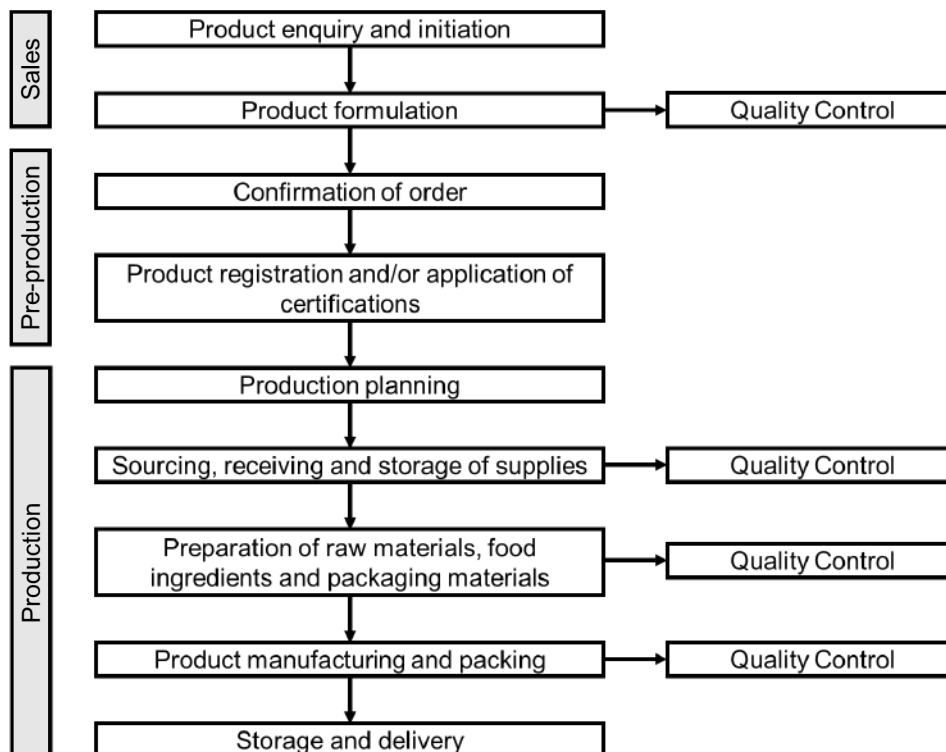
- (5) The estimated daily capacity is derived based on the capsulation capacity of 1 capsule filling machine, which has a daily capsulation capacity of 150,000 hard capsules, calculated based on 8 working hours per day.

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

7. BUSINESS OVERVIEW (CONT'D)

7.8 PROCESS FLOW

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



Sales

(i) Product enquiry and initiation

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

(ii) Product formulation

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

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

Pre-production

(iii) Confirmation of order

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

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

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

(iv) Product registration and/or application of certifications

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

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

7. BUSINESS OVERVIEW (CONT'D)

Production

(v) Production planning

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

(vi) Sourcing, receiving and storage of supplies

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

(viii) Product manufacturing and packing

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

- **Manufacturing of vegetable softgel capsules**



Vegetable softgel encapsulation machine

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

- **Manufacturing of tablets and hard capsules**



Tableting machine



Effervescent tableting machine

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

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

7. BUSINESS OVERVIEW (CONT'D)



Hard capsule machine

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

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

- **Manufacturing of liquid and jelly products**



Bottled-liquid filling machine



Sacheting machine

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

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

- **Manufacturing of powder products**



Powder blending machine



Metal can sealing machine

7. BUSINESS OVERVIEW (CONT'D)

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

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

- **Packing of tea leaves into teabags**



Tea bag packing machine

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

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

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

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

(ix) Storage and delivery

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

7. BUSINESS OVERVIEW (CONT'D)

7.9 QUALITY ASSURANCE AND QUALITY CONTROL

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7. BUSINESS OVERVIEW (CONT'D)

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7. BUSINESS OVERVIEW (CONT'D)

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

Note:

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

Notes:

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.10 RESEARCH AND DEVELOPMENT

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

7.10.1 Product development

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.10.2 Clinical trial for sacha inchi oil supplement

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

As a result of the clinical trial, our Group had recorded increase in sales of house brand dietary supplements by RM0.61 million, or 39.61%, to RM2.15 million for FYE 2023 (FYE 2022: RM1.54 million), mainly from the sales of *Bonlife* Organic Sacha Inchi Oil 500mg Softgel and *Bonlife* SachaQ10 Plus Softgel, which collectively increased by RM0.81 million for FYE 2023. The research collaboration effort with USM to undertake research on the development of sacha inchi oil supplementation for the improvement of hyperglycaemia, hypertension and hyperlipidaemia has enabled our Group to gain customer confidence on its product by providing third party verification on the product efficacy through scientific research.

7.11 TECHNOLOGY

We employ the following technology in our manufacturing activities:

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.12 MODE OF SALES AND MARKETING

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

(i) Direct approach and referral

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

(ii) Online marketing

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

(iii) Trade fairs and exhibitions

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

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

(iv) Awareness programme

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

7. BUSINESS OVERVIEW (CONT'D)

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

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7. BUSINESS OVERVIEW (CONT'D)

7.13 COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

7.13.5 We have an experienced and hands-on management team

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

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

Note:

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.14 BUSINESS STRATEGIES AND FUTURE PLANS

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

(i) Acquisition of land and indicative timeline

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

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

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

(ii) Source of funding

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

Note:

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

Notes:

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.15 EMPLOYEE

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

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

Note:

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.16 INTERRUPTION TO OUR BUSINESS OPERATIONS

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

7.16.1 Impact of COVID-19 on our business operations

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.17 SEASONALITY

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

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7. BUSINESS OVERVIEW (CONT'D)

7.18 MAJOR CUSTOMERS

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

FYE 2021

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

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

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

7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

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

Notes:

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.19 MAJOR SUPPLIERS

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

FYE 2021

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

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

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

7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

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

Note:

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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8. IMR REPORT

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SMITH ZANDER

Date: 3 October 2023

The Board of Directors

OB Holdings Berhad

No. 37, Jalan PS 3,
Taman Industri Prima Selayang,
68100 Batu Caves,
Selangor Darul Ehsan

Dear Sirs/Madams,

Independent Market Research Report on the Fortified Food and Beverages (“F&B”) and Dietary Supplements Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”) for inclusion in the draft Prospectus in conjunction with the proposed initial public offering and listing of OB Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which OB Holdings Berhad and its subsidiaries (“OB Group” or “the Group”) operate and to offer a clear understanding of the industry and market dynamics. Hence, the scope of work for this IMR Report will thus address the fortified F&B and dietary supplements industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

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The research for this IMR Report was completed on 20 September 2023.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 25 years of experience in market research and strategy consulting, including over 20 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. IMR REPORT (CONT'D)

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1 THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY IN MALAYSIA

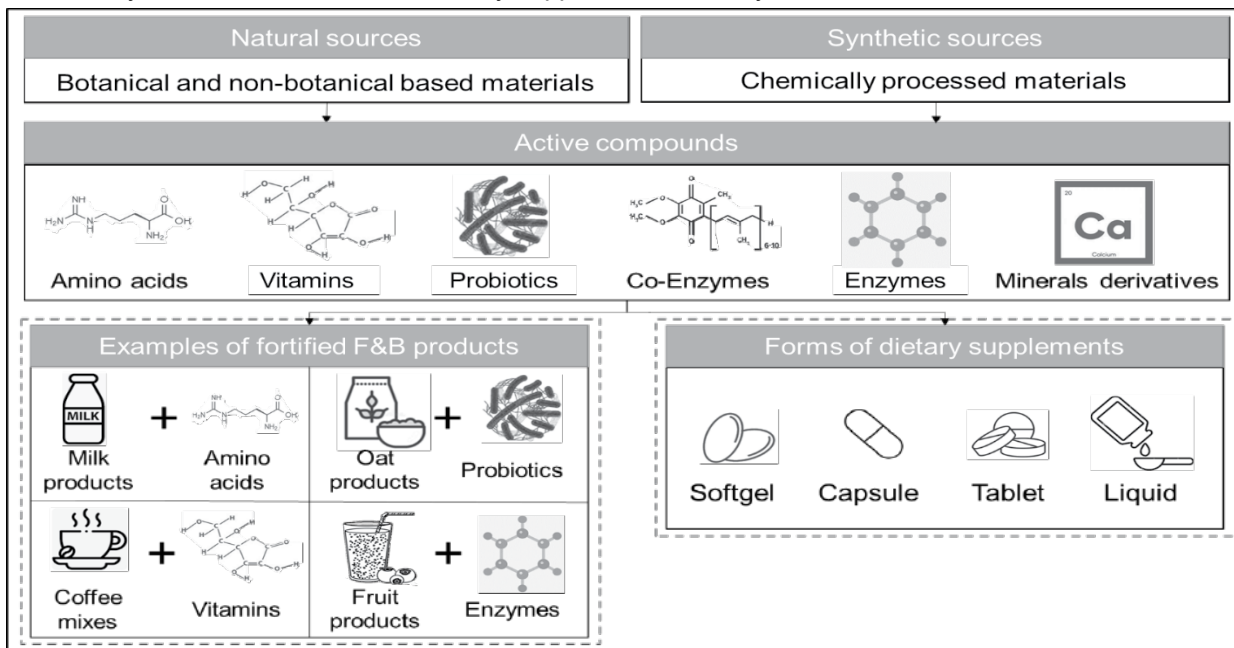
DEFINITION AND INDUSTRY OVERVIEW

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

Fortified F&B refers to F&B products (e.g. coffee mixes, milk products, oat products and fruit products) that have been fortified with active ingredients, hence enriching the product beyond its original nutritional value (e.g. carbohydrates, proteins and fats). Moreover, fortified F&B products are intended to be consumed as part of normal diet. Some examples of fortified F&B are coffee mixes, milk products, oat products and fruit products that have been fortified with additional active ingredients such as amino acids, vitamins, probiotics and enzymes extracted from ginseng, lingzhi, bacterial cultures and bird's nest.

Dietary supplements are products formulated with active ingredients that are able to improve or boost an individual's nutritional intake, offer the potential of improved health and/or reduced risk of diseases. Dietary supplements generally contain one or more active ingredients derived from botanical-based and/or non-botanical based materials. Botanical-based dietary supplements contain active ingredients that are found in botanical materials such as polyphenols and beta-carotene in fruits and vegetables, as well as isoflavones in legumes. Meanwhile, non-botanical based dietary supplements contain active ingredients that are found in non-botanical based materials such as taurine in meat, fish and dairy products. Dietary supplements are available in the form of softgels, capsules, tablets and liquid dosage forms.

A summary of the fortified F&B and dietary supplements industry is as shown below:



Notes:

- This list is not exhaustive.
-  denotes the type of products manufactured by OB Group.

8. IMR REPORT (CONT'D)

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Source: SMITH ZANDER

REGULATIONS GOVERNING THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY IN MALAYSIA

In Malaysia, fortified F&B manufacturers are considered food product manufacturers and are thus guided by the Food Safety and Quality Division Ministry (“FSQD”) in accordance to the Food Act 1983, Food Regulations 1985 and Food Hygiene Regulations 2009. These acts and regulations set out the guidelines on hygiene and sanitary requirements for food premises’ conditions, as well as the offences for sale and marketing of food products such as labelling and selling food products in a manner that is false and misleading in terms of quality and safety.

In contrast to the manufacturing of fortified F&B, the pharmaceutical industry in Malaysia, which includes the dietary supplements industry, is highly regulated by the National Pharmaceutical Regulatory Agency (“NPRA”), an executive body established under the Control of Drugs and Cosmetics Regulations 1984 (“CDCR 1984”). According to the CDCR 1984, it states that no person shall manufacture, sell, supply, import, possess or administrate any pharmaceutical product, which includes dietary supplements, unless the product is a registered product and the person holds the appropriate licences issued under this regulation.

In Malaysia, the application and renewal of the dietary supplements manufacturing licence as well as the registration of dietary supplements falls under the purview of the NPRA, whereby the NPRA is tasked with ensuring the quality and safety of pharmaceutical products, which includes dietary supplements. Once the product is registered, a MAL certificate, bearing an individual registration number, will be issued for the product as an indication of assurance by the NPRA on the product’s quality and safety. Manufacturers will also be required to indicate the registration number on the product labelling. In addition, product registration and labelling guidelines are also enforced by the NPRA to monitor the use of health claims, which can be categorised as general health or nutritional claims (e.g. supports healthy growth and development), functional or medium claims (e.g. vitamin A helps to maintain growth, vision and tissue development) or disease risk reduction claims (e.g. helps reduce the risk of osteoporosis by strengthening the bone).

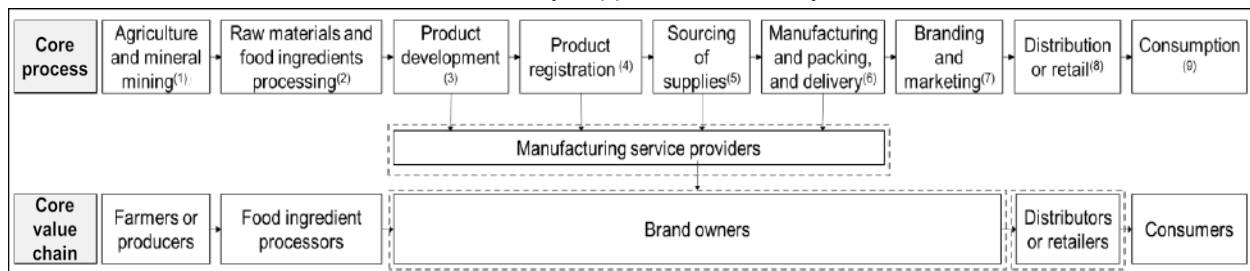
However, prior to product registration, a dietary supplements manufacturer must be Good Manufacturing Practice (“GMP”)-compliant as it is a pre-requisite to apply for product registration under the NPRA as well as a pre-requisite to renew its manufacturing licence from the NPRA. Furthermore, by being GMP-compliant, consumers are provided assurance that the manufacturing premises and processes are in accordance to manufacturing best practices. As such, manufacturers of dietary supplements must strictly adhere and comply to both the CDCR 1984 and GMP.

The FSQD and NPRA are governed under the Ministry of Health Malaysia (“MOH”) and were established to protect the public against health hazards and provide consumers assurance on the quality and safety of the products, thereby enabling consumers to make informed choices and not be misled and defrauded by false claims and statements.

VALUE CHAIN OF THE FORTIFIED F&B AND DIETARY SUPPLEMENTS INDUSTRY

The fortified F&B and dietary supplements industry comprises companies involved in agriculture and mineral mining, raw materials and food ingredients processing, product development, product registration, sourcing of supplies, manufacturing and packing, and delivery, branding and marketing, and ultimately distribution or retail to consumers for consumption.

The value chain of the fortified F&B and dietary supplements industry is as shown below:



8. IMR REPORT (CONT'D)



Notes:

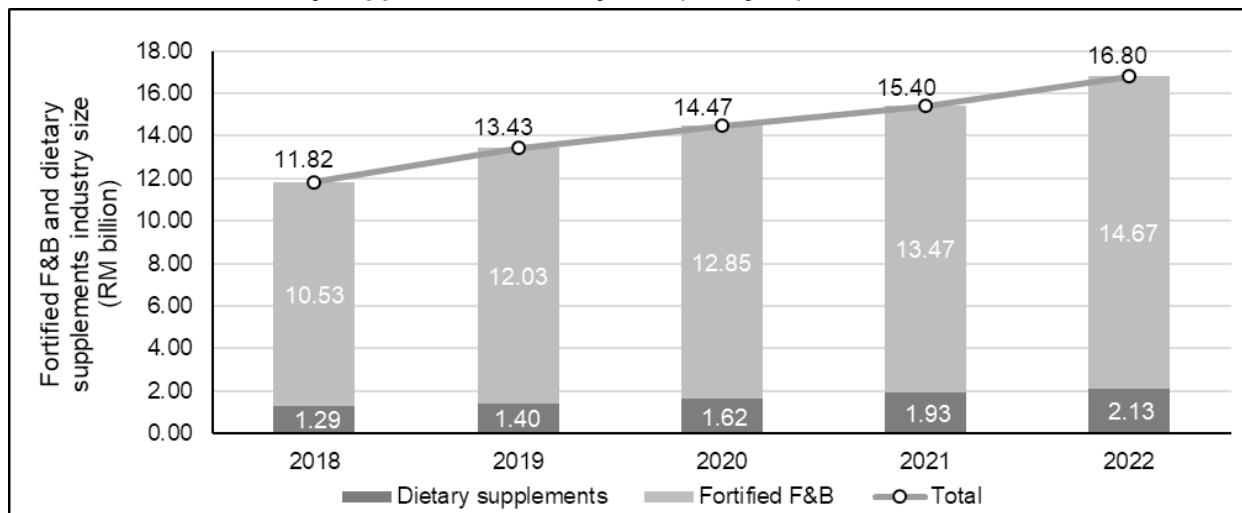
- This list is not exhaustive.
- [] denotes the segments of involvement of OB Group.
- (1) Raw materials are produced or mined by farmers or producers to be processed.
- (2) Raw materials and food ingredients are processed into extracts and concentrates, amongst others.
- (3) Product development activities involve the development and improvement of product formulations by brand owners or manufacturing service providers.
- (4) Product registration involve brand owners or manufacturing service providers applying for and obtaining the necessary licences and certificates to manufacture and sell fortified F&B and dietary supplements.
- (5) Raw material supplies are sourced from both domestic and international suppliers as well as local producers.
- (6) Fortified F&B and dietary supplements are manufactured based on product formulations which are either developed by brand owners or by manufacturing service providers. Subsequently, the fortified F&B and dietary supplements are packed and delivered to customers.
- (7) Branding and marketing activities such as online advertisement and promotions are conducted by brand owners to build and strengthen their brand names, as well as to market their products.
- (8) Fortified F&B and dietary supplements are purchased by distributors from manufacturers and sold to retailers, or purchased directly by retailers from manufacturers for onwards sale to consumers. Some examples of retailers include pharmacies and specialty health stores which can be physical stores and/or online platforms.
- (9) Consumption of fortified F&B and dietary supplements by consumers.

Source: SMITH ZANDER

2 INDUSTRY PERFORMANCE, SIZE AND GROWTH

The fortified F&B industry in Malaysia grew from RM10.53 billion in 2018 to RM14.67 billion in 2022, at a compound annual growth rate (“CAGR”) of 8.64%; and the dietary supplements industry in Malaysia grew from RM1.29 billion in 2018 to RM2.13 billion in 2022, at a CAGR of 13.36%. As such, cumulatively, the fortified F&B and dietary supplements industry in Malaysia grew from RM11.82 billion in 2018 to RM16.80 billion in 2022, registering a CAGR of 9.19%.

Fortified F&B and dietary supplements industry size (Malaysia), 2018 – 2022



Note:

- The fortified F&B industry are sub-categories under the general F&B industry, and the data for fortified F&B products are captured under the general F&B products. As the data for the fortified F&B industry in particular is not publicly available, the data for general F&B products comprising categories of fruit-based, milk-based, vegetable-based, coffee-based and tea-based products, is used to represent the fortified F&B industry size given that these are the fortified F&B products offered by OB Group.

Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER

The growth of the fortified F&B and dietary supplements industry in Malaysia from 2018 to 2022 is largely driven by the increase in health awareness arising from increasing rates of chronic diseases, increasing disposable income of the population, urbanisation and growing ageing population, prevalence of social media marketing as well as growing popularity and usage of e-commerce platforms, as set out in **Chapter**

3 – Key Demand Drivers, Risk and Challenges of this report. Additionally, the growth from 2020 to 2022 was also influenced by the outbreak of the COVID-19 pandemic, which led to an increased demand by consumers for fortified F&B to supplement daily nutritional intake and dietary supplements to maintain and improve general health conditions. However, notwithstanding the exceptional circumstances of the COVID-19 pandemic, moving forward the aforementioned factors are expected to continue driving the growth of the fortified F&B and dietary supplements industry.

3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

Key demand drivers

► **Increasing rates of non-communicable diseases (“NCDs”) and infections drives health awareness and thus, the demand for fortified F&B and dietary supplements**

The number of Malaysians living with NCDs, also known as chronic diseases, have been increasing over the years. NCDs can be categorised into four broad categories which are cardiovascular diseases, cancers, chronic respiratory diseases and diabetes. The increasing number of NCD cases among Malaysians are mainly attributable to stressful and unhealthy lifestyle habits such as the consumption of processed F&B which generally have higher saturated fat content or sugar levels and lower nutritional values, alcohol consumption, tobacco use, as well as living a more sedentary lifestyle.

According to the National Health and Morbidity Survey (“NHMS”)¹ 2019 conducted by the MOH, many Malaysians lacked physical activity, consumed high levels of sugar and consumed insufficient amounts of fruits and vegetables. As a consequence, between the first NHMS conducted in 2011 and the latest survey in 2019, the rates of obese, abdominally obese and overweight Malaysian adults had increased. Between 2011 and 2019, the rates of obese Malaysian adults had increased from 15.10% to 19.70%, the rates of abdominally obese Malaysian adults had increased from 29.40% to 30.40%, while the rates of overweight Malaysian adults had increased from 45.40% to 52.60%. This is thus becoming a cause for concern as an increasing number of obese, abdominally obese and overweight individuals acts as an indicator of future increases in incidences of NCDs.

The increase in obese, abdominally obese and overweight individuals has subsequently contributed to the increase in the morbidity of NCDs. Based on the NHMS conducted in 2019, the MOH had reported that the prevalence of diabetes was 18.30% of the adult population, and the prevalence of cardiovascular diseases such as hypertension and hypercholesterolemia was at 30.00% and 38.10% respectively.

The MOH and DOSM had reported that the mortality cases caused by cardiovascular diseases had increased from 18,170 cases in 2017 to 37,826 cases in 2021 at a CAGR of 20.12%, chronic respiratory diseases increased from 15,620 cases in 2017 to 24,511 cases in 2021 at a CAGR of 11.92%, and diabetes had increased from 2,243 cases in 2017 to 4,918 cases in 2021 at a CAGR of 21.69%. Further, there has been an overall increasing trend in the number of deaths due to NCDs between 2017 and 2021, from 44,275 deaths to 74,907 deaths, at a CAGR of 14.05%.

As a result of the growing trend of NCDs and increased intention to adopt healthier lifestyles, Malaysians may be more likely to resort to increasing their intake of dietary supplements and fortified F&B to supplement their nutritional intake. In turn, this could potentially lead to the growth of the fortified F&B and dietary supplements industry.

► **Economic growth and increasing disposable income of the population signifies growth potential for fortified F&B and dietary supplements**

Economic growth has the potential to contribute to increased disposable income, arising from higher employment and increased earnings for businesses and consumers. Increasing disposable income in turn translates to improving standards of living as well as an increase in the number of affluent individuals with greater purchasing power. As a result, consumer purchases are expected to diversify from staple food products to more expensive and quality purchases, including fortified F&B and dietary supplements, which supplements an individual's nutritional intake.

The economic wealth of the country, measured in terms of gross national income (“GNI”) per capita, increased from RM43,316 in 2018 to a preliminary figure of RM52,968 in 2022, at a CAGR of 5.16%.

¹Note: The NHMS is published at a 4-year interval with the latest publicly available data being 2019.

8. IMR REPORT (CONT'D)

SMITH ZANDER

Although there was an overall growth in GNI during the period, in 2020, the Malaysian economy registered a decline arising from the outbreak of the COVID-19 pandemic which had adversely impacted economic activities and employment rate. GNI per capita decreased from RM45,298 in 2019 to RM42,838 in 2020 by 5.43%. As the economy recovered in 2021, the GNI per capita increased to an estimated figure of RM46,253 with a YOY growth of 7.97%, and subsequently to a preliminary figure of RM52,968 in 2022 with a YOY growth of 14.52%.²

According to Bank Negara Malaysia (“BNM”), the improvement in the GNI was due to the influence of increased domestic demand, improvements in the labour market, and the reopening of international borders. In 2023, the economy is expected to experience continued growth by 4.00% to 5.00% YOY according to the Ministry of Finance.

To further enhance economic growth in Malaysia, the Malaysian Government had introduced and commenced the implementation of the 12th Malaysia Plan (2021 – 2025) with the intention to provide improved standards of living to all Malaysians, in accordance with the Vision 2030 Agenda. In order to achieve and meet the plans set out for the economy by 2025, the Malaysian Government has aimed to:

- Improve the positioning of Malaysia in the global supply chain by assisting micro, small and medium enterprises by improving their entrepreneurial capabilities, including digitalising their business processes, assisting to improve their products and services according to international standards;
- Increase the use of technology across industries, particularly electrical and electronics, global services, aerospace, creative, tourism, halal, smart farming and biomass;
- Develop more rural states in Malaysia by increasing industrialisation and diversifying economic activities through smart and cluster farming;
- Develop future talents to increase the availability of skilled and technical workers by providing accredited, recognised and certified training; and
- Increase national productivity through uplifting research, development, commercialisation and innovation in new technology and improving access to financing in supporting innovation and skills development.

With the abovementioned initiatives, the Malaysian economy is expected to grow, driving higher employment rates and increasing GNI to a target of RM57,882 per capita by 2025, which would then provide greater accessibility for Malaysians to improve their standards of living.

► **Urbanisation and ageing population to drive the continued demand for fortified F&B and dietary supplements**

Based on the latest available data as of 2022, Malaysia’s urban population stood at 78.21% of the total population and is projected to increase to 81.79% of the total population by 2030³. Following urbanisation, Malaysians will have access to better education, healthcare services and employment opportunities. However, urbanisation has consequently led to changes in the lifestyles of Malaysians such as longer working hours and hectic schedules. As such, convenience has become essential, leading to an increase in the intake of processed and fast foods. This growing change in lifestyle is a concern in all developing countries as the population finds it increasingly difficult to maintain a balance between their health and the demands of their work, commitments and responsibilities. In addressing such concerns, fortified F&B and dietary supplements provides an alternative for individuals to supplement their nutritional requirements which they lack due to their lifestyles.

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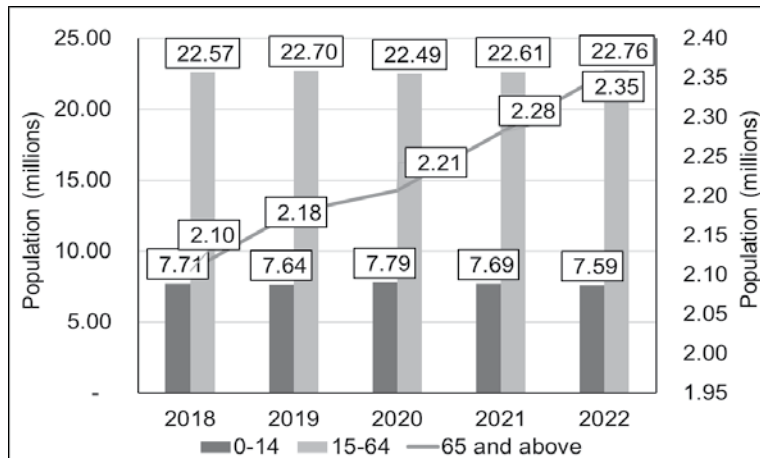
² Sources: DOSM.

³ Source: World Bank.

8. IMR REPORT (CONT'D)

SMITH ZANDER

Population by age group, 2018 - 2022



Sources: DOSM, SMITH ZANDER

In Malaysia, the working population (i.e. 15 years old to 65 years old) contribute the largest proportion of the country's population. This group of the population represents the majority of Malaysians who have become increasingly aware of the benefits of fortified F&B and dietary supplements to supplement their daily nutritional requirements due to their exposure to the internet. As such, the working population is expected to be more receptive to fortified F&B and dietary supplements as part of their health maintenance routine. This will, in turn, drive the demand for fortified F&B and dietary supplements.

Moreover, Malaysia is an ageing population as those above 65 years of age have been increasing from 2.10 million persons to 2.35 million persons, at a CAGR of 2.85% between 2018 and 2022, compared to those under 14 years of age at a negative CAGR of 0.39%, and those between 15 years old and 64 years old increasing at a CAGR of 0.21% over the same period. With the increasing ageing population, it can be expected that they will experience greater health concerns. With greater health concerns within the ageing population, it would also drive the demand for fortified F&B and dietary supplements as fortified F&B and dietary supplements have been widely promoted to potentially provide health benefits such as increasing immunity through the consumption of vitamin C, increasing bone densities to battle osteoporosis through the consumption of calcium supplements, and increasing intake for collagen to battle joint pains. This is expected to drive the demand for fortified F&B and dietary supplements as the older generation are generally more health conscious due to their greater awareness of their mortality.

► Prevalence of social media marketing to drive awareness on the benefits of fortified F&B and dietary supplements

The wide adoption of the internet has led to increased accessibility to social media. According to the Communications and Multimedia Ministry, as of January 2021, Malaysia has approximately 28 million social media users, which translates to 85.63% of Malaysia's 2022 total population. With this, social media has become a media outlet as well as a marketing channel amongst Malaysians, and has created a platform for fortified F&B and dietary supplements industry players to advertise and educate consumers on health awareness as well as the benefits of consuming fortified F&B and dietary supplements. According to the Malaysian Digital Association, digital advertising expenditure on social media increased from 39% in the third quarter of 2021 to 42% in the first quarter of 2023, the highest amongst other digital advertising platforms such as video (e.g. YouTube) and display platforms (e.g. advertisement networks). Consequently, social media marketing is expected to drive the growing awareness for fortified F&B and dietary supplements.

Key industry risks and challenges

► Vulnerability to product liability claims and recalls which could affect consumer confidence

Industry players are subject to guidelines and regulations, and must ensure that consistency in product quality is not compromised by factors such as product contamination. For example, raw materials used in the manufacturing of fortified F&B and dietary supplements have to be handled and stored according to specified conditions (e.g. individually packaged in dry conditions). If these materials are not properly handled, stored and packed, they may be susceptible to contamination, such as the growth of mould or cross-contamination with common allergens (e.g. peanuts, tree nuts and milk). Any contamination in the products may render them unsafe for consumption, thus creating adverse impact on the industry player's reputation.

8. IMR REPORT (CONT'D)**SMITH ZANDER**

In the event that such circumstances arise, manufacturers would face product liability claims and may need to conduct product recalls. Both product liability claims as well as product recalls may negatively affect the financial performance, credibility and reputation of the industry player. Increased frequency of product liability claims and product recalls may further worsen public perception of industry players as well as the industry as a whole. Subsequently, manufacturers in the industry could face significant financial losses as consumers may resort to alternative products due to consumer confidence being affected and consumers becoming more wary on the safety of products. As a result, demand for fortified F&B and dietary supplements could fall and negatively affect the industry.

► **Failure to meet changing consumer preferences could compromise industry competitiveness**

The fortified F&B and dietary supplements industry is dependent on consumer preferences such that industry players would need to continuously innovate and develop new products that align with these changing preferences. For instance, when veganism increased in popularity, the fortified F&B and dietary supplements industry responded by researching and developing more vegan-based products to meet consumers' increased demand for vegan products. Hence, to remain competitive and relevant in the industry, industry players must stay abreast with consumer trends and invest in research and development ("R&D") activities in order to develop new product formulations that meet these changing consumer preferences. In the event that industry players are unable to meet changing consumer demand due to constraints such as limited financial resources, skilled personnel and R&D facilities/capabilities, they may fall behind in the industry and lose their competitiveness, which in turn, would compromise their business and financial performance.

► **Changes in regulations governing dietary supplements could lead to non-compliance**

For the manufacturing of dietary supplements, the NPRA has implemented strict regulations, licensing requirements and standards for dietary supplements manufacturers to adhere to, in order to ensure the safety of consumers. For instance, the GMP is implemented to ensure that manufacturing plants are suitable for the manufacturing of dietary supplements. Further, product registration as well as labelling guidelines are also enforced by the NPRA to monitor the use of health claims made by manufacturers. In the event that the NPRA finds products that failed to meet their safety requirements, these products will be reported on the NPRA website.

Over time, regulations governing the manufacturing of dietary supplements could change and become more stringent to further ensure the safety of consumers. In the event of non-compliance, the business performance of industry players could be negatively affected as consumers lose trust in these products and the reputation of the brand, or product. Thus, industry players must constantly be kept up-to-date to changes in regulations and ensure that they are in compliance with the regulations and licensing requirements set out by the governing bodies in order to retain their manufacturing licences.

4 COMPETITIVE OVERVIEW

Competitive landscape

The fortified F&B and dietary supplements industry is competitive, with a large number of industry players that compete in the manufacturing and sale of fortified F&B and dietary supplements. These fortified F&B and dietary supplement industry players include public listed companies, large private companies (i.e. companies with revenue exceeding RM50.00 million), as well as small to medium enterprises (i.e. companies with revenue not exceeding RM50.00 million).

Notwithstanding the above, industry players involved in the manufacturing of dietary supplements must be registered as a dietary supplements manufacturer with the NPRA. As of September 2023, there were approximately 180 registered dietary supplements manufacturers in Malaysia.

For industry players involved in the manufacturing of fortified F&B and dietary supplements, several barriers to entry are present. The primary barrier is high capital expenditure, whereby substantial upfront capital is required for the setup of a manufacturing plant that is compliant with the relevant requirements set out by FSQD and NPRA; as well as the purchase of the necessary machinery and equipment. Furthermore, ongoing funds will also be required for R&D activities, as industry players continuously innovate and develop new products to keep abreast with changing consumers preference and to remain competitive

8. IMR REPORT (CONT'D)**SMITH ZANDER**

within the industry. For dietary supplements manufacturers, there is an additional barrier to entry, whereby dietary supplements in Malaysia must be registered with the NPRA before being manufactured, sold, supplied, imported, possessed or administrated.

Key industry players

Industry players in the fortified F&B and dietary supplements industry generally comprise brand owners and manufacturing service providers. Brand owners are industry players that have their own house brand products. These industry players may have their own in-house manufacturing plants or they may outsource their manufacturing activities to manufacturing service providers. Most of these manufacturing service providers provide manufacturing services for third party brand owners, but some of these companies, such as OB Group, may also manufacture fortified F&B and dietary supplements under their own house brands as an additional source of revenue.

The basis for selection of the key industry players in the fortified F&B and dietary supplements industry in Malaysia is as follows:

- Companies who are registered with the NPRA for the manufacturing of dietary supplements;
- Companies that are principally involved in the provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners, and some of these companies may also produce house brands; and
- Companies which recorded at least RM10.00 million revenue in their latest available financial years.

The key industry players, premised on the basis of selection above, are as follows:

Company name	Examples of manufacturing services of products provided to third-party brand owners and/or house brand products	Location of manufacturing plant	Latest available financial year	Total revenue ⁽¹⁾ (RM million)	Gross profit/(loss) margin (%)	PAT/(LAT) margin (%)
OB Holdings Berhad ⁽²⁾	Fortified F&B and dietary supplements	Selangor	31 May 2023	46.45	40.84	19.95 ⁽³⁾
Nova Wellness Group Berhad ⁽⁴⁾	Fortified F&B, dietary supplements, medical nutrition, personal hygiene products, disinfectant products, and essential oils	Selangor	30 June 2023	45.53	70.40	32.93
Bioalpha Holdings Berhad ⁽⁴⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	35.80	(16.71)	(136.31)
Moh Pharmaceutical Technologies Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine	Selangor	31 December 2022	28.73	22.96	10.06
Intan Biotech Industries Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements, cosmetics and personal hygiene products	Kelantan	31 December 2021	27.58	8.21	1.09
The Origin Foods Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	30 June 2022	27.23	34.81	6.56

8. IMR REPORT (CONT'D)**SMITH ZANDER**

Company name	Examples of manufacturing services of products provided to third-party brand owners and/or house brand products	Location of manufacturing plant	Latest available financial year	Total revenue ⁽¹⁾ (RM million)	Gross profit/(loss) margin (%)	PAT/(LAT) margin (%)
Moreth Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine	Selangor	31 December 2022	26.87	17.40	6.89
Herbal Science Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, traditional medicine and cosmetics	Selangor	31 December 2022	22.61	51.02	(2.05)
Exclusive Mark (M) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	21.36	15.75	(7.43)
Biofact Life Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Johor	31 March 2022	20.98	30.04	3.72
Yi Wang Honey Garden (M) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 December 2022	17.05	19.50	12.09
Alpha Active Industries Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	16.69	Not available	8.20
Ori Bionature (M) Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and cosmetics	Selangor	30 June 2022	16.07	56.76	6.05
High Valley Contract Manufacturing (GMP) Sdn Bhd ⁽⁵⁾	Fortified F&B and dietary supplements	Selangor	31 January 2023	15.77	38.01	18.96
First Grade Resources Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and cosmetics	Kedah	31 December 2021	15.36	17.78	1.73
Excel Herbal Industries Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	15.28	38.11	16.53
Len Fa Medical Supplies (M) Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements and traditional medicine	Selangor	31 December 2022	14.53	36.85	9.99
White Heron Pharmaceutical Sdn Bhd ⁽⁵⁾	Fortified F&B, dietary supplements, cosmetics and personal hygiene products	Kuala Lumpur	30 April 2022	12.17	26.34	8.51

Notes:

- Latest available information as at the date of research completion.
- Not available – information is not available as gross profit is not reported in the latest annual report.

8. IMR REPORT (CONT'D)**SMITH ZANDER**

- *The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.*
 - *Several players which are also deemed competitors to OB Group are not included in the table as these companies are exempt private companies in their respective latest financial years. These companies include Dong Foong Manufacturing Sdn Bhd, Yanling Natural Hygiene Sdn Bhd and Edmark Industries Sdn Bhd, whereby their latest available audited financial statements from Companies Commission of Malaysia are for the financial years ended 31 March 2020, 30 April 2020 and 31 December 2019 respectively.*
- (1) Revenue may be derived from other products and/or businesses as segmental revenue is not publicly available.*
(2) OB Group is deemed as a small to medium enterprise prior to its listing on Bursa Malaysia Securities Berhad.
(3) The PAT margin for OB Group is the adjusted PAT margin.
(4) Denotes entities which are public listed companies.
(5) Denotes entities which are small to medium enterprises.

Sources: OB Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

From the table above, the collective revenue from the key industry players listed amounts to RM436.84 million. Compared to the fortified F&B and dietary supplements industry in Malaysia, which is recorded at RM16.80 billion, the collective revenue from these key industry players accounts for 2.60% of the total industry size. The relatively small revenue contribution of key industry players in contrast to the total industry size is due to the difference between the computation of the industry size and the basis for selection of the key industry players. In particular, the fortified F&B industry size recorded in this IMR Report includes companies that are involved in general F&B manufacturing within the categories of fruit-based, milk-based, vegetable-based, coffee-based and tea-based products, whereby these companies do not fall under the basis for selection of the key industry players in this IMR Report. Further, as the selection of key industry players comprises manufacturing service providers of fortified F&B and dietary supplements, it excludes companies which are primarily brand owners.

Market share

In 2022, the size of the fortified F&B and dietary supplements industry in Malaysia was recorded at RM16.80 billion. For the financial year ended 31 May 2023, the revenue from fortified F&B and dietary supplements manufacturing services and house brands for OB Group was recorded at RM46.45 million, and thereby OB Group captured a market share of 0.28% in Malaysia.

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9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A MATERIAL IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

9.1.1 Our business' reputation, market competitiveness and financial performance may be adversely affected by the sales of counterfeit products

The sale of counterfeit products may negatively affect our business' reputation, market competitiveness and financial performance as counterfeit products can undermine the trust and credibility that we have developed with our customers. If our customers had unknowingly purchased counterfeit products and experience negative experience due to the poor quality of products, we may lose our customers' faith and loyalty to our products and the public may develop negative perception towards our brands and products.

Moreover, the sale of counterfeit products replicating our products in the market could lead to financial losses as the sale of counterfeit products could divert sales away from our products and lead to the decrease in our revenue which will inevitably affect our financial performance. Additionally, our market positioning could be at a disadvantage due to the lower prices of counterfeit products being sold as compared to the prices of our products, particularly if customers' priorities are based on the prices of products rather than on the quality of products. As such, our Group may experience loss of market shares due to the counterfeit products.

During the Financial Years Under Review and up to LPD, we had encountered 3 counterfeit products in the market posing as *Bonlife* products on separate incidents. During our encounter with the counterfeit products, we had alerted the public on the ways to differentiate our product with counterfeit products via newspapers and our social media platform and had also reported the counterfeit products to the respective regulatory bodies, i.e. Ministry of Domestic Trade and Costs of Living, Royal Malaysian Police as well as NPRA, and third-party e-commerce platforms. While we did not observe any material impact on our Group's reputation and financial performance resulting from this incident, there can be no assurance that the occurrence of such incident in the future will not have an adverse impact on our reputation and financial performance.

9.1.2 Our business is dependent on necessary licences, approvals and permits

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

We had not obtained the following licences in our business operations in the past ("**Past Non-Compliances**"):

- (i) Our subsidiary, Orient Laboratories, had operated without a manufacturing licence issued by MITI pursuant to Section 3 of the Industrial Co-ordination Act 1975 in the past. During the period from incorporation of Orient Laboratories in year 1999 until 31 May 2012, Orient Laboratories was not required to apply for a manufacturing licence as Orient Laboratories' shareholders' funds did not exceed RM2.50 million and it did not employ more than 75 full-time employees. In the course of reviewing its licensing requirements, Orient Laboratories realised that it had met the licensing requirements since FYE 2012 but had not obtained the requisite manufacturing licence. Hence, Orient Laboratories began the process of applying to MITI to obtain the requisite manufacturing licence in May 2023. The cost incurred for the rectification to obtain the manufacturing licence was RM300.00, which was the application fee payable to MITI.

9. RISK FACTORS (CONT'D)

Orient Laboratories had on 28 July 2023 obtained a conditional approval from MITI, which requires Orient Laboratories to fulfil the conditions stated in the conditional approval letter within 6 months from the date of such letter.

For information purpose, the revenue contribution of Orient Laboratories during the Financial Years Under Review are RM1.05 million, RM1.32 million and RM1.43 million, respectively.

Orient Laboratories has complied with the conditions stated in the conditional approval letter and obtained the manufacturing licence issued by the MITI on 1 November 2023. No penalty was imposed by MITI for the period of past non-compliance from 1 June 2012 up to the date of the issuance of the manufacturing licence. In any event, the potential penalty which may be imposed in connection with this non-compliance is RM2,000.00, which represents approximately 0.02% of our Group's PBT for the FYE 2023. Such potential penalty would not however be expected to have a material adverse impact on our Group's business operations and financial results;

- (ii) Our subsidiary, Bonlife, had operated without a wholesaler's licence issued by NPRA prescribed under Regulation 12 of the Control of Drugs and Cosmetics Regulations 1984 since 2007. For information purpose, the products supplied to Bonlife were manufactured by Orient Laboratories, for which Orient Laboratories had obtained and maintained a valid manufacturer and wholesaler's licence granted by NPRA which is renewed annually. Due to a misunderstanding of the NPRA wholesaler's licence registration requirements, Bonlife had not obtained a separate wholesaler's licence and had instead relied on Orient Laboratories' wholesaler's licence for its wholesale activities.

After becoming aware of the requirement to obtain a separate licence, Bonlife had in May 2023 made an application for the requisite licence and had on 11 May 2023 obtained the wholesaler's licence with a validity period until 31 December 2023. The cost incurred for the rectification to obtain the wholesaler's licence was RM500.00, which was the application fee payable to NPRA. The potential penalty which may be imposed in connection with this non-compliance is approximately RM50,000.00, which represents approximately 0.41% of our Group's PBT for the FYE 2023. Such potential penalty, if imposed, is however not expected to have a material adverse impact on our Group's business operations and financial results; and

- (iii) Our subsidiary, Orient Biotech, had undertaken the manufacturing of fortified F&B for pets from November 2013 until 31 May 2023 at our Selayang Factory without a certificate of registration of manufacturer of feed being issued by the Feed Board under Regulation 3(1) of the Feed (Manufacture and Sale of Feed or Feed Additive) Regulations 2012. This arose due to a misunderstanding of the applicability of the Feed Board's registration/certification requirements. Our Group ceased the manufacturing of fortified F&B for pets on 31 May 2023 as part of our Group's strategy to focus on the core business activities, i.e. the manufacturing of fortified F&B and dietary supplements for human consumption, and the former manufacturing activity for pets thus no longer forms part of our Group's business.

This past non-compliance of our Group is not however expected to have a material adverse impact on our Group's business operations and financial results, premised on the following:

- (a) subsequent to 31 May 2023, our Group no longer carries out the manufacturing of fortified F&B for pets;
- (b) the manufacturing of fortified F&B for pets had only contributed 0.79%, 2.30% and 2.51% to our Group's revenue for the Financial Years Under Review respectively; and

9. RISK FACTORS (CONT'D)

- (c) the potential financial penalty which may be imposed in connection with the failure to obtain a certificate of registration of manufacturer of feed, upon our Group being held liable, is RM10,000.00, which represents approximately 0.08% of our Group's PBT for the FYE 2023.

The potential penalties relating to the aforesaid non-compliances if imposed, viewed both from an individual or collective perspective, are not however expected to have a material adverse impact on our Group's business operations and financial results. As at LPD, neither our Directors nor our Group have been fined or penalised or issued with any notice of non-compliance by the relevant authorities, whether prior to, in connection with or after the application for or issuance of the licence. Notwithstanding this, our Group will continue to assess and observe the relevant laws, rules and regulations relating to our industry and renew the required licences, approvals and permits in a timely manner as and when required.

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

9.1.3 Our success depends on our key personnel and our ability to attract and retain skilled personnel

The continued success and growth of our Group is largely dependent on the abilities, skills, experience, competency and continuous efforts of our Managing Director, Executive Director and Key Senior Management team as disclosed in Section 7.13 of this Prospectus. The presence of our Managing Director, Executive Director and Key Senior Management is crucial to our business continuity as they play a pivotal role in our day-to-day business operations as well as charting, formulating and implementing strategies to drive the future growth of our Group.

Any significant or sudden loss of the services of our Managing Director, Executive Director, and Key Senior Management without suitable and timely replacement may have an adverse and material impact on our Group's business operations and may eventually affect our ability to maintain and/or improve our business performance.

9.1.4 Our Group may be liable for our marketing agents' actions and conduct in marketing our house brand products

Our Group engages with third party marketing agents to market our house brand products, namely *GoHerb*, *KidsVite*, *Sleepin' Beaute* and *EZ:Nitez*. Through engagement with third party marketing agents, our Group is exposed to the risk that these third party marketing agents may inaccurately market and represent our products. Our Group has set standard operating procedures for our marketing agents, provides trainings to our marketing agents on the product knowledge, undertakes proofreading of the marketing content, as well as conducts routine checks on the sales and marketing performance of our house brand products on a monthly basis. There is no assurance that our third party marketing agents will be able to maintain their quality of services and contribute sales to our Group consistently.

9. RISK FACTORS (CONT'D)

Should our third party marketing agents fail to uphold their quality of services, it may reflect negatively on our brand, thus resulting in negative perception among potential customers towards our brand as well as the loss of existing customers. Further, in the event of any inaccurate marketing of our house brand products by third party marketing agents which results in complaints made against our Group, we may be held liable to our marketing agents' actions and conduct as they are deemed to be representatives of our Group and our Group's products. Further, this may also result in product liability claims and legal action being taken against our Group. Should the customers develop unfavourable experiences from the consumption of our products premised on the inaccurate instruction advised by our third party marketing agents, this could affect the future growth of our house brand products and our Group's financial performance adversely.

9.1.5 Our Group is exposed to foreign exchange fluctuation risks which may impact our profitability

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

During the Financial Years Under Review, our purchases denominated in the respective currencies are as follows:

Purchases denominated in:	FYE 2021		FYE 2022		FYE 2023	
	RM'000	(%)	RM'000	(%)	RM'000	(%)
RM	9,331	58.26	16,391	61.97	13,674	72.38
USD	1,134	7.08	2,451	9.27	2,191	11.60
EUR	4,998	31.21	7,109	26.88	2,047	10.83
RMB	430	2.69	370	1.40	897	4.75
AUD	122	0.76	127	0.48	83	0.44
Total	16,015	100.00	26,448	100.00	18,892	100.00

For illustration purposes, for the FYE 2023, assuming the fluctuation of the RM against the USD, EUR, RMB and AUD is 1%, this will result in an increase or decrease in our GP by RM 0.05 million, depending on the direction of the foreign exchange movement between RM and said currencies. As our Group continues to expand, any fluctuation in foreign exchange rates may have a material impact on our financial performance.

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

9. RISK FACTORS (CONT'D)

9.1.6 Our Group may face delay in the construction of New Serendah Factory

We plan to construct our New Serendah Factory, as set out in Section 7.14 of this Prospectus, to support our Group's expansion plans. We expect to complete the construction of our New Serendah Factory and commence business operations by the 2nd half of 2025.

The construction of our New Serendah Factory within time and budget may be affected by the following conditions:

- (i) Unexpected delay in construction;
- (ii) Delay in purchase of new machines and relocation of existing machines; and
- (iii) Our ability to obtain the requisite approvals and licences to commence business operations, including the following:
 - issuance of a CCC for our New Serendah Factory; and
 - issuance of manufacturing licence from MITI as well as the business license from the relevant local council/authority for our New Serendah Factory.

Delay in the construction of our New Serendah Factory may lead to higher than anticipated construction costs due to potential cost overrun arising from unexpected increase in prices of building materials and additional labour costs. In such event, we may be required to utilise our internally generated funds which will reduce our available working capital, or to incur additional bank borrowings which will increase our interest cost to fund the increase in construction costs.

9.1.7 Our product development activities may not lead to successful commercialisation of our products

Our success and growth depend in part on our ability to be efficient in the manufacturing of our products as well as to continuously enhance and develop new products to meet prevailing market demand. To this end, we are committed to undertake product development activities to develop new product formulations and to improve existing product formulations. Product development is carried out by our product development team, led by Lee Chee Keat, our R&D Manager. Please refer to Section 7.10 of this Prospectus for further details of our product development activities. Despite our Group's commitment and efforts in product development activities, there is no assurance that our product development activities will yield favourable results and lead to successful commercialisation. Unsuccessful product development activities may have an adverse impact on our financial performance as we are unable to commercialise and generate revenue from the unsuccessful products, while having incurred the product development expenses.

In addition, as the demand for fortified F&B and dietary supplements change over time according to market trends, we are exposed to challenges in maintaining and growing our market share within the industry. Market trends are largely dictated by consumer preferences and development of the fortified F&B and dietary supplements formulations. Our continued success will depend partly on our ability to anticipate and develop fortified F&B and dietary supplements that meet the consumers' demands and to market our products accordingly to our targeted consumer group.

9. RISK FACTORS (CONT'D)

In the event that we are unable to expand and/or enhance our range of product offerings to meet the changing market demand in a timely manner, or at all, we may be unable to continue growing our revenue, and/or to maintain our market share. Since we began carrying out in-house product development activities, we have not experienced any unsuccessful product development activities. However, our Group has experienced several incidents of unsuccessful commercialisation of our products pursuant to our product development activities which were attributable to issues such as changes in market trends prior to the products' commercialisation and changes in the business plans of our customers. During the Financial Years Under Review and up to LPD, the financial impact from unsuccessful commercialisation of our products was minimal as the costs involved in product development were staff costs and consumables for sampling purposes.

9.1.8 Our business is exposed to unexpected interruptions or delay caused by equipment failures, power outages, fires, as well as other environmental factors which may lead to interruptions in our business operations

Our business relies on different types of machines and equipment to carry out the manufacturing of fortified F&B and dietary supplements. These machines and equipment may, on occasion be out of service due to unanticipated failures or damages sustained during our business operations. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our business operations.

Further, our business is also subject to loss due to fires or natural disasters such as floods or storms. The occurrence of these unexpected events that are beyond our control may cause damage or destruction of all or part of our factory and machines, resulting in interruptions to, or prolonged suspension, of our manufacturing activities. Any prolonged interruption to our manufacturing activities will affect our manufacturing schedule and in turn, cause delays in the delivery of products to our customers. This could adversely affect our relationships with customers, financial performance and industry reputation.

In July 2021, our manufacturing of vegetable softgels faced a temporary disruption of approximately 1 month due to delay in obtaining a replacement part for our vegetable softgel machine, which was caused by supply chain disruptions and logistics delay as we had to import the replacement part of the machine from Korea. While our deliveries to customers were delayed in July 2021 and August 2021, we were able to complete the fulfilment of all orders within the FYE 2022. Hence, this incident did not materially impact our financial performance.

Save as disclosed above, we have not experienced any incidents of unanticipated machine and equipment failures, power outages or catastrophic damages as a result of fires or floods, which led to major interruptions in our business operations. However, there can be no assurance that such incidences will not happen in the future. In the event that these incidents occur, it may result in interruptions to our business operations and thus adversely affect our business operations and financial performance.

Further, the outbreak of pandemics of infectious diseases or other health epidemics such as COVID-19 that may also create economic uncertainties globally may adversely affect business activities. The outbreak of pandemics may also result in the imposition of various lockdown measures to curb the spread of the virus, leading to disruptions and/or temporary suspension of business activities. While our financial performance was not materially and adversely affected, our business operations were temporarily disrupted during the COVID-19 pandemic in which further details of which are as set out in Section 7.16 of this Prospectus. Should there be a future outbreak of infectious disease similar to the COVID-19 pandemic, there is no assurance that our business operations and financial performance will not be materially and adversely affected.

9. RISK FACTORS (CONT'D)

In the event that we have to halt our business operations due to the abovementioned potential incidents, we could still be required to incur operating expenses such as labour costs and utilities costs. Our Group's financial performance could be adversely affected should the interruptions occur over a prolonged period.

9.1.9 Our business is exposed to risk arising from food contamination

Food contamination is an inherent risk in all food and beverage related operations. We are exposed to the risk of food contamination due to numerous processes involved in the manufacturing of fortified F&B and dietary supplements.

The raw materials and food ingredients used in our manufacturing process comprise food grade raw materials and food ingredients which have to be handled and stored in dry conditions. The raw materials and food ingredients are vulnerable to contamination from the growth of mould if not properly handled, stored and packed.

Moreover, the raw materials and food ingredients that we purchase may also be contaminated during receipt due to poor handling during transportation, poor packing quality, poor packaging material quality, exposure to adverse weather conditions that could affect the packaging of the products and exposure to pests. Any contamination in our raw materials, food ingredients and final products may result in it being unsafe for consumption and will have an adverse impact on our reputation. This may also result in authorities inspecting our premises, leading to monetary fines and/or temporary closure of our premises for cleaning and/or sanitation, any of which may materially and adversely affect us.

Further, our manufacturing processes involve human intervention and are therefore subject to our employees' awareness of good hygiene and them continuously adhering to our food safety management system. Whilst we have emphasized and educated our employees on our food safety standards, there is no assurance that we will not be exposed to the risks of food contamination in the future.

During the Financial Years Under Review and up to LPD, we have not experienced any material incidences of food contamination that have led to monetary fines and/or temporary closure of our business operations for cleaning and/or sanitation.

9.1.10 Our business may be adversely affected by product defects, product liability claims, product recalls, adverse publicity or negative public perception regarding our products or industry

If any of our products were to be involved in product contamination, tampering, adulteration, damage or mislabelling, we may need to recall some or all of our products. A widespread product recall could result in significant losses due to the cost of conducting a product recall, including destruction of inventories and loss of sales resulting from the unavailability of the product for a period of time until the manufacturing issue of the product is rectified.

In addition, adverse publicity or negative public perception regarding the products we sell, the safety or quality of our products, or our industry in general, could result in substantially lower demand for our products. Negative public perception could also arise from regulatory investigations or product liability claims, regardless of whether those investigations involve us or whether any product liability claim is successful against us.

We may also be liable if the consumption or use of any of our products causes any health complications. A significant product liability judgement, involving us or our competitors, could also result in a loss of consumer confidence in our products and materially impact consumer demand, which in turn could have a material adverse effect on our financial position, results of our business operations and prospects.

9. RISK FACTORS (CONT'D)

During the Financial Years Under Review and up to the LPD, we have not had any of our products recalled from the market and have not experienced any product liability claims, reputation risks nor lack of consumer confidence due to contaminated products.

However, upon request, we may provide product replacements for defects caused by mishandling during delivery of products to our customers. During the Financial Years Under Review, we had incurred RM102,639, RM28,565 and RM58,892, respectively of product replacement costs for third party brand owners; as well as RM191,817, RM188,430 and RM287,673, respectively of product replacement costs for our *Bonlife* products for defects such as deformed product appearance, smell or texture which are typically caused by mishandling during delivery of products to our customers, as well as near expiry products. During the Financial Years Under Review, we did not incur any product replacement costs for *GoHerb*, *Kids Vite*, *Zen Night* and *Sleepin' Beaute* products.

9.1.11 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our business operations

We maintain insurance to protect against various losses and liabilities, and the insurance policies maintained by our Group include fire insurance policy, burglary policy and product liability insurance policy. For the fire insurance particularly, we have purchased fire insurance policies for the building, machine and equipment and stocks including raw material, intermediate products, finished goods and packing materials. For the product liability insurance, we have maintained product liability insurance policies for (i) most of our fortified F&B and dietary supplements manufactured and sold under our house brands; and (ii) products manufactured and sold to third party brand owners as requested by third party brand owners. As we continuously conduct product development activities to capture the latest market trends, our Group may commercialise new house brand products from time to time in which the new products were commercialised after the renewal of our Group's product liability insurance. As such, these newly commercialised house brand products were not covered under our insurance. Following each renewal of our product liability insurance, we will maintain the product liability insurances for these newly commercialised house brand products which are still active in the market. However, our insurance may not be adequate to cover all losses or liabilities that might occur in our business operations. For example, while we are insured against losses resulting from fires, we do not maintain insurance against losses at our factory as a result of natural disasters.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we are not fully insured, it could have a material adverse effect on our business, financial condition and results of our business operations.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We may face competition from industry players

According to the IMR Report, the fortified F&B and dietary supplements industry has a large number of industry players that compete in the manufacturing and supply of fortified F&B and dietary supplements. These fortified F&B and dietary supplements industry players include public listed companies, large private companies, as well as small to medium enterprises. For dietary supplements in particular, industry players must be registered as dietary supplement manufacturers with the NPRA. As of September 2023, there were approximately 180 registered dietary supplement manufacturers in Malaysia.

Our Group competes with existing and new industry players in terms of the capability to offer customisable formulations, range of product forms offered, pricing, quality of products, timing of delivery and manufacturing capacities, as well as the ability to provide end-to-end solutions from product registration services to sourcing, manufacturing and delivery of products to customers.

9. RISK FACTORS (CONT'D)

In view of the above, we need to continuously improve in order to develop fortified F&B and dietary supplements that meet consumers' demand and to market our products effectively to our target consumer groups, so that we are able to maintain our competitiveness in the industry. Failure to remain competitive in the industry may lead to reduced sales which will adversely impact our Group's financial performance.

9.2.2 We are subject to price fluctuations of raw materials and food ingredients

Our fortified F&B and dietary supplements are predominantly manufactured using raw materials and food ingredients such as herbal plant powder and extracts, fruit and vegetable powder, or milk powder. As the raw materials and food ingredients that are primarily used in our manufacturing processes are botanical-based products, the prices are subject to price fluctuations due to environmental factors such as the weather, natural disasters, pests and crop diseases which may affect the supply. In the event that weather conditions are not suitable for growing agricultural crops, it may affect the regional supply and demand equilibrium of the raw materials and food ingredients that we require in manufacturing our products. Consequently, this leads to the increase in the prices of raw materials and food ingredients due to lower supply. Similarly, if natural disasters such as floods or wildfires were to occur, crops would be destroyed and supply chains would be disrupted, causing the prices of raw materials and food ingredients to increase. Further, the prices of raw materials and food ingredients would also be affected by the occurrence of pest outbreaks and crop diseases. Pests and crop diseases could affect the quality of herbs, fruits and vegetables and result in the costs of raw materials and food ingredients to increase due to lower supply.

The increase in the cost of raw materials and food ingredients would directly impact our manufacturing costs. If we are unable to pass on the increase in cost to our customers, our financial performance may be adversely affected. Further, increase in prices may result in our customers seeking alternative suppliers, thus resulting in the loss of sales if we are unable to retain our existing customers or if our prices are no longer adequately competitive to attract new customers.

9.2.3 We are subject to the increase in salary cost following the revision of national minimum wages

On 19 March 2022, the Government announced that the national minimum wage will be revised to RM1,500 per month from 1 May 2022. As such, from 1 April 2022, our Group had revised the salaries for employees earning less than RM1,500 per month to RM1,500 per month. The impact from the revision of the minimum wages to our direct labour costs are as set out in Section 12.3.2(b) of this Prospectus.

Any further increase in national minimum wages will increase our salary cost which may negatively affect our financial performance should we fail to pass on the increase in cost to our customers in a timely manner.

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9. RISK FACTORS (CONT'D)

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing and the market price of our Shares will not decline below the IPO Price.

9.3.2 The trading price and volume of our Shares upon Listing may be volatile

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, among others, the following factors, some of which are beyond our control:

- (i) material variations in our financial results and business operations;
- (ii) success or failure of our management in implementing business strategies and future plans;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (v) changes in conditions affecting our industry, the prevailing global and local economic conditions or stock market sentiments or other events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of key personnel;
- (viii) fluctuations in stock market prices and volumes;
- (ix) involvement in claims, litigation, arbitration or other form of dispute resolution; or
- (x) general operational and business risks.

9. RISK FACTORS (CONT'D)

9.3.3 There may be a potential delay to or failure of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

- (i) our Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;
- (ii) the revocation of approvals from the relevant authorities for our Listing and/or admission for whatever reason; or
- (iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25.00% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

Where prior to the allotment and issuance of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to have been withdrawn and cancelled and our Company or such other person who receives the monies, shall forthwith repay without interest all monies received from the applicants and if any such money is not repaid within 14 days of the stop order, our Company shall be liable to repay such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA from the expiration of that period; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the allotment and issuance of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid without interest and if any such money is not repaid within 14 days of the date of service of the stop order, our Company shall be liable to repay such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA from the expiration of that period; or
- (b) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - the sanction of our shareholders by special resolution in a general meeting, supported by consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - the sanction of our shareholders by special resolution in a general meeting, supported by a solvency statement from our Directors.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiaries, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.1 Material Related Party Transactions

Save for the Acquisitions and disclosed below, our Group has not entered into nor proposes to enter into any material related party transactions for the Financial Years Under Review up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
1.	<ul style="list-style-type: none"> Orient Biotech Dutch Dairy 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings Lee Bao Yu is a Director of OB Holdings Teoh Eng Hua was a director and shareholder of Dutch Dairy Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings ES Teoh and CT Wong were shareholders of Dutch Dairy 	<ul style="list-style-type: none"> (i) Sales of milk powder by Orient Biotech to Dutch Dairy ⁽¹⁾ (ii) Rental income received by Orient Biotech from Dutch Dairy ⁽²⁾ 	<p>2,251 (7.57% of the Group's revenue)</p> <p>3 (0.05% of the Group's PBT)</p>	<p>2,813 (6.46% of the Group's revenue)</p> <p>4 (0.04% of the Group's PBT)</p>	<p>883 (1.90% of the Group's revenue)</p> <p>1 (0.01% of the Group's PBT)</p>	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> ES Teoh and Lee Bao Yu were directors of Dutch Dairy 					
2.	<ul style="list-style-type: none"> Orient Biotech Vegecaps Supplies Sdn Bhd (“Vegecaps Supplies”) 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings Teoh Eng Hua is a director and sole shareholder of Vegecaps Supplies Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	<ul style="list-style-type: none"> (i) Purchase of food ingredients by Orient Biotech from Vegecaps Supplies (ii) Sales of raw materials from Orient Biotech to Vegecaps Supplies (iii) Purchase of machines by Orient Biotech from Vegecaps Supplies 	<ul style="list-style-type: none"> 34 (0.19% of the Group's cost of sales) - - 	<ul style="list-style-type: none"> 221 (0.87% of the Group's cost of sales) - 442 (1.63% of the Group's NA) 	<ul style="list-style-type: none"> 263 (0.96% of the Group's cost of sales) 12 (0.03% of the Group's revenue) - 	<ul style="list-style-type: none"> - - -
3.	<ul style="list-style-type: none"> Orient Laboratories Dutch Dairy 	<ul style="list-style-type: none"> Orient Laboratories is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings Lee Bao Yu is a Director of OB Holdings 	<ul style="list-style-type: none"> (i) Rental income received by Orient Laboratories from Dutch Dairy ⁽³⁾ (ii) Purchase of Habbatus Sauda Oil by Orient Laboratories from Dutch Dairy 	<ul style="list-style-type: none"> 108 (1.68% of the Group's PBT) 50 (0.28% of the Group's cost of sales) 	<ul style="list-style-type: none"> 108 (1.00% of the Group's PBT) - 	<ul style="list-style-type: none"> 9 (0.07% of the Group's PBT) - 	<ul style="list-style-type: none"> - -

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> Teoh Eng Hua was a director and shareholder of Dutch Dairy Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings ES Teoh and CT Wong were shareholders of Dutch Dairy ES Teoh and Lee Bao Yu were directors of Dutch Dairy 					
4.	<ul style="list-style-type: none"> Orient Laboratories Vegecaps Supplies 	<ul style="list-style-type: none"> Orient Laboratories is a wholly-owned subsidiary of OB Holdings Teoh Eng Hua is a director and sole shareholder of Vegecaps Supplies Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	Purchase of food ingredients by Orient Laboratories from Vegecaps Supplies	-	-	3 (0.01% of the Group's cost of sales)	12

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021	FYE 2022	FYE 2023	From 1 June 2023 and up to the LPD
				RM'000	RM'000	RM'000	RM'000
5.	<ul style="list-style-type: none"> Orient Biotech ES Teoh 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh is a Director and major shareholder of OB Holdings 	(i) Rental expenses paid by Orient Biotech to ES Teoh ⁽⁴⁾	12 (0.19% of the Group's PBT)	12 (0.11% of the Group's PBT)	17 (0.14% of the Group's PBT)	8
			(ii) Disposal of motor vehicles to ES Teoh	-	-	79 (0.64% of the Group's PBT)	-
6.	<ul style="list-style-type: none"> Orient Biotech Der Abakus Sdn Bhd ("Der Abakus") 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings Teoh Eng Hua is a director and shareholder of Der Abakus with 40.00% direct equity interest Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	Sales of fortified F&B by Orient Biotech to Der Abakus	3,378 (11.37% of the Group's revenue)	9,806 (22.51% of the Group's revenue)	13,317 (28.67% of the Group's revenue)	2,067
7.	<ul style="list-style-type: none"> Orient Biotech B Bintang 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings Lee Bao Yu is a Director of OB Holdings 	Sales of fortified F&B and dietary supplements by Orient Biotech to B Bintang	281 (0.95% of the Group's revenue)	159 (0.37% of the Group's revenue)	24 (0.05% of the Group's revenue)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> Lim Nai Tiang is a director and sole shareholder of B Bintang Lim Nai Tiang is the sister-in-law of ES Teoh, being a Director and major shareholder of OB Holdings Lee Bao Yu was director and shareholder of B Bintang ⁽⁵⁾ 					
8.	<ul style="list-style-type: none"> Orient Biotech Famp 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh is a Director and major shareholder of OB Holdings ES Teoh was director and shareholder of Famp ⁽⁶⁾ 	Sales of fortified F&B by Orient Biotech to Famp	26 (0.09% of the Group's revenue)	23 (0.05% of the Group's revenue)	-	-
9.	<ul style="list-style-type: none"> Orient Biotech Petavit Sdn Bhd ("Petavit") 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings Lee Bao Yu is a Director of OB Holdings 	Sales of fortified F&B by Orient Biotech to Petavit	-	39 (0.09% of the Group's revenue)	193 (0.42% of the Group's revenue)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> Lee Bao Yu was director and shareholder of Petavit ⁽⁷⁾ 					
10.	<ul style="list-style-type: none"> Orient Biotech Petavit Marketing 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings Lee Bao Yu is a Director of OB Holdings Lee Bao Yu was the sole proprietor of Petavit Marketing ⁽⁸⁾ 	Sales of fortified F&B by Orient Biotech to Petavit Marketing	13 (0.04% of the Group's revenue)	315 (0.72% of the Group's revenue)	-	-
11.	<ul style="list-style-type: none"> Bonlife Der Abakus 	<ul style="list-style-type: none"> Bonlife is a wholly-owned subsidiary of OB Holdings Teoh Eng Hua is a director and shareholder of Der Abakus with 40.00% direct equity interest Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	Sales of dietary supplements by Bonlife to Der Abakus	-	-	2 (0.004% of the Group's revenue)	

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
12.	<ul style="list-style-type: none"> • Bonlife • Petavit 	<ul style="list-style-type: none"> • Bonlife is a wholly-owned subsidiary of OB Holdings • Lee Bao Yu is a Director of OB Holdings • Lee Bao Yu was director and shareholder of Petavit ⁽⁷⁾ 	<ul style="list-style-type: none"> (i) Sales of fortified F&B by Bonlife to Petavit (ii) Rental income received by Bonlife from Petavit ⁽⁹⁾ 	-	-	1 (0.002% of the Group's revenue)	-
				-	-	4 (0.03% of the Group's PBT)	-
13.	<ul style="list-style-type: none"> • Bonlife • Dutch Dairy 	<ul style="list-style-type: none"> • Bonlife is a wholly-owned subsidiary of OB Holdings • ES Teoh and CT Wong are Directors and major shareholders of OB Holdings • Lee Bao Yu is a Director of OB Holdings • Teoh Eng Hua was a director and shareholder of Dutch Dairy • Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	Rental income received by Bonlife from Dutch Dairy ⁽¹⁰⁾	-	-	1 (0.01% of the Group's PBT)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> ES Teoh and CT Wong were shareholders of Dutch Dairy ES Teoh and Lee Bao Yu were directors of Dutch Dairy 					
14.	<ul style="list-style-type: none"> Bonlife Teoh Eng Hua 	<ul style="list-style-type: none"> Bonlife is a wholly-owned subsidiary of OB Holdings Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings 	Sales of fortified F&B and dietary supplements by Bonlife to Teoh Eng Hua	-	7 (0.02% of the Group's revenue)	7 (0.02% of the Group's revenue)	4
15.	<ul style="list-style-type: none"> Orient Biotech Special Gain 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings ES Teoh and CT Wong are directors and shareholders of Special Gain, each having 50.00% direct equity interest, respectively 	Disposal of 2 pieces of leasehold lands together with a factory erected thereon by Orient Biotech to Special Gain ⁽¹⁾	-	-	570 (2.13% of the Group's NA)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
16.	<ul style="list-style-type: none"> • Orient Laboratories • Special Gain 	<ul style="list-style-type: none"> • Orient Laboratories is a wholly-owned subsidiary of OB Holdings • ES Teoh and CT Wong are Directors and major shareholders of OB Holdings • ES Teoh and CT Wong are directors and shareholders of Special Gain, each having 50.00% direct equity interest, respectively 	<p>Disposal of 2 pieces of freehold agricultural lands by Orient Laboratories to Special Gain ⁽¹²⁾</p>	-	-	7,530 (28.09% of the Group's NA)	-
17.	<ul style="list-style-type: none"> • Orient Biotech • Teoh Wei Chin and Lee Bao Yu 	<ul style="list-style-type: none"> • Orient Biotech is a wholly-owned subsidiary of OB Holdings • Teoh Wei Chin is the spouse of Lee Bao Yu, and the son of ES Teoh and CT Wong. ES Teoh and CT Wong are the father-in-law and mother-in-law of Lee Bao Yu • ES Teoh and CT Wong are Directors and major shareholders of OB Holdings 	<p>Disposal of a piece of leasehold land together with a 3 storey terrace factory by Orient Biotech to Teoh Wei Chin and Lee Bao Yu ⁽¹³⁾</p>	-	-	1,080 (4.03% of the Group's NA)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	From 1 June 2023 and up to the LPD RM'000
		<ul style="list-style-type: none"> Lee Bao Yu is a Director of OB Holdings 					
18.	<ul style="list-style-type: none"> Orient Laboratories Teoh Wei Chin 	<ul style="list-style-type: none"> Orient Laboratories is a wholly-owned subsidiary of OB Holdings Teoh Wei Chin is the son of ES Teoh and CT Wong ES Teoh and CT Wong are Directors and major shareholders of OB Holdings 	Disposal of a unit of retail outlet by Orient Laboratories to Teoh Wei Chin ⁽¹⁴⁾	-	-	1,650 (6.16% of the Group's NA)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)**Notes:**

- (1) The principal activity of Dutch Dairy is trading of milk powder, for which Dutch Dairy trades milk powder to third party manufacturers. Our Group no longer sells milk powder to Dutch Dairy since 1 November 2022. On the even date, the business of trading of milk powder to third party manufacturers has ceased and the trading of milk powder is now carried out by Orient Biotech. Subsequently, ES Teoh and CT Wong had disposed of their entire equity interest in Dutch Dairy to Tay Shing Yang, an independent third party on 23 August 2023.
- (2) Our Group rented an office located at No. A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor from a third party. Our Group sublets a part of the office area to Dutch Dairy since 1 October 2020 and the rental arrangement had ceased on 30 September 2022.
- (3) Dutch Dairy had rented a retail unit located at Unit 1-85, Kompleks Kenanga Wholesale City, No. 2, Jalan Gelugor, 55200 Kuala Lumpur ("**Kenanga Wholesale City Unit 1-85**") from our Group continuously for 3 years commencing from 1 July 2019 until 30 June 2022 pursuant to the letters signed between Orient Laboratories (as landlord) and Dutch Dairy (as tenant) at a monthly rental of RM9,000.00. Despite the absence of termination provisions in the said letters, the rental arrangement had ceased on 30 June 2022 based on mutual agreement.
- (4) Our Group had rented an office premise located at C1-13A, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor Darul Ehsan from ES Teoh for a term of 1 year from 1 June 2021 until 31 May 2022 and subsequently for a term of 2 years commencing from 1 June 2022 until 31 May 2024 pursuant to a tenancy agreement dated 1 June 2021 and 1 June 2022 (as supplemented by a supplemental letter dated 27 September 2023), respectively between ES Teoh (as landlord) and Orient Biotech (as tenant). The monthly rental is RM1,000.00 from 1 June 2021 to 31 December 2022, RM2,000.00 from 1 January 2023 to 30 September 2023 and RM2,900.00 from 1 October 2023 to 31 May 2024.
- (5) Lee Bao Yu had disposed of her entire equity interest in B Bintang to Pui Jin Kong, a third party on 8 November 2022. She also ceased to be a director of B Bintang on 5 October 2022. The transactions entered between our Group and B Bintang subsequent to 8 November 2022 are not shown as B Bintang is no longer a related party to the Directors, major shareholders and/or persons connected with them.
- (6) ES Teoh had disposed of his entire equity interest in Famp to Teoh Wei Ken, nephew of ES Teoh on 2 November 2021. He also ceased to be a director of Famp on 18 October 2021. The transactions entered between the Group and Famp subsequent to 2 November 2021 are not shown as Famp is no longer a related party to the Directors, major shareholders and/or persons connected with them.
- (7) Lee Bao Yu had disposed of her entire equity interest in Petavit to Lim Senny, a third party on 31 May 2023. She also ceased to be a director of Petavit on 31 May 2023.
- (8) The business registration of Petavit Marketing had expired on 7 February 2023 and Lee Bao Yu has no intention to renew the business registration.
- (9) Our Group rented an office located at No. A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor from a third party. Bonlife sublets a part of the office area to Petavit since 1 November 2022 and the rental arrangement had ceased on 31 May 2023.
- (10) Our Group rented an office located at No. A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor from a third party. Bonlife sublets a part of the office area to Dutch Dairy since 1 October 2022 and the rental arrangement had ceased on 31 December 2022.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (11) Orient Biotech (as vendor) had entered into a sale and purchase agreement dated 28 October 2022 with Special Gain (as purchaser) for the disposal of 2 pieces of leasehold lands held under PM 284 Lot 3356 and PM 285 Lot 3357, both in Mukim Jasin, District of Jasin, State of Melaka, measuring 366 sq. mt., respectively, together with a factory erected thereon at a purchase price of RM570,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties of RM570,000.00 as appraised by an independent valuer on 17 August 2022. This transaction was completed on 2 November 2022.
- (12) Orient Laboratories (as vendor) had entered into 2 sale and purchase agreements dated 20 September 2022 with Special Gain (as purchaser) for the disposal of freehold agriculture vacant lands held under Geran Mukim 5439, Lot 1344, Mukim Rawang, District of Gombak, State of Selangor measuring 1.2014 hectares and Geran Mukim 8061, Lot 86003, Mukim Rawang, District of Gombak, State of Selangor measuring 0.8183 hectares at the purchase price of RM4,530,000.00 and RM3,000,000.00, respectively. Both lands are adjacent to each other. The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties of RM7,530,000.00 as appraised by an independent valuer on 16 June 2022. This transaction was completed on 30 September 2022.
- (13) Orient Biotech (as vendor) had entered into a sale and purchase agreement dated 14 March 2023 with Teoh Wei Chin and Lee Bao Yu (as purchasers) for the disposal of all that piece of leasehold land held under H.S.(M) 17969, PT 29434, Mukim Batu, District of Gombak, State of Selangor together with a 3 storey terrace factory erected thereon at the purchase price of RM1,080,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the property of RM1,080,000.00 as appraised by an independent valuer on 6 March 2023. This transaction was completed on 12 May 2023.
- (14) Orient Laboratories (as vendor) had entered into a sale and purchase agreement dated 1 December 2022 with Teoh Wei Chin (as purchaser) for the disposal of all that parcel of retail unit held under strata title Geran 73333/M1/2/220, Petak No. 220, Tingkat No. 2, Bangunan No. M1, Lot 1283 Seksyen 69, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring 60 sq. mt. (or **Kenanga Wholesale City Unit 1-85**) at the purchase price of RM1,650,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the property of RM1,650,000.00 as appraised by an independent valuer on 1 November 2022. This transaction was completed on 1 December 2022.

Save as disclosed below, the Directors confirm that all the other related party transactions between our Group and our Directors and/or major shareholders and/or persons connected to them, were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to the minority shareholders:

- (i) The transactions with Dutch Dairy as set out in item 1(i) were not carried out on arm's length as the selling price for Dutch Dairy is lower than the market price. This is due to Orient Biotech and Dutch Dairy were held by common shareholders, i.e. ES Teoh and CT Wong. However, as set out in note (1) above, ES Teoh and CT Wong had disposed of their entire equity interest in Dutch Dairy to Tay Shing Yang, an independent third party on 23 August 2023. Based on the audited financial statement of Dutch Dairy for FYE 31 May 2023, Dutch Dairy had ceased the business of trading in milk powder to third party manufacturers on 31 October 2022. Since 1 November 2022, the trading of milk powder is carried out by Orient Biotech;
- (ii) The transaction with ES Teoh as set out in item 5 was not carried out on arm's length as Orient Biotech rented the office premise from ES Teoh at a rate lower than the market rate prior to 30 September 2023. From 1 October 2023 onwards, both parties have entered into a supplemental letter to revise the monthly rental from RM2,000.00 to RM2,900.00 on arm's length basis; and

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (iii) The transactions with Dutch Dairy as set out in items 1(ii) and 13, and the transaction with Petavit as set out in item 12(ii) were not carried out on arm's length as our Group sublet part of the office to the related companies for which the shared working space were not quantifiable. However, the arrangements to sublet part of our Group's office premise to Dutch Dairy and Petavit had ceased as at LPD.

10.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS

Our Directors have confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/or any of our subsidiaries were party for the Financial Years Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.3 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE PROVIDED TO OR FOR THE BENEFIT OF RELATED PARTIES OR BY THE RELATED PARTIES

Save as disclosed below, there are no outstanding loans (including guarantees of any kind) and/or financial assistance that have been granted by our Group to or for the benefit of the related parties or by the related parties for the Financial Years Under Review and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at			LPD
				31 May 2021 RM'000	31 May 2022 RM'000	31 May 2023 RM'000	
1.	<ul style="list-style-type: none"> Orient Biotech Bagan Eco-Farm 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings ES Teoh and CT Wong are directors and shareholders of Bagan Eco-Farm, each having a 37.50% and 12.50% direct equity interest, respectively Teoh Eng Sin is a director and shareholder of Bagan Eco-Farm with 12.50% direct equity interest Teoh Eng Sin is the brother of ES Teoh, being a Director and major shareholder of OB Holdings Wong Chung Low is a shareholder of Bagan Eco-Farm with 37.50% direct equity interest 	<ul style="list-style-type: none"> Advance provided by Orient Biotech to Bagan Eco-Farm for payment of expenses ⁽¹⁾ Rental collected by Orient Biotech on behalf of Bagan Eco-Farm ⁽²⁾ 	-	5	-	-
				50	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at			LPD
				31 May 2021 RM'000	31 May 2022 RM'000	31 May 2023 RM'000	
		<ul style="list-style-type: none"> Wong Chung Low is the sister of CT Wong, being a Director and major shareholder of OB Holdings Yeoh Sek Phin is a director of Bagan Eco-Farm Yeoh Sek Phin is the brother in law of ES Teoh and CT Wong, being the Directors and major shareholders of OB Holdings 					
2.	<ul style="list-style-type: none"> Orient Biotech Dutch Dairy 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings Lee Bao Yu is a Director of OB Holdings Teoh Eng Hua was a director and shareholder of Dutch Dairy Teoh Eng Hua is the brother of ES Teoh, being a Director and major shareholder of OB Holdings ES Teoh and CT Wong were shareholders of Dutch Dairy 	<ul style="list-style-type: none"> Amount payable by Dutch Dairy to Orient Biotech for the purchase of milk powder ⁽³⁾ Excess payment by Dutch Dairy for the purchase of milk powder 	52	-	-	-
				-	95	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at			LPD RM'000
				31 May 2021 RM'000	31 May 2022 RM'000	31 May 2023 RM'000	
		<ul style="list-style-type: none"> ES Teoh and Lee Bao Yu were directors of Dutch Dairy 					
3.	<ul style="list-style-type: none"> Orient Biotech Orient Development Sdn Bhd ("Orient Development") 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh and CT Wong are Directors and major shareholders of OB Holdings ES Teoh and CT Wong are directors and shareholders of Orient Development, each having 50.00% direct equity interest, respectively 	Advances provided by Orient Biotech to Orient Development for working capital	306	-	-	-
4.	<ul style="list-style-type: none"> Orient Biotech ES Teoh 	<ul style="list-style-type: none"> Orient Biotech is a wholly-owned subsidiary of OB Holdings ES Teoh is a Director and major shareholder of OB Holdings 	Short-term advances provided by ES Teoh to Orient Biotech for working capital	50	92	-	-
5.	<ul style="list-style-type: none"> Orient Laboratories ES Teoh 	<ul style="list-style-type: none"> Orient Laboratories is a wholly-owned subsidiary of OB Holdings ES Teoh is a Director and major shareholder of OB Holdings 	Short-term advances provided by ES Teoh to Orient Laboratories for working capital	210	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Transacting parties	Nature of relationship	Nature of transaction	Outstanding amount as at			LPD
				31 May 2021 RM'000	31 May 2022 RM'000	31 May 2023 RM'000	
6.	<ul style="list-style-type: none"> • Bonlife • ES Teoh 	<ul style="list-style-type: none"> • Bonlife is a wholly-owned subsidiary of OB Holdings • ES Teoh is a Director and major shareholder of OB Holdings 	Short-term advances provided by ES Teoh to Bonlife for working capital	50	-	-	-

Notes:

- (1) Advance for payment of expenses such as quit rent and assessments.
- (2) Due to Bagan Eco-Farm not having the benefit of an online banking facility, Orient Biotech had collected rental payments from third-party tenants on behalf of Bagan Eco-Farm. Subsequently, Orient Biotech had remitted the rental collected on behalf of Bagan Eco-Farm to Bagan Eco-Farm.
- (3) Dutch Dairy had purchased milk powder from Orient Biotech in the past and it generally advanced surplus payment to Orient Biotech for future purchases. As at 31 May 2020, Dutch Dairy had deposited excess amount of RM0.59 million in Orient Biotech. During the FYE 2021, the amount from the purchase of milk powder had exceeded the amount advanced by Dutch Dairy, which in turn resulted in the amount of RM0.05 million being owed by Dutch Dairy to Orient Biotech.

As at LPD, all of these amounts have been fully repaid.

Our Directors confirm that the advances outlined above were not made on an arm's length basis as they were interest-free, unsecured and repayable on demand. As at LPD, these advances were fully paid. Moving forward, our Group has put in place strict internal control and compliance procedures and no further advances or loans will be given to any related parties of our Group unless such advances and loans are permitted under applicable law and the Listing Requirements and brought to our Audit Committee and our Board for deliberation and approval.

There is no other financial assistance made by us to or for the benefit of related parties for the Financial Years under Review and up to LPD save for a corporate guarantee provided by Orient Biotech for the benefit of Special Gain in respect of banking facilities amounting to RM2,450,000 granted by Hong Leong Bank Berhad to Special Gain. Hong Leong Bank Berhad had on 9 October 2023 irrevocably and unconditionally discharged and released Orient Biotech from the said corporate guarantee.

10. RELATED PARTY TRANSACTIONS (CONT'D)**10.4 PROVISION OF GUARANTEES BY OUR SUBSTANTIAL SHAREHOLDERS FOR THE BANKING FACILITIES GRANTED TO OUR GROUP**

Our Directors, namely, ES Teoh and CT Wong have jointly and severally provided personal guarantees for the banking facilities extended by Hong Leong Islamic Bank Berhad, Hong Leong Bank Berhad, Public Bank Berhad and OCBC (Malaysia) Bank Berhad (“**Financiers**”) to Orient Biotech and Bonlife. The aggregate amount of facilities secured as at LPD is approximately RM40.22 million.

As at LPD, the details of the facilities granted to Orient Biotech and Bonlife are as follows:

No.	Financiers	Type of Facilities	Facility Limit RM'000	Outstanding amount as at LPD RM'000
1.	OCBC Bank (Malaysia) Berhad	Overdraft	700	251
		Tradeline facilities	3,800	435
		5-year term loan 1	1,000	427
		3-year term loan 2	1,014	570
		5-year term loan 3	947	-(1)
2.	Hong Leong Bank Berhad	Fixed term loan	2,000	-(1)
		Overdraft	500	401
		Tradeline facilities	4,500	-(1)
3.	Hong Leong Islamic Bank Berhad	Term financing 1	12,100	11,445
		Term financing 2	13,500	-(1)
4.	Public Bank Berhad	Hire purchase financing	100	84
			60	57
Total			40,221	13,670

Note:

(1) The said facility is yet to be utilised by Orient Biotech.

We have written to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, ES Teoh and CT Wong will continue to guarantee the respective banking facilities extended to our Group.

As at LPD, we have received conditional approvals from all our Financiers to discharge the above guarantees upon our Listing by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.5.1 Audit and Risk Management Committee review

Moving forward, our Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) will be undertaken on arm's length basis and on normal commercial terms. Our Group has established the following procedures:

- (i) whether the terms of the related party transactions are fair and on arms' length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) the rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any;
- (iii) whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction; and
- (iv) at least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products / services and / or quantities.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10.5.2 Our Group's policy on related party transactions and conflicts of interest

It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee.

In the event there are any proposed related party transactions that require prior shareholders' approval, any related party who is our Directors, major shareholders and/or persons connected with them who have any interest, whether direct or indirect in the proposed related party transactions will abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with him/her, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

After our Listing and in accordance with the Listing Requirements, we will be required to seek our shareholders' approval each time we enter into material related party transactions. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

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11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

As at LPD, none of our Directors and / or Substantial Shareholders has any other interest, whether direct or indirect, in other businesses or corporations which are carrying on a similar trade to that of our Group or which are the customers and/or suppliers of our Group.

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 Principal Adviser, Sponsor, Sole Underwriter and Placement Agent

AIS and/or its related companies (“**Alliance Banking Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking and credit transaction services business. AIS has been engaged as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent for the Listing of OB Holdings and the Alliance Banking Group may in the future, engage in transactions with and perform services for OB Holdings Group and/or OB Holdings Group’s affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Alliance Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of OB Holdings Group, its shareholders, and/or its affiliates and/or any other entity or person, hold long or short positions in securities issued by OB Holdings Group and/or its affiliates, and may trade or otherwise effect transactions for its own account or account of its other customer in debt or equity securities or loans of any member of OB Holdings Group and / or its affiliates. This is the result of the businesses of Alliance Banking Group generally acting independently of each other and accordingly, there may be situations where parts of the Alliance Banking Group now have or in the future, may have an interest or take actions that may conflict with the interest of OB Holdings Group. Nonetheless, Alliance Banking Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

AIS has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent to our Group in relation to the Listing. [The Underwriting Agreement, which certain details are set out in Section 4.6 of this Prospectus, was entered into on arm’s length basis and on market terms.]

11.2.2 Solicitors to our Company

Mah-Kamariyah & Philip Koh has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Company as to the laws of Malaysia in relation to the Listing.

11.2.3 Auditors and Reporting Accountants

Grant Thornton has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to the Listing.

11.2.4 Independent Market Researcher

Smith Zander has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Company in relation to the Listing.

12. FINANCIAL INFORMATION

12.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Notes:

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

(2) EBITDA is calculated as follows:

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

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

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Note:

* Less than RM1,000.

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

12.2 CAPITALISATION AND INDEBTEDNESS

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

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

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

Note:

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

12.3.1 Overview of our operations

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

- (a) Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners;
- (b) Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands; and
- (c) Trading of milk powder and other activities.

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

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

12. FINANCIAL INFORMATION (CONT'D)

12.3.2 Review of operations

(a) Revenue

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

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

(i) Analysis of contribution to revenue by principal activities

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

- Provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners ("**Provision of manufacturing services**");
- Manufacturing, sales and marketing of fortified F&B and dietary supplements under our house brands ("**Sales of house brands products**");
- Trading of milk powder; and
- other activities such as laboratory tests services, freight services, and the sales of packaging materials, pallets and face masks on an ad hoc basis ("**Trading of milk powder and other activities**").

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

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

Notes:

- (1) The provision of manufacturing services includes the manufacturing of fortified F&B for pets for our customers in Malaysia, which contributed 0.79%, 2.30% and 2.51% of our total revenue for the Financial Years Under Review, respectively. On 1 June 2023, we had ceased the manufacturing of fortified F&B for pets as part of our Group's strategy to focus on the core business activities, i.e. the manufacturing of fortified F&B and dietary supplements for human consumption.
- (2) The trading of milk powder contributed 91.18%, 94.68% and 91.09% to our Group's trading of milk powder and other activities segment for the Financial Years Under Review. Our Group also undertakes other activities such as laboratory tests services, freight services, and the sales of packaging

12. FINANCIAL INFORMATION (CONT'D)

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

(ii) Analysis of contribution to revenue by geographical locations

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

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

Note:

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

(iii) Analysis of contribution to revenue by subsidiaries

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

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

12. FINANCIAL INFORMATION (CONT'D)**Commentary:**Comparison between FYE 2021 and FYE 2022

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

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

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

Provision of manufacturing services

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

- (i) Increase in fortified F&B by RM7.97 million or 42.64% to RM26.66 million for FYE 2022 (FYE 2021: RM18.69 million), mainly attributable to more orders secured from the sales of (a) fruit-based products of RM6.47 million, which primarily from an existing customer, who increased its sales to Vietnam; and (b) milk-based products of RM2.22 million which mainly from an existing customer; and
- (ii) Increase in dietary supplements by RM1.65 million or 46.35% to RM5.21 million for FYE 2022 (FYE 2021: RM3.56 million), mainly attributable to more orders secured from sales of nutraceutical-based products of RM2.09 million, which largely from an existing customer. Such an increase was partially offset by the decrease in traditional medicines of RM0.44 million, mainly from 2 existing customers.

Sales of house brands products

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Trading of milk powder and other activities

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

Comparison between FYE 2022 and FYE 2023

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

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

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

Provision of manufacturing services

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

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

12. FINANCIAL INFORMATION (CONT'D)***Sales of house brands products***

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

- (i) Increase in sales of fortified F&B by RM0.45 million or 7.38% to RM6.55 million for FYE 2023 (FYE 2022: RM6.10 million), mainly from the sale of our existing product under *GoHerb*, namely GoHerb Antler Extract, which increased by RM1.25 million for FYE 2023 as more orders were secured from sales via social media platforms during FYE 2023. Such an increase was partially offset by the decrease in sales of our existing products under *Bonlife*, namely (a) Bonlife Purenat Premium Goat Milk Powder; (b) Vta C on The Go C5X Powder; (c) Bonlife Purenat Gold Goat Milk Powder; and (d) Bonlife Qing Guan Herbal Tea, which collectively decreased by RM0.83 million for FYE 2023 mainly due to lower demand from retailers and distributor; and
- (ii) Increase in sales of dietary supplements by RM0.61 million or 39.61% to RM2.15 million for FYE 2023 (FYE 2022: RM1.54 million), mainly from the sales of our existing products under *Bonlife*, namely (a) Bonlife Organic Sacha Inchi Oil 500 Mg Softgel; and (b) Bonlife SachaQ10 Plus Softgel, which collectively increased by RM0.81 million for FYE 2023. Such an increase was mainly attributed to the research collaboration effort with Universiti Sains Malaysia to undertake research on the development of sachal inchi oil supplementation for the improvement of hyperglycaemia, hypertension and hyperlipidaemia which enabled the Group to gain customer confidence in this product by providing third party verification on the product efficacy through scientific research. Such increase was partially narrowed by the decrease in sales of our existing products under *Bonlife*, namely Bonlife Vta C Pro Vitamin C 1000 Plus Effervescent Tablet and Bonlife Vta C Protect Vitamin C 1000 Plus Effervescent Tablet of collectively RM0.30 million, mainly due to lower demands during the post COVID-19 period.

Trading of milk powder and other activities

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

(b) Cost of sales, GP and GP margin

Our cost of sales comprises mainly for the following:

- **Costs of materials consumed**

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

- **Direct labour costs**

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

12. FINANCIAL INFORMATION (CONT'D)

- **Factory overheads**

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

- (i) **Analysis of cost of sales by cost component**

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

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

Comparison between FYE 2021 and FYE 2022

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

Costs of materials consumed

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

Direct labour costs

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

- (aa) Increase in salaries and allowances by RM0.41 million to RM1.67 million for FYE 2022 (FYE 2021: RM1.26 million), mainly due to annual salary increment and higher staff incentives for FYE 2022; and
- (bb) Increase in sundry wages by RM0.24 million to RM0.39 million for FYE 2022 (FYE 2021: RM0.15 million), mainly due to the increase in monthly average part-time workers' headcount from 10 staff for FYE 2021 to 17 staff for FYE 2022 and increase in operation and production hour for part-time workers in order to meet the higher sales for products.

12. FINANCIAL INFORMATION (CONT'D)

Factory overheads

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

- (aa) Increase in depreciation of property, plant and equipment by RM0.24 million to RM0.81 million for FYE 2022 (FYE 2021: RM0.57 million), mainly due to additional plant and machines purchased during FYE 2022 for Selayang Factory and full-year impact on the depreciation of machines acquired during FYE 2021;
- (bb) Increase in the upkeep of factory by RM0.06 million to RM0.19 million for FYE 2022 (FYE 2021: RM0.13 million), mainly due to set up costs for Rented Serendah Factory newly rented from March 2022;
- (cc) There was a new rental of Rented Serendah Factory of RM0.05 million for FYE 2022 (FYE 2021: Nil) from March 2022; and
- (dd) Increase in transportation charges by RM0.04 million to RM0.11 million for FYE 2022 (FYE 2021: RM0.07 million), which increased in tandem with the growth in our revenue.

Comparison between FYE 2022 and FYE 2023

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

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12. FINANCIAL INFORMATION (CONT'D)***Costs of materials consumed***

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

Direct labour costs

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

Factory overheads

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

- (aa) Increase in depreciation of property, plant and equipment by RM0.51 million to RM1.32 million for FYE 2023 (FYE 2022: RM0.81 million), primarily due to the additional plant and machines purchased during FYE 2023 for setting up our Rented Serendah Factory and full-year impact on the depreciation of machines acquired during FYE 2022;
- (bb) Increase in factory rental of RM0.24 million to RM0.29 million for FYE 2023 (FYE 2022: RM0.05 million) due to the rental paid for our Rented Serendah Factory;
- (cc) Increase in depreciation of right-of-use assets by RM0.15 million to RM0.20 million for FYE 2023 (FYE 2022: RM0.05 million), mainly due to the depreciation of our New Serendah Land; and
- (dd) Increase in utilities by RM0.13 million to RM0.40 million for FYE 2023 (FYE 2022: RM0.27 million), mainly due to utilities incurred in our Rented Serendah Factory.

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

GP	FYE 2021		Audited FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Provision of manufacturing services	9,743	81.52	13,559	74.21	13,247	69.83
Sales of house brands products	1,864	15.60	4,494	24.60	5,333	28.11
Trading of milk powder and other activities	345	2.88	217	1.19	390	2.06
Total GP	11,952	100.00	18,270	100.00	18,970	100.00

	FYE 2021		FYE 2022		FYE 2023	
GP margin	%		%		%	
Provision of manufacturing services	43.33		41.25		38.09	
Sales of house brands products	45.59		58.79		61.31	
Trading of milk powder and other activities	10.98		7.13		13.11	
Overall GP margin	40.22		41.94		40.84	

Comparison between FYE 2021 and FYE 2022

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Provision of manufacturing services

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

Sales of house brands products

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

Trading of milk powder and other activities

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

Comparison between FYE 2022 and FYE 2023

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

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

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

12. FINANCIAL INFORMATION (CONT'D)***Provision of manufacturing services***

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

Sales of house brands products

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

Trading of milk powder and other activities

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

(c) Other income

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

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

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

- (1) Represents government grants of RM2.14 million approved on 31 March 2014 for the purchase of machinery and laboratory equipment under the modernisation and upgrading of facilities and tools to undertake manufacturing activity, purchase of a new technology patent and related research and development expenditure, and employee training expenditure. Such government grants had been amortised fully in FYE 2021.
- (2) The other income includes one-off net gain from the disposal of the following investment properties of RM4.11 million and a right-of-use asset of RM0.63 million:

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

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

- (3) Rental income from investment properties mainly relates to Kenanga Wholesale City Unit 1-85 rented to Dutch Dairy, a related company. The tenancy agreement was not renewed since June 2022 upon its expiry, and Dutch Dairy has ceased its business since 1 November 2022.
- (4) Wage subsidy income from the Government of Malaysia during the COVID-19 pandemic to provide financial assistance for company whose operations have been affected by COVID-19 with continuing operations and retaining employees.

Commentary:Comparison between FYE 2021 and FYE 2022

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

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 2022 and FYE 2023

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

(d) Selling and distribution expenses

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

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

Commentary:

Comparison between FYE 2021 and FYE 2022

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

- (i) increase in commissions by RM1.18 million or 983.33% to RM1.30 million for FYE 2022 (FYE 2021: RM0.12 million), which was mainly related to the commissions paid for new products under *GoHerb* through the appointment of CTG as the marketing agent; and
- (ii) increase in advertising expenses by RM0.38 million or 190.00% to RM0.58 million for FYE 2022 (FYE 2021: RM0.20 million), mainly due to additional marketing activities to promote our products through advertisement on social media platforms as well as third party e-commerce platforms during FYE 2022.

Comparison between FYE 2022 and FYE 2023

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

- (i) increase in commissions by RM0.25 million or 19.23% to RM1.55 million for FYE 2023 (FYE 2022: RM1.30 million), which was mainly attributable to higher commissions paid to CTG for *GoHerb* products during FYE 2023, which increased in tandem with the growth in revenue for such products; and
- (ii) increase in advertising expenses by RM0.88 million or 151.72% to RM1.46 million for FYE 2023 (FYE 2022: RM0.58 million), mainly due to more advertising activities through online marketing on social media platforms such as Facebook to market our products during FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)

(e) Administrative expenses

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

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

Notes:

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

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

- (2) Bad debts were written off due to uncollectible long outstanding trade debts.
- (3) Comprises mainly rental expenses relating to short-term leases for offices and office equipment, printing and stationery expenses, travelling expenses and sundry expenses, which comprised mainly general office supplies expenses.

12. FINANCIAL INFORMATION (CONT'D)**Commentary:**Comparison between FYE 2021 and FYE 2022

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

- (i) increase in professional fees by RM0.50 million or 192.31% to RM0.76 million for FYE 2022 (FYE 2021: RM0.26 million), mainly due to (a) consultation fees for the renovation of our then three-storey terrace factory located in Batu Caves, Selangor for which the said property was subsequently disposed of during FYE 2023; (b) technical advisory fee; (c) consultation fee incurred for internal control improvement incurred during FYE 2022; and (d) higher auditors' remuneration for FYE 2022 as a result of the first adoption of MFRSs; and
- (ii) increase in staff-related costs by RM0.45 million or 30.61% to RM1.92 million for FYE 2022 (FYE 2021: RM1.47 million), mainly due to the annual salary increment and increase in average monthly staff headcount from 21 administrative staffs for FYE 2021 to 32 administrative staffs during FYE 2022.

The above increases were partially offset by the following:

- (i) our product development expenses decreased by RM0.14 million or 14.89% to RM0.80 million for FYE 2022 (FYE 2021: RM0.94 million), mainly due to the decrease in testing fees by RM0.21 million or 35.00% to RM0.39 million for FYE 2022 (FYE 2021: RM0.60 million), as lower costs incurred for a clinical trial for Bonlife Organic Sacha Inchi Oil 500mg towards the end of the trial as mentioned in Section 7.10.2 of this Prospectus; and
- (ii) gifts and donations of RM0.08 million for FYE 2022, mainly contributed by the donation to the British Dietetic Association.

Comparison between FYE 2022 and FYE 2023

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

- (i) increase in professional fees by RM1.20 million or 157.89% to RM1.96 million for FYE 2023 (FYE 2022: RM0.76 million), mainly due to (a) one-off expenses incurred for the Listing of RM1.08 million; and (b) legal fee of RM0.29 million for the purchase of New Serendah Land;
- (ii) there were property, plant and equipment written off of RM0.59 million for FYE 2023 (FYE 2022: Nil), which comprised mainly furniture, fittings and office equipment for our then three-storey terrace factory located in Batu Caves, Selangor and renovation costs for our then Kenanga Wholesale City Unit 1-85 disposed of during FYE 2023;
- (iii) increase in staff-related costs by RM0.57 million or 29.69% to RM2.49 million for FYE 2023 (FYE 2022: RM1.92 million), mainly due to the increase in our management headcount and salary increments;
- (iv) increase in repair and maintenance of RM0.16 million or 59.26% to RM0.43 million for FYE 2023 (FYE 2022: RM0.27 million) mainly for our head office;
- (v) increase in directors' remuneration of RM0.12 million or 23.53% to RM0.63 million for FYE 2023 (FYE 2022: RM0.51 million), mainly due to the full-year impact of the remunerations paid to a director who was appointed in December 2021;

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

Commentary:

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

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

(g) Net impairment loss on receivables

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

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

Notes:

- (1) Comprises specific impairment losses on individual customers for FYE 2021 in respect of the closure of a customer's store and 3 customers in which our Group had no reasonable expectation in recovering the outstanding amounts. These customers are not our major customers.
- (2) For FYE 2023, our Group recognised specific impairment losses for those remaining outstanding overdue trade receivables that exceeded 6 months from the normal credit period.
- (3) Comprises impairment loss on deposits for the purchase of machine in which the supplier failed to deliver.

12. FINANCIAL INFORMATION (CONT'D)

Commentary:

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

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

(h) Finance income

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

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

Commentary:

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

(i) Finance costs

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

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

Notes:

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

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

12. FINANCIAL INFORMATION (CONT'D)**Commentary:**Comparison between FYE 2021 and FYE 2022

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

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

Comparison between FYE 2022 and FYE 2023

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

(j) Tax expenses

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

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

Commentary:Comparison between FYE 2021 and FYE 2022

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

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

- (i) Non-deductible expenses of RM0.90 million, comprised mainly depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million and impairment loss on other receivables of RM0.58 million;
- (ii) Underprovision of deferred tax expenses in the prior year of RM0.12 million, primarily related to property, plant and equipment; and
- (iii) Non-taxable income of RM0.38 million comprised mainly wage subsidy and amortisation of deferred income for government grants as disclosed in Section 12.3.2(c) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

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

- (i) Tax savings from the change in tax rates of 17% tax rate on the first RM600,000 chargeable income for those companies with paid-up capital of RM2.50 million or less, and gross business income of not more than RM50.00 million. Those companies do not control, directly or indirectly, another company that has paid-up capital of more than RM2.50 million; and
- (ii) Additional tax for non-deductible expenses of RM0.60 million, which comprise mainly professional fees of RM0.31 million and depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million.

Comparison between FYE 2022 and FYE 2023

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

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

- (i) Income not subject to tax of RM4.83 million, comprised mainly of gain on disposal of property, plant and equipment of RM0.09 million, gain on disposal of investment properties of RM4.11 million and gain on disposal of right-of-use asset of RM0.63 million;
- (ii) Non-deductible expenses of RM3.07 million, which comprise mainly professional fees of RM0.46 million and depreciation of property, plant and equipment, right-of-use assets and investment properties of RM0.57 million, expenses incurred for the Listing of RM1.08 million and property, plant and equipment written off of RM0.57 million; and
- (iii) Underprovision of income tax expenses in the prior year of RM0.20 million.

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

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

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

12. FINANCIAL INFORMATION (CONT'D)**Note:**

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

Commentary:Comparison between FYE 2021 and FYE 2022

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

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

Comparison between FYE 2022 and FYE 2023

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

- (aa) higher selling and distribution expenses resulting from the increase in advertising expenses of RM0.88 million, as explained in Section 12.3.2(d) of this Prospectus; and
- (bb) higher administrative expenses, mainly due to the expenses incurred for the Listing of RM1.08 million, increase in staff-related costs of RM0.57 million and property, plant and equipment written off of RM0.59 million, as explained in 12.3.2(e) of this Prospectus.

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Significant factors materially affecting our operations and financial results

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

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

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)**(d) Impact of foreign exchange fluctuation risks**

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

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

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

(e) Impact of commodity prices

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

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

(f) Impact of inflation

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)**(h) Impact of interest rates**

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

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

Note:

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

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

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

(i) Dependency on necessary licences, approvals and permits

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

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

12.3.4 Liquidity and capital resources**(a) Working capital**

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

(b) Cash flow

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

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

Note:

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

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

12. FINANCIAL INFORMATION (CONT'D)**Commentary:****Net cash from operating activities****FYE 2021**

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

- (i) increase in inventories of RM1.79 million, mainly due to the increase in our raw material inventory level to prepare for any global supply chain disruption resulting from the COVID-19 pandemic as well as the increase in price of certain raw materials;
- (ii) increase in receivables of RM2.70 million, mainly due to the increase in trade receivables of RM3.11 million resulting from higher sales made towards the last quarter of FYE 2021. The said increase was partially offset by the decrease in other receivables of RM0.41 million, mainly due to the following:
 - (a) decrease in third party receivables of RM0.13 million, mainly contributed to lesser deposits paid for the purchase of raw materials and the repayments of advances to our staff in prior years for their personal use; and
 - (b) decrease in prepayments of RM0.21 million, mainly due to prepaid expenses incurred for a clinical trial on the efficacy of sachai inchi oil was fully charged out during FYE 2021;
- (iii) increase in payables of RM1.88 million, mainly due to the following:
 - (a) increase in trade payables of RM1.54 million, primarily due to the purchase of additional raw materials to prepare for any global supply chain disruption as a result of the COVID-19 pandemic; and
 - (b) the increase in other payables of RM0.34 million, primarily attributable to the increase in accruals of RM0.46 million, mainly due to higher accruals of staff-related costs and accrual of factory renovation costs; and
- (iv) income tax paid of RM1.67 million.

FYE 2022

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

- (i) increase in inventories of RM5.77 million, mainly due to the following:
 - (a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022 as well as the increase in the price of certain raw materials; and
 - (b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022.
- (ii) decrease in receivables of RM1.41 million, mainly due to the decrease in trade receivables by RM1.95 million as our Group had improved collections from our customers during FYE 2022 upon improvement in our credit control monitoring process by following up closely on the collections via calls and emails with our customers. The said decrease was partially offset by the increase in other receivables of RM0.54 million, mainly attributable to the following:

12. FINANCIAL INFORMATION (CONT'D)

- (a) increase in deposits of RM0.37 million, mainly due to deposits paid for the purchase of machines for our Rented Serendah Factory, renovation costs for our Rented Serendah Factory and rental and utility deposits for our Rented Serendah Factory; and
- (b) increase in third party receivables of RM0.16 million, mainly due to more deposits paid for the purchase of raw materials;
- (iii) increase in payables of RM3.78 million, mainly attributable to the following:
 - (a) increase in trade payables of RM0.94 million, mainly due to higher raw materials purchased from a major supplier towards the end of FYE 2022; and
 - (b) increase in other payables of RM2.84 million, mainly attributable to deposit received from a customer for the purchase of our products, an amount payable for the purchase of machines and commissions payable to our marketing agent; and
- (iv) income tax paid of RM2.57 million.

FYE 2023

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

- (i) decrease in inventories of RM2.17 million, mainly due to the following:
 - (a) lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and
 - (b) lower work-in-progress and finished goods at the end of FYE 2023 as compared to FYE 2022, primarily due to lesser orders received from our customers towards the end of FYE 2023 as compared to FYE 2022;
- (ii) increase in receivables of RM0.90 million, mainly due to the following:
 - (a) increase in trade receivables of RM0.40 million, mainly due to higher sales made towards the end of FYE 2023; and
 - (b) increase in other receivables of RM0.50 million, mainly attributable to the deposits paid for the purchase of machines for our Rented Serendah Factory and deposits paid for the construction of our New Serendah Factory.
- (iii) decrease in payables of RM4.24 million, mainly attributable to the following:
 - (a) decrease in trade payables of RM1.85 million, mainly due to lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and
 - (b) decrease in other payables of RM2.39 million, mainly attributable to the decrease in non-trade payables of RM2.09 million, mainly due to lower deposits received from our customers for the purchase of our products during FYE 2023 and the decrease in accruals of RM0.29 million, mainly due to less accrued staff-related costs as most of the staff-related costs were paid during FYE 2023.
- (iv) income tax paid of RM2.96 million; and
- (v) income tax refunded from the Inland Revenue Board of RM0.07 million.

12. FINANCIAL INFORMATION (CONT'D)**Net cash used in investing activities****FYE 2021**

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM1.67 million, which comprised plant and machines of RM0.95 million and furniture, fittings and office equipment of RM0.72 million for our business operations; and
- (ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.02 million.

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

FYE 2022

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM2.97 million, which comprised mainly plant and machines of RM2.13 million, furniture, fittings and office equipment of RM0.63 million and motor vehicles of RM0.21 million for our business operations; and
- (ii) cash payments for additional right-of-use assets of RM1.38 million, which the advance payment our New Serendah Land of RM1.35 million and motor vehicles of RM0.03 million.

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

FYE 2023

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM3.00 million, which comprised plant and machinery of RM1.48 million, furniture, fittings and office equipment of RM0.82 million and motor vehicles of RM0.70 million for our business operations;
- (ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.09 million; and
- (iii) repayment for the outstanding balance for the purchase of our New Serendah Land of RM12.13 million.

The above increases were partially offset by the following:

- (i) proceeds from the disposal of property, plant and equipment of RM0.17 million, which comprised motor vehicles, plant and machines;
- (ii) proceeds from the disposal of investment properties of RM9.25 million, which comprised freehold land and building, and leasehold land; and

12. FINANCIAL INFORMATION (CONT'D)

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

Net cash used in financing activities**FYE 2021**

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

- (i) dividends paid to shareholders of RM4.35 million;
- (ii) net drawdowns of bankers' acceptances of RM1.95 million for payments to the suppliers;
- (iii) drawdowns of a term loan of RM1.00 million for working capital purposes;
- (iv) repayments of term loans of RM0.20 million;
- (v) repayments of lease liabilities of RM0.58 million for the purchase of motor vehicles under hire purchase arrangements;
- (vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.18 million;
- (vii) advances from a Director of RM0.27 million for our Group's working capital purposes; and
- (viii) repayments to companies in which certain Directors have interests of RM0.71 million.

FYE 2022

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

- (i) dividends paid to shareholders of RM1.20 million;
- (ii) net repayments of bankers' acceptances of RM1.15 million;
- (iii) drawdowns of a term loan of RM1.01 million for the purchase of plant and machinery;
- (iv) repayments of term loans of RM0.36 million;
- (v) repayments of lease liabilities of RM0.14 million for the purchase of motor vehicles under hire purchase arrangements;
- (vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.22 million;
- (vii) repayments to a director of RM0.22 million for advances as our Group's working capital purposes; and
- (viii) advances from companies in which certain Directors have interests of RM0.04 million.

FYE 2023

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

- (i) dividends paid to shareholders of RM9.89 million;
- (ii) net repayments of bankers' acceptances of RM0.72 million;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) drawdowns of a term loan of RM12.10 million for the purchase of our New Serendah Land;
- (iv) repayments of term loans of RM2.07 million;
- (v) repayments of lease liabilities of RM0.25 million for the purchase of motor vehicles under hire purchase arrangements;
- (vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.54 million;
- (vii) full repayment to a director of RM0.09 million for advances to our Group's working capital purposes; and
- (viii) repayments to company in which certain directors have interests of RM0.10 million.

12.3.5 Borrowings

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

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

Note:

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

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

- (a) legal charges over our certain properties;
- (b) pledged of fixed deposits of our Group; and
- (c) joint and severally guarantees by our Directors.

12. FINANCIAL INFORMATION (CONT'D)

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

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

12.3.6 Type of financial instruments used

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

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

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

12.3.7 Treasury policies and objectives

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

12.3.8 Material commitment

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

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

Notes:

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

12.3.9 Material contingent liabilities

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

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

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

12.3.10 Material litigation

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

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12. FINANCIAL INFORMATION (CONT'D)**12.4 KEY FINANCIAL RATIOS**

The key financial ratios of our Group are as follows:

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

Trade receivables

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

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

Notes:

- (1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables net of impairment loss of the respective financial years.
- (2) Computed based on average trade receivables of the respective financial years over the revenue of the respective financial years, multiplied by 365 days.

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

Notes:

- (1) Comprises specific impairment losses on individual customers for FYE 2021 in respect of the closure of a customer's store and 3 customers in which our Group had no reasonable expectation in recovering the outstanding amounts. These customers are not our major customers.
- (2) For FYE 2023, our Group recognised specific impairment losses for those remaining outstanding overdue trade receivables that exceeded 6 months from the normal credit period.

Trade payables

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

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

Notes:

- (1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years.
- (2) Computed based on average trade payables of the respective financial years over the cost of materials consumed of the respective financial years, multiplied by 365 days.

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

Note:

* Less than RM2,000.

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

Inventories

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

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

Notes:

- (1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years.
- (2) Computed based on average inventories of the respective financial years over the cost of materials consumed of the respective financial years, multiplied by 365 days.

12. FINANCIAL INFORMATION (CONT'D)

Our inventories comprise the following:

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

Notes:

- (1) Raw materials consist mainly herbal plant powder and extract as well as plant oil. Raw materials also include food ingredients such as excipients, milk powder, and fruit and vegetable powder, and packaging materials such as boxes and aluminium foils. The shelf lives of raw materials range from 1 year to 3 years.
- (2) Work-in-progress inventories are partially completed materials within the manufacturing cycle.
- (3) Finished goods consist of goods that have completed the manufacturing process and yet to be sold or distributed to the customers.

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

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

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

- (a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022; and
- (b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022.

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

Notes:

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

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

Current ratio

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

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

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

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

- (i) decrease in trade receivables of RM1.95 million, mainly due to improved collections from our customers during FYE 2022 resulting from the improvement in our credit control monitoring process; and
- (ii) increase in other payables of RM14.81 million, mainly attributable to the outstanding balances for the purchase our New Serendah Land, a deposit received from a customer for the purchase of our products, amount payable for the purchase of machines and commission payables to our marketing agent.

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

- (i) increase in inventories of RM5.77 million, mainly due to the following:
- (a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022; and
- (b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022; and

12. FINANCIAL INFORMATION (CONT'D)

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

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

- (i) decrease in trade payables of RM1.85 million, mainly due to lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and
- (ii) decrease in other payables of RM14.71 million, mainly attributable to the repayment of outstanding balances for our New Serendah Land, lower deposits received from our customers during FYE 2023 and less accrued staff-related costs as most of the staff-related costs were paid during FYE 2023.

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

- (i) decrease in inventories of RM2.28 million, mainly due to the following:
- (a) lower raw materials, mainly due to lesser raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022;
- (b) lower work-in-progress and finished goods at the end of FYE 2023 as compared to FYE 2022, primarily due to lesser orders received from our customers towards the end of FYE 2023 as compared to FYE 2022; and
- (ii) decrease in cash and bank balances of RM1.23 million, mainly due to repayment of term loans, bankers' acceptance and lease liabilities for hire purchase of motor vehicles as well as purchase of property, plant and equipment, which comprised mainly plant and machinery, furniture, fittings and office equipment and motor vehicles. Such payments were partially offset by the internally generated funds contributed by our business growth.

Gearing ratio

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

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

Note:

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

12.5 TREND INFORMATION

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

- (a) known trends, demands, commitments, events or uncertainties that have had or that our Group reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this Section and in Sections 7 and 9 of this Prospectus;
- (b) material commitment for capital expenditure save as disclosed in Section 12.3.8 of this Prospectus;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus; and
- (e) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this Sections 7 and 9 of this Prospectus.

12.6 ORDER BOOK

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

12.7 SIGNIFICANT CHANGES

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

12. FINANCIAL INFORMATION (CONT'D)

12.8 DIVIDEND POLICY

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

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

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as the Act requires;
- (v) any material impact of tax laws and other regulatory requirements;
- (vi) the construction costs for our New Serendah Factory as part of our Group's business expansion plan; and
- (vii) prior written consent from financial institutions, where required.

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

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

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

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

- (i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than its liabilities.

12. FINANCIAL INFORMATION (CONT'D)

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

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

Notes:

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

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

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

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13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

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

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

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



**REPORTING ACCOUNTANTS' REPORT ON THE
COMPILATION OF PRO FORMA COMBINED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2023**

(Prepared for inclusion in the Prospectus)

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

T +603 2692 4022
F +603 2691 5229

Date: 3 October 2023

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

Dear Sirs,

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

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**Directors' Responsibility for the Pro Forma Combined Statements of Financial Position**

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibility

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**Reporting Accountants' Responsibility (cont'd)**

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

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

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

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

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

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

Opinion

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



Other Matter

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

Yours faithfully,

A handwritten signature in black ink, appearing to read "Grant Thornton Malaysia PLT".

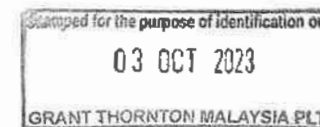
GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

A handwritten signature in black ink, appearing to read "Foo Lee Meng".

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

Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

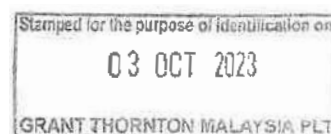


**OB HOLDINGS BERHAD
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)**

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



OB HOLDINGS BERHAD

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

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

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

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

Merger reserve	[*]

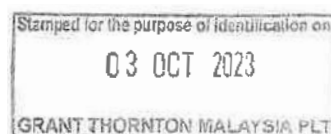
Bonlife, Orient Biotech, and Orient Laboratories are regarded as continuing entities resulting from the reorganisation exercise because the management of Bonlife, Orient Biotech, and Orient Laboratories, which participated in the reorganisation exercise was under common control before and immediately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

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

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

3. LISTING SCHEME**(i) Pro Forma I: Acquisitions**

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****3. LISTING SCHEME (CONT'D)****(ii) Pro Forma II: Public Issue****(a) Proposed Public Issue**

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

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

(b) Proposed Listing

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

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



OB HOLDINGS BERHAD

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

3. LISTING SCHEME (CONT'D)

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

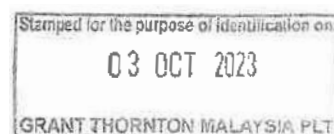
Notes:

- (1) From the date of listing of the shares.
- (2) As at 15 September 2023, being the latest practicable date prior to the date of Prospectus ("LPD"), the Group has secured a Flexi Term Islamic Financing Facility of RM[*] to cover the construction cost. To present the impact on the Group's gearing ratio had the Flexi Term Islamic Financing Facility been drawn down and subsequently it will be repaid by utilising proceeds from IPO.
- (3) If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

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

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****4.01 PROPERTY, PLANT AND EQUIPMENT**

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

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

4.02 RIGHT-OF-USE ASSETS

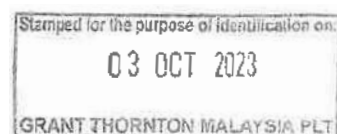
The movements of right-of-use assets are as follows:-

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

4.03 INVESTMENT PROPERTIES

The movements of investment properties are as follows:-

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****4.04 INTANGIBLE ASSETS**

The movements of intangible assets are as follows:-

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

4.05 OTHER RECEIVABLES

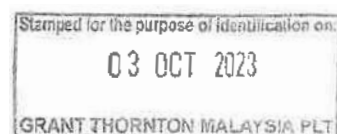
The movements of other receivables are as follows:-

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

4.06 INVENTORIES

The movements of inventories are as follows:-

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****4.07 TRADE RECEIVABLES**

The movements of trade receivables are as follows:-

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

4.08 TAX RECOVERABLE

The movements of tax recoverable are as follows:-

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

4.09 DEPOSITS WITH LICENSED BANKS

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



OB HOLDINGS BERHAD

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

4.10 CASH AND BANK BALANCES

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

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

4.11 SHARE CAPITAL

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

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****4.12 RETAINED EARNINGS**

The movements of retained earnings are as follows:-

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

4.13 DEFERRED TAX LIABILITIES

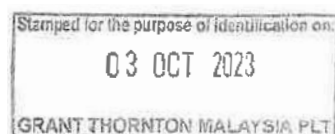
The movements of deferred tax liabilities are as follows:-

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

4.14 BORROWINGS

The movements of borrowings are as follows:-

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

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**OB HOLDINGS BERHAD****NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2023 (CONT'D)****4.15 LEASE LIABILITIES**

The movements of lease liabilities are as follows:-

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

4.16 TRADE PAYABLES

The movements of trade payables are as follows:-

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

4.17 OTHER PAYABLES

The movements of other payables are as follows:-

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

4.18 TAX PAYABLE

The movements of tax payable are as follows:-

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

14. ACCOUNTANTS' REPORT

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.

14. ACCOUNTANTS' REPORT (CONT'D)

Date: 3 October 2023

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

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

T +603 2692 4022
 F +603 2691 5229

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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)



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
 (201906003682 & LLP0022494-LCA)
 CHARTERED ACCOUNTANTS (AF 0737)


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

Kuala Lumpur

14. ACCOUNTANTS' REPORT (CONT'D)**OB HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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		<u>14,065,253</u>	<u>29,193,832</u>	<u>24,030,497</u>
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		<u>2,266,281</u>	<u>5,450,597</u>	<u>4,220,012</u>
Total current assets		<u>16,486,232</u>	<u>23,496,213</u>	<u>20,916,138</u>
TOTAL ASSETS		<u>30,551,485</u>	<u>52,690,045</u>	<u>44,946,635</u>
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		<u>18,696,857</u>	<u>25,720,863</u>	<u>25,403,630</u>
Total equity		<u>20,096,857</u>	<u>27,120,863</u>	<u>26,803,630</u>
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		<u>2,219,016</u>	<u>2,585,006</u>	<u>12,096,383</u>

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

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

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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		<u>654,073</u>	<u>498,422</u>	<u>422,764</u>
Total current liabilities		<u>8,235,612</u>	<u>22,984,176</u>	<u>6,046,622</u>
Total liabilities		<u>10,454,628</u>	<u>25,569,182</u>	<u>18,143,005</u>
TOTAL EQUITY AND LIABILITIES		<u><u>30,551,485</u></u>	<u><u>52,690,045</u></u>	<u><u>44,946,635</u></u>

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

14. ACCOUNTANTS' REPORT (CONT'D)**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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**OB HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	<u>Note</u>	<u>Share capital RM</u>	<u>Retained earnings RM</u>	<u>Total RM</u>
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.

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

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

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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)

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

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

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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		<u>(1,577,784)</u>	<u>(3,968,785)</u>	<u>(4,744,646)</u>
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 (Repayment to)/Advance from companies in which certain Directors have interests		271,984	(217,267)	(91,788)
Drawdown/(Repayment) of bankers' acceptance		(710,885)	44,778	(95,045)
Repayment of lease liabilities		1,950,000	(1,145,000)	(716,000)
Repayment of term loans		(580,202)	(144,095)	(251,453)
		<u>(196,878)</u>	<u>(355,184)</u>	<u>(2,071,658)</u>
Net cash used in financing activities		<u>(2,797,614)</u>	<u>(2,223,167)</u>	<u>(1,561,698)</u>
CASH AND CASH EQUIVALENTS				
Net changes		(131,112)	3,074,539	(1,224,614)
Brought forward		<u>2,737,855</u>	<u>2,606,743</u>	<u>5,681,282</u>
Carried forward	B	<u>2,606,743</u>	<u>5,681,282</u>	<u>4,456,668</u>

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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)	-
	<u>21,729</u>	<u>1,377,170</u>	<u>87,858</u>

B. CASH AND CASH EQUIVALENTS

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**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

14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION (CONT'D)

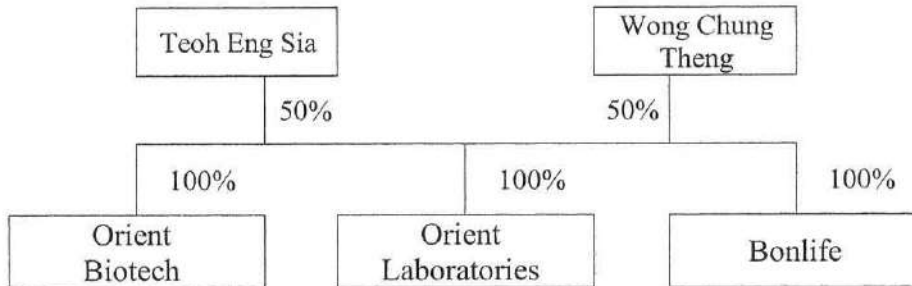
1.4 Acquisitions (cont'd)

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):-

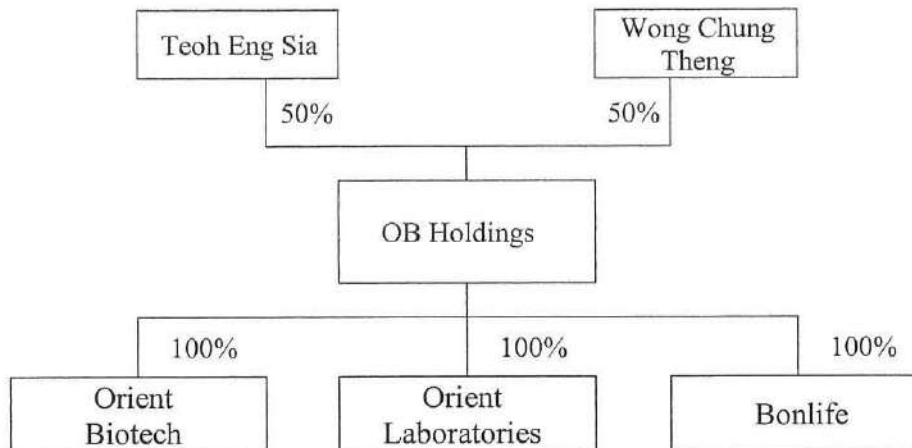
(iii) The acquisition of Bonlife entails the acquisition by OB Holdings of the entire issued share capital of Bonlife of RM100,000 comprising 100,000 ordinary shares from Teoh Eng Sia and Wong Chung Theng for a purchase consideration of RM1,816,100.00. The said purchase consideration was entirely satisfied 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



14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)**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 asset 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.

14. ACCOUNTANTS' REPORT (CONT'D)

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

14. ACCOUNTANTS' REPORT (CONT'D)

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
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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
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* 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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)

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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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 assetsInitial 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").

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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").

14. ACCOUNTANTS' REPORT (CONT'D)

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 uncertainty 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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)**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.

14. ACCOUNTANTS' REPORT (CONT'D)

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

14. ACCOUNTANTS' REPORT (CONT'D)

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

14. ACCOUNTANTS' REPORT (CONT'D)

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

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

Asset held under lease liabilities

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
Motor vehicles	<u>408,400</u>	<u>326,431</u>	<u>228,788</u>

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:-

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

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

6. INVESTMENT PROPERTIES

	Freehold <u>land</u> RM	Freehold <u>building</u> RM	Leasehold <u>land</u> RM	Leasehold <u>buildings</u> RM	<u>Total</u> 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	<u>(3,159,315)</u>	<u>(2,660,141)</u>	<u>(445,000)</u>	<u>-</u>	<u>(6,264,456)</u>
At 31 May 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>

14. ACCOUNTANTS' REPORT (CONT'D)
6. INVESTMENT PROPERTIES (CONT'D)

	Freehold <u>land</u> RM	Freehold <u>building</u> RM	Leasehold <u>land</u> RM	Leasehold <u>buildings</u> RM	<u>Total</u> 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-

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

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

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

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>296,240</u>	<u>298,990</u>	<u>370,129</u>
	<u>10,099,503</u>	<u>10,273,310</u>	<u>370,129</u>

7. INTANGIBLE ASSETS

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

14. ACCOUNTANTS' REPORT (CONT'D)

8. OTHER RECEIVABLES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>Non-current</u>			
Third parties	-	-	17,990
<u>Current</u>			
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
	<u>911,469</u>	<u>1,090,114</u>	<u>1,585,914</u>

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

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

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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
	<u>6,615,932</u>	<u>12,383,194</u>	<u>10,103,856</u>

14. ACCOUNTANTS' REPORT (CONT'D)**9. INVENTORIES (CONT'D)**

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>Recognised in profit or loss:-</u>			
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
	<u> </u>	<u> </u>	<u> </u>

10. TRADE RECEIVABLES

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

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

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

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:-

	<u>2021</u> %	<u>2022</u> %	<u>2023</u> %
Effective interest rates	<u>1.35 – 2.95</u>	<u>1.35 – 1.55</u>	<u>1.75 – 2.55</u>

14. ACCOUNTANTS' REPORT (CONT'D)

12. SHARE CAPITAL

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

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

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**14. BORROWINGS**

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

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:-

	<u>2021</u> %	<u>2022</u> %	<u>2023</u> %
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

14. ACCOUNTANTS' REPORT (CONT'D)

15. LEASE LIABILITIES

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

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>56,266</u>	<u>163,372</u>	<u>419,220</u>
	<u>484,836</u>	<u>419,674</u>	<u>736,575</u>

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>73,072</u>	<u>156,766</u>	<u>178,042</u>
	<u>1,453,975</u>	<u>16,259,064</u>	<u>1,547,105</u>

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

14. ACCOUNTANTS' REPORT (CONT'D)

18. GOVERNMENT GRANT

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

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

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

20. FINANCE INCOME

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

14. ACCOUNTANTS' REPORT (CONT'D)

21. FINANCE COSTS

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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
	<u>180,174</u>	<u>218,985</u>	<u>542,780</u>

22. PROFIT BEFORE TAX

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>Charging:-</u>			
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
	<u>-</u>	<u>-</u>	<u>591,869</u>
<u>Crediting:-</u>			
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)	-
	<u>-</u>	<u>(81,203)</u>	<u>-</u>

14. ACCOUNTANTS' REPORT (CONT'D)**23. TAX EXPENSE**

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

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
Profit before tax	<u>6,445,127</u>	<u>10,784,277</u>	<u>12,251,390</u>
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 Under recognised of deferred tax liabilities in prior financial years	(6,732)	-	12,397
	<u>116,796</u>	<u>59,802</u>	<u>67,698</u>
Total tax expense	<u>1,734,048</u>	<u>2,560,271</u>	<u>2,678,623</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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:

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

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>In respect of financial year ended 31 May 2021</u>			
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	-	-
<u>In respect of financial year ended 31 May 2022</u>			
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	-

14. ACCOUNTANTS' REPORT (CONT'D)**25. DIVIDENDS (CONT'D)**

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>In respect of financial year ended 31 May 2023</u>			
- 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
	<u>4,350,000</u>	<u>1,200,000</u>	<u>9,890,000</u>

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

26. EMPLOYEE BENEFITS EXPENSE

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

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:

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

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).

14. ACCOUNTANTS' REPORT (CONT'D)

27. CAPITAL COMMITMENT

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

28. CONTINGENT LIABILITY

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

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
<u>Companies in which Directors have interests:-</u>			
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	<u>778,659</u>	<u>836,135</u>	<u>283,200</u>
<u>Directors:-</u>			
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	-	-	<u>79,000</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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.

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM
Directors' fees	-	-	172,000
Directors' remuneration	483,715	510,920	462,447
Benefits-in-kind	41,350	41,350	65,767
	<u>525,065</u>	<u>552,270</u>	<u>700,214</u>
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
	<u>910,529</u>	<u>1,006,115</u>	<u>1,413,588</u>

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.

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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
	<u>9,744,264</u>	<u>11,045,007</u>	<u>10,622,838</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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).

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>5,326,471</u>	<u>4,840,007</u>	<u>14,152,349</u>
	<u>9,146,878</u>	<u>24,319,967</u>	<u>17,052,270</u>

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>2,266,281</u>	<u>5,450,597</u>	<u>4,220,012</u>
	<u>9,744,264</u>	<u>11,045,007</u>	<u>10,622,838</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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.

	RM	<u>2021</u>	%	RM	<u>2022</u>	%	RM	<u>2023</u>	%
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.

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

	Current	Days past due				Total
		1 to 30	31 to 60	61 to 90	More than	
		days	days	days	91 days	
	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

	Current	Days past due				Total
		1 to 30	31 to 60	61 to 90	More than	
		days	days	days	91 days	
	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

	Current	Days past due				Total
		1 to 30	31 to 60	61 to 90	More than	
		days	days	days	91 days	
	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.

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

	Total contractual cash flows RM	Maturity		
		← Within 1 year RM	2 to 5 years RM	→ More than 5 years RM
<u>2021</u>				
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	-
	<u>9,765,600</u>	<u>7,596,765</u>	<u>1,801,206</u>	<u>367,629</u>
<u>2022</u>				
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
	<u>24,821,925</u>	<u>22,452,166</u>	<u>2,052,040</u>	<u>317,719</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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	Maturity		
		← Within 1 year RM	2 to 5 years RM	→ More than 5 years RM
<u>2023</u>				
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	-
	<u>24,734,950</u>	<u>6,209,918</u>	<u>5,789,140</u>	<u>12,735,892</u>

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:-

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

14. ACCOUNTANTS' REPORT (CONT'D)

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):-

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

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	<u>(32,071)</u>	<u>32,071</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

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

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.

14. ACCOUNTANTS' REPORT (CONT'D)

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

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.

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Reconciliation of liabilities arising from financing activities

	<u>1 June 2020</u>	<u>New lease/ Drawdown borrowings</u>	<u>Cash flows</u>	<u>31 May 2021</u>
	RM	RM	RM	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
	<u>4,225,532</u>	<u>1,036,000</u>	<u>734,019</u>	<u>5,995,551</u>
	<u>1 June 2021</u>	<u>New lease/ Drawdown borrowings</u>	<u>Cash flows</u>	<u>31 May 2022</u>
	RM	RM	RM	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
	<u>5,995,551</u>	<u>1,089,320</u>	<u>(1,816,768)</u>	<u>5,268,103</u>
	<u>1 June 2022</u>	<u>New lease/ Drawdown borrowings</u>	<u>Cash flows</u>	<u>31 May 2023</u>
	RM	RM	RM	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)	-
	<u>5,268,103</u>	<u>12,260,000</u>	<u>(3,225,944)</u>	<u>14,302,159</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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.

	<u>Note</u>	<u>Provision of manufacturing services</u> RM	<u>House brands products</u> RM	<u>Trading and others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
<u>2021</u>						
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		<u>22,487,772</u>	<u>7,289,078</u>	<u>3,544,647</u>	<u>(3,602,349)</u>	<u>29,719,148</u>
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)

14. ACCOUNTANTS' REPORT (CONT'D)

31. SEGMENT (CONT'D)

	<u>Note</u>	Provision of manufacturing services RM	House brand products RM	Trading and others RM	<u>Elimination</u> RM	<u>Total</u> RM
<u>2021 (cont'd)</u>						
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)					<u>4,881,846</u>
Assets						
Unallocated segment assets	(iv)					30,435,185
Additions to non-current assets	(v)					<u>1,731,037</u>
Liabilities						
Unallocated segment liabilities	(vi)					<u>3,893,479</u>
<u>2022</u>						
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		<u>32,871,325</u>	<u>12,562,757</u>	<u>3,042,915</u>	<u>(4,918,934)</u>	<u>43,558,063</u>
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)					<u>8,438,008</u>

14. ACCOUNTANTS' REPORT (CONT'D)

31. SEGMENT (CONT'D)

	Note	Provision of manufacturing services RM	House brand products RM	Trading and others RM	Elimination RM	Total RM
<u>2022 (cont'd)</u>						
Assets						
Unallocated segments assets	(iv)					52,635,901
Additions to non- current assets	(v)					<u>16,558,182</u>
Liabilities						
Unallocated segment liabilities	(vi)					<u>19,636,726</u>
<u>2023</u>						
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		<u>34,776,329</u>	<u>12,668,398</u>	<u>4,793,180</u>	<u>(5,789,067)</u>	<u>46,448,840</u>
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)					<u>3,244,421</u>
Liabilities						
Unallocated segment liabilities	(vi)					<u>3,077,963</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	-
	<u>(770,777)</u>	<u>96,103</u>	<u>4,043,843</u>

- (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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>4,711,079</u>	<u>8,224,006</u>	<u>9,572,767</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

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

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

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

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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	<u>654,073</u>	<u>498,422</u>	<u>422,764</u>
Total liabilities	<u>10,454,628</u>	<u>25,569,182</u>	<u>18,143,005</u>

- (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.

14. ACCOUNTANTS' REPORT (CONT'D)

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:-

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

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> 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
	<u>14,065,253</u>	<u>29,193,832</u>	<u>24,030,497</u>

14. ACCOUNTANTS' REPORT (CONT'D)

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

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

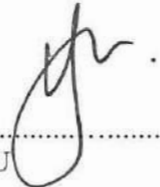
STATEMENT BY DIRECTORS

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

15. ADDITIONAL INFORMATION

15.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution which complies with the Listing Requirements, the Act and the Rules.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined or the context otherwise requires:

15.1.1 Remuneration, voting and borrowing powers of Directors

Remuneration

Clause 96 - Directors' remuneration

Subject to the Act and the Listing Requirements, the fees of the Directors and any benefits payable to the Directors shall from time to time be determined by way of an ordinary resolution of the Company in a general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office provided always that:-

- (i) salaries, benefits and other emoluments payable to executive Director(s) pursuant to an employment contract or a contract of service need not be determined by the Company in a general meeting but such salaries may not include a commission on or percentage of turnover;
- (ii) fees payable to non-executive Directors shall be a fixed sum and not by way of a commission on or percentage of profits or turnover; and
- (iii) any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 97 - Reimbursement of expenses

- (i) The Directors shall be entitled to be reimbursed for all travelling or expenses as may be incurred in attending meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. In addition to the foregoing, a Director shall be entitled to such reasonable fixed allowance as may be determined by the Directors in respect of any attendance at any meeting and/or the performance of any duty or other things required of him as a Director.
- (ii) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for any director's fees payable to him from time to time.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 123 - Remuneration of chief executive, executive Director, managing Director

The remuneration of the chief executive, executive Director, managing Director or any person holding an equivalent position, shall, from time to time be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive a pension, gratuity or other benefits upon their retirement.

Voting

Clause 117 – Disclosure of interest

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director of the Company. A general notice in writing, which complies with Section 221(4) of the Act or its equivalent, given to the Board by any Director shall be deemed to be a sufficient declaration of interest in relation to the subject matter of the notice.

Clause 118 - Restriction on voting

Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 119 – Power to vote

A Director may vote in respect of:

- (i) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
- (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

Borrowing powers

Clause 101 - Directors' borrowing powers

- (i) Subject to the Act and the Listing Requirements, the Directors may exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any related party (as defined in Section 7 of the Act):
 - (a) borrow money;
 - (b) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
 - (c) issue debentures and other securities whether outright or as security;
 - (d) lend and advance money or give credit to any person or company;

15. ADDITIONAL INFORMATION (CONT'D)

- (e) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (f) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company; and otherwise to assist any person or of any related party (as defined in Section 7 of the Act).
- (ii) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

15.1.2 Changes to share capital

Clause 54 - Power to increase capital

The Company in a general meeting may from time to time, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital, voting or otherwise as the general meeting resolving upon such increase may direct.

Clause 55 - Issue of new Shares

Subject to any direction to the contrary that may be given by the Company in general meeting and the Listing Requirements, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 57 - Power to alter capital

Subject to the provisions of this Constitution and the Act, the Company may by special resolution:

- (i) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (ii) convert all or any of its paid-up shares into stock and reconvert that stock into fully-paid shares; or
- (iii) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

Clause 58 - Power to reduce capital

The Company may by special resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Act and the Applicable Laws.

15. ADDITIONAL INFORMATION (CONT'D)

15.1.3 Transfer of securities

Clause 29 - Transfer in writing

Subject to this Constitution, the Central Depositories Act and the Rules, any Member may transfer all or any of his Securities (except those Deposited Securities which are for the time being designated as securities in suspense) by an instrument in writing in the form prescribed and approved by the Exchange upon which the Company is listed on the Exchange. The instrument shall have been executed by or on behalf of the transferor and the transferee, and the transferor shall remain the holder of the Securities transferred until the transfer is registered and the name of the transferee is entered in the Record of Depositors.

Clause 30 - Transfer of Securities

The transfer of any Deposited Securities shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such Deposited Securities.

Clause 31 - No restriction on the transfer of fully paid Securities

Subject to this Constitution, the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid Securities except where required by law.

Clause 32(a) - Refusal to register

The Central Depository may, in its absolute discretion, refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and/or the Rules.

Clause 33 - Suspension of registration

Subject to the provisions of the Act, the Central Depositories Act, the Rules and the Listing Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine PROVIDED ALWAYS that no part of the Register may be closed for such periods as the Directors may from time to time determine PROVIDED ALWAYS that it shall not be closed for more than 30 days in any year. Any notice of intention to close the Register and the reason therefor shall be given to the Exchange, such closure of the Register shall be at least 10 Market Days (or such other period as prescribed by the Exchange from time to time) after the date of notification to the Exchange stating the purpose or purposes for the suspension. In this respect, the Company shall request the Central Depository, in accordance with the Rules, to issue the appropriate Record of Depositors.

15.1.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 5 - Class of shares

The share capital of the Company is its issued share capital. The shares in the original or any increased capital may be divided into several classes, and there may be attached thereto respectively any preferential, deferred and/or other special rights, privileges, conditions and/or restrictions as to dividends, capital, voting and/or otherwise.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 7 - Rights of preference shareholders

Subject to the Act and the Listing Requirements, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not unless with the consent of the existing preference shareholders at a class of meeting issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have:

- (i) the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company; and
- (ii) the right to vote at any meeting convened for the purpose of reducing the capital of the Company or on a proposal to wind up or during the winding up of the Company, or sanctioning a sale of the whole of the Company's undertaking, property or business, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares or part of the dividend is in arrears for more than 6 months.

Clause 9 - Variation of class rights

Subject to Section 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with:

- (a) the consent in writing of the holders of not less than 75% of the total voting rights of the Members in that class; or
- (b) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least 2 persons holding at least 1/3 of the number of the issued shares of the class excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll and shall be entitled on a poll to 1 vote for every such share held by him. For adjourned meetings, the quorum is 1 person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 76 - Voting rights

Subject to this Constitution and to any rights or restrictions for the time being attached to any class of shares by or in accordance with this Constitution, (a) in the case of a show of hands or (b) in the case of a poll, each Member, or holder of preference shares who has a right to vote, present in person or by proxy or by an attorney or by duly authorised representative shall have 1 vote, and on a poll, every Member present in person or by proxy or attorney or representative shall have 1 vote for each share he holds.

Clause 142 - Application of profits

The Directors may, if they think fit from time to time, pay to the Members such dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights, as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Directors act bona fide, they shall not incur any responsibility to the holders of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of dividend on any shares having deferred or non-preferential rights. The Directors may also pay half-yearly or at other suitable intervals to be settled by them, any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.

15. ADDITIONAL INFORMATION (CONT'D)

15.2 SHARE CAPITAL

- (i) No Shares will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (ii) As at the date of this Prospectus, we only have one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) None of our Group's share capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iv) Save for the new Shares to be issued under the Pink Form Allocations as disclosed in Section 4.1.2(ii) of this Prospectus,
 - (a) no person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group; and
 - (b) there is no scheme involving the directors and employees of our Group in the shares of our Group.
- (v) Save as disclosed in Sections 4.1.1 and 6.1.4 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise, for the Financial Years Under Review and up to LPD.
- (vi) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There is no limitation on the right to own securities, including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

15.4 PUBLIC TAKE-OVERS

None of the following has occurred during the last financial year and up to LPD:

- (i) public take-over offers by third parties in respect of our Group's shares; and
- (ii) public take-over offers by us in respect of other company's shares.

15.5 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to our Group.

15.6 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which may have a material effect on our business or financial position, and our Directors confirm that there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our business or financial position.

15. ADDITIONAL INFORMATION (CONT'D)**15.7 MATERIAL CONTRACTS**

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) during the Financial Years Under Review and up to the date of this Prospectus:

- (i) The conditional sale and purchase agreement dated 22 February 2022 entered into between UMW Development Sdn Bhd (as vendor) and Orient Biotech (as purchaser) for the purchase of all that piece of leasehold land held under H.S.(D) 64636, PT18118 Seksyen 20 (previously held under master title H.S.(D) 63079, PT17940 Seksyen 20), Bandar Serendah, District of Ulu Selangor, State of Selangor measuring 23,714.69 sq. mt. at the purchase price of RM13,482,691.20. This sale and purchase transaction was completed on 25 November 2022;
- (ii) The sale and purchase agreement dated 20 September 2022 entered into between Orient Laboratories (as vendor) and Special Gain (as purchaser) for the disposal of all that piece of freehold agriculture vacant land held under Geran Mukim 5439, Lot 1344, Mukim Rawang, District of Gombak, State of Selangor measuring 1.2014 hectares at the purchase price of RM4,530,000.00. This sale and purchase transaction was completed on 30 September 2022;
- (iii) The sale and purchase agreement dated 20 September 2022 entered into between Orient Laboratories (as vendor) and Special Gain (as purchaser) for the disposal of all that piece of freehold agriculture vacant land held under Geran Mukim 8061, Lot 86003, Mukim Rawang, District of Gombak, State of Selangor measuring 0.8183 hectares at the purchase price of RM3,000,000.00. This sale and purchase transaction was completed on 30 September 2022;

The purchase consideration of items (ii) and (iii) above was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties of RM7,530,000.00 as appraised by an independent valuer on 16 June 2022;

- (iv) The sale and purchase agreement dated 28 October 2022 entered into between Orient Biotech (as vendor) and Special Gain (as purchaser) for the disposal of 2 pieces of leasehold lands held under Pajakan Mukim 284 Lot 3356 and Pajakan Mukim 285 Lot 3357, both in Mukim Jasin, District of Jasin, State of Malacca, measuring 366 sq. mt., respectively, together with a factory erected thereon at a purchase price of RM570,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the properties of RM570,000.00 as appraised by an independent valuer on 17 August 2022. This sale and purchase transaction was completed on 2 November 2022;
- (v) The sale and purchase agreement dated 1 December 2022 entered into between Orient Laboratories (as vendor) and Teoh Wei Chin (as purchaser) for the disposal of all that parcel of retail unit held under strata title Geran 73333/M1/2/220, Petak No. 220, Tingkat No. 2, Bangunan No. M1, Lot 1283 Seksyen 69, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring 60 sq. mt. at the purchase price of RM1,650,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the property of RM1,650,000.00 as appraised by an independent valuer on 1 November 2022. This sale and purchase transaction was completed on 1 December 2022;
- (vi) The sale and purchase agreement dated 14 March 2023 entered into between Orient Biotech (as vendor) and Teoh Wei Chin and Lee Bao Yu (as purchasers) for the disposal of all that piece of leasehold land held under title H.S.(M) 17969, PT 29434, Mukim Batu, District of Gombak, State of Selangor together with a 3 storey terrace factory erected thereon at the purchase price of RM1,080,000.00, which was arrived at on a willing-buyer willing-seller basis after taking into consideration the market value of the property of RM1,080,000.00 as appraised by an independent valuer on 6 March 2023. This sale and purchase transaction was completed on 12 May 2023;

15. ADDITIONAL INFORMATION (CONT'D)

- (vii) The conditional share sale agreement dated 18 August 2023 entered into between ES Teoh and CT Wong (as vendors) and our Company (as purchaser) for the Acquisition of Orient Biotech at a total consideration of RM19,589,200.00 to be satisfied via issuance of 195,892,000 new Shares to ES Teoh and CT Wong. This share sale transaction is pending completion as at LPD;
- (viii) The conditional share sale agreement dated 18 August 2023 entered into between ES Teoh and CT Wong (as vendors) and our Company (as purchaser) for the Acquisition of Orient Laboratories at a total consideration of RM5,757,300.00 to be satisfied via issuance of 57,573,000 new Shares to ES Teoh and CT Wong. This share sale transaction is pending completion as at LPD;
- (ix) The conditional share sale agreement dated 18 August 2023 entered into between ES Teoh and CT Wong (as vendors) and our Company (as purchaser) for the Acquisition of Bonlife at a total consideration of RM1,816,100.00 to be satisfied via issuance of 18,161,000 new Shares to ES Teoh and CT Wong. This share sale transaction is pending completion as at LPD; and
- (x) [The Underwriting Agreement].

15.8 CONSENTS

- (i) The written consents of the Principal Adviser, Sponsor, Sole Underwriter and Placement Agent, Solicitors to our Company, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position of our Group as at 31 May 2023 in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and IMR Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

15.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report referred to in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 31 May 2023 referred to in Section 13 of this Prospectus;
- (iv) the Accountants' Report as included in Section 14 of this Prospectus;
- (v) the material contracts referred to in Section 15.7 of this Prospectus;
- (vi) the letters of consent referred to in Section 15.8 of this Prospectus; and
- (vii) the audited financial statements of Orient Biotech, Orient Laboratories and Bonlife for the FYE 2021, FYE 2022 and FYE 2023, respectively.

15. ADDITIONAL INFORMATION (CONT'D)

15.10 RESPONSIBILITY STATEMENTS

- (i) AIS acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

- (ii) This Prospectus has been seen and approved by our Directors and Promoters, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

(The rest of this page is intentionally left blank)

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: [●]

CLOSING OF THE APPLICATION PERIOD: [●]

Applications for the IPO Shares will open and close at the dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities’ website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Application for our IPO Shares by the Malaysian Public and the Eligible Persons

<u>Types of Application and category of investors</u>	<u>Application method</u>
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only
Applications by the Eligible Persons	Pink Application Form only

16.2.2 Application by selected investors via private placement

<u>Types of Application</u>	<u>Application Method</u>
Applications by:	
Selected investors and Bumiputera investors approved by the MITI	The Placement Agent will contact the selected investors and Bumiputera investors approved by the MITI directly. They should follow the Placement Agent’s instructions.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3 ELIGIBILITY**16.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, our Issuing House, AIS, participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. *****" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, so as to arrive not later than 5:00 p.m. on [closing date] or by such other time and date specified in any changes to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at <https://tiih.online> within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.1.2 (i) of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (i) and (ii) above (as the case may be).

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and the Rules.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT

1. Material properties owned by our Group

As at LPD, the material properties owned by our Group are as follows:

No.	Registered owner / Title details / Postal address	Description / Existing use	Tenure of property	Category of land use / Restrictions in interest / Express condition of land use / Encumbrance(s)	Date of issuance of CF or CCC	Approximate land area / Approximate built-up area of the property	NBV as at 31 May 2023 RM'000
1.	Registered owner: Orient Biotech Strata Title: PM12169, No. Bangunan M1-A/1/1, Lot No. 84299, Bandar Selayang, District of Gombak, State of Selangor Postal address: No. C-1-01, 162 Residency, KM 12, Jalan Ipoh-Rawang, 68100 Batu Caves Selangor	Description: Ground floor corner shop unit Existing use: Storage	Leasehold for a period of 99 years expiring on 4 September 2095	Category of land use: Nil Restriction in interest: This land shall not be transferred, leased or charged without the consent of the state authority Express condition: Residence and business Encumbrances: -	30 September 2011	Land area: 181 sq. mt. Built-up area: 181 sq. mt.	593

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Registered owner / Title details / Postal address	Description / Existing use	Tenure of property	Category of land use / Restrictions in interest / Express condition of land use / Encumbrance(s)	Date of issuance of CF or CCC	Approximate land area / Approximate built-up area of the property	NBV as at 31 May 2023 RM'000
2.	<p>Registered owner: Orient Biotech</p> <p>Title: H.S.(M) 18871, PT30828, Mukim Batu, District of Gombak, State of Selangor</p> <p>Postal address: No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor</p>	<p>Description: 3 storeys detached factory ⁽¹⁾</p> <p>Existing use: Manufacturing, R&D and storage facility</p>	<p>Leasehold for a period of 99 years expiring on 17 February 2093</p>	<p>Category of land use: Industrial</p> <p>Restriction in interest: This land shall not be sold, leased, charged or transferred without the consent of the state authority</p> <p>Express condition: Industrial</p> <p>Encumbrances: Charged in favour of OCBC Bank (Malaysia) Berhad vide presentation no. 576/2008</p>	<p>14 October 2005</p>	<p>Land area: 1,136.80 sq. mt.</p> <p>Built-up area: 1,934.22 sq. mt.</p>	<p>3,025</p>

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Registered owner / Title details / Postal address	Description / Existing use	Tenure of property	Category of land use / Restrictions in interest / Express condition of land use / Encumbrance(s)	Date of issuance of CF or CCC	Approximate land area / Approximate built-up area of the property	NBV as at 31 May 2023 RM'000
3.	Beneficial owner: Orient Biotech Individual Title: H.S.(D) 64636, PT18118 Seksyen 20 (<i>previously held under master title H.S.(D) 63079, PT17940 Seksyen 20</i>), Bandar Serendah, District of Ulu Selangor, State of Selangor	Description: Vacant land Existing use: Currently under construction	Leasehold for a period of 87 years expiring on 7 July 2109	Category of land use: Industrial Restriction in interest: This land shall not be transferred, leased or charged without the consent of the state authority Express condition: Industrial Encumbrances: Assigned to Hong Leong Islamic Bank Berhad and Hong Leong Bank Berhad	N/A	Land area: 23,649.57 sq. mt.	13,331

Note:

- (1) Various awnings have been installed at the Selayang Factory. Temporary permits for the awnings have been issued by the local authority, which is valid up to 31 December 2023 and are subject to annual renewal.

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

2. Material properties rented by our Group

As at LPD, the material properties rented by our Group are as follows:-

<u>No.</u>	<u>Landlord</u>	<u>Tenant</u>	<u>Postal address</u>	<u>Description / Existing use</u>	<u>Date of issuance of CF or CCC</u>	<u>Approximate land area / Approximate built-up area of the property</u>	<u>Period of tenancy</u>	<u>Rental per month</u>
1.	ES Teoh	Orient Biotech	No. C1-13A, 162 Residency, KM 12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor	<u>Description:</u> Ground floor corner shop office unit <u>Existing use:</u> Office unit	30 September 2011	Land area: 213 sq. mt. Built-up area: 213 sq. mt.	1 June 2022 – 31 May 2024	From 1 June 2022 to 31 December 2022 – RM1,000.00 From 1 January 2023 to 30 September 2023 – RM2,000.00 From 1 October 2023 to 31 May 2024 – RM2,900.00
2.	Ong Kong	Eng Biotech	No. 10, Jalan Siantan Utama, Laman Serendah, 48200 Serendah, Selangor	<u>Description:</u> Factory unit ⁽¹⁾ <u>Existing use:</u> Manufacturing and storage facility	18 May 2022	Land area: 3,964 sq. mt. Built-up area: 1,909.20 sq. mt.	15 April 2022 – 14 April 2024	RM25,000.00

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Landlord	Tenant	Postal address	Description / Existing use	Date of issuance of CF or CCC	Approximate land area / Approximate built-up area of the property	Period of tenancy	Rental per month
3.	Ng Chuei Yeen	Orient Biotech	No. B-G-1, Dataran Emerald, Jalan PS 11, Prima Selayang, 68100 Batu Caves, Selangor	Description: Ground floor shop office unit Existing use: Headquarter office of our Group	2 June 2015	Land area: 88 sq. mt. Built-up area: 88 sq. mt.	1 January 2023 – 31 December 2024	From 1 January 2023 to 31 December 2023 – RM3,500.00 From 1 January 2024 to 31 December 2024 – RM3,750.00
4.	NKG Resources Sdn. Bhd.	Orient Biotech	No. B-G-2, Dataran Emerald, Jalan PS 11, Prima Selayang, 68100 Batu Caves, Selangor	Description: Ground floor shop office unit Existing use: Headquarter office of our Group	2 June 2015	Land area: 94 sq. mt. Built-up area: 94 sq. mt.	1 January 2023 – 31 December 2024	From 1 January 2023 to 31 December 2023 – RM3,500.00 From 1 January 2024 to 31 December 2024 – RM3,750.00
5.	Ng Yik Soon	Orient Biotech	No. B-G-3, Dataran Emerald, Jalan PS 11, Prima Selayang, 68100 Batu Caves, Selangor	Description: Ground floor shop office unit Existing use: Headquarter office of our Group	2 June 2015	Land area: 94 sq. mt. Built-up area: 94 sq. mt.	1 January 2023 – 31 December 2024	From 1 January 2023 to 31 December 2023 – RM3,500.00 From 1 January 2024 to 31 December 2024 – RM3,750.00

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

No.	Landlord	Tenant	Postal address	Description / Existing use	Date of issuance of CF or CCC	Approximate land area / Approximate built-up area of the property	Period of tenancy	Rental per month
6.	Orient Biotech	Bonlife	No. C-1-01, 162 Residency, KM 12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor	Description: Ground floor corner shop unit Existing use: Storage	30 September 2011	Land area: 181 sq. mt. Built-up area: 181 sq. mt.	1 May 2023 – 30 April 2025	RM1,000.00
7.	Teh Kim Cheong and Teh Thiam Meng	Bonlife	No. A-1-27, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor	Description: Ground floor shop unit Existing use: Storage	30 September 2011	Land area: 110 sq. mt. Built-up area: 110 sq. mt.	1 October 2022 – 30 September 2024	RM1,400.00
8.	Teh Yen Siok	Bonlife	No. A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor	Description: Ground floor corner shop unit Existing use: Office	30 September 2011	Land area: 111 sq. mt. Built-up area: 111 sq. mt.	1 October 2022 – 30 September 2024	RM1,500.00

Note:

- (1) Awnings have been installed at the front of Rented Serendah Factory. Sheds have also been erected at the right side and the back of Rented Serendah Factory. Temporary permits for both the awnings and sheds have been issued by the local authority, which is valid up to 31 December 2024 and are subject to annual renewal.

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)**3. Compliance with CF/CCC**

All buildings owned and occupied by our Group are all in compliance with CF/CCC.

4. Material machines and equipment owned by our Group

Our Group owns the following material machines and equipment:

Machines and equipment	Function	No. of units	NBV as at 31 May 2023 (RM'000)
Powder mixer	To mix and blend the raw materials and food ingredients.	3	7
Raw material grinder	To sieve the raw materials after grinding and to grind the herbs and raw materials.	3	-
Raw material dryer	To dry the herbs and raw materials	2	-
Sacheting machine (powder)	To fill the powder into the sachet.	8	177
Sacheting machine (liquid)	To fill the liquid into the sachet.	3	73
Tea bag machine	To fill the tea into the filter bag.	1	11
Tableting machine	To exert a compaction force on the powder by both upper punch and lower punch to form effervescent tablets.	3	397
Liquid filling machine (bottling)	To fill liquid into the bottle.	4	-
Capsulating machine	To fill the powder into the capsules.	5	-
Metal can filling machine	To fill the powder into the metal can.	3	28
Vacuum and nitrogen and metal can sealing machine	To vacuum and flush the nitrogen gas to the powder inside the metal can.	15	766
Shrink wrap machine	To seal the products with shrink wrap.	8	109
Carton sealing machine	To strap the cartons with strapping band.	9	14

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Machines and equipment	Function	No. of units	NBV as at 31 May 2023
Inkjet printer	To print the batch number, manufacturing date and expiry date on the packaging.	6	28
Capsule blister packing machine	To pack the capsules in blister packs.	1	-
Softgel blister packing machine	To pack the softgel capsules in blister packs.	1	-
Labelling machine.	To apply the label onto the product.	2	7
Pallet wrapping machine	To wrap the products when palletized.	1	18
Softgel process	To fill the oil into the shell/softgel.	1	-
	Total	79	1,635

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS**Major licences, approvals and permits obtained**

Details of major licences, approvals and permits applicable to our Group as at LPD, are as follows:

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
1.	Orient Biotech	Business and advertisement licence granted to Orient Biotech at No. 37, Jalan PS 3, Taman Industri Prima Selayang, Batu Caves, 68100 Selangor for: (a) manufacturing or processing of pharmaceutical drugs & related products; (b) wholesale or storage of raw materials, packaging materials and finished materials; and (c) sidewalk licence.	SMC	Reference no.: MPS 2/5-1494 (PI)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
2.	Orient Biotech	Business licence granted to Orient Biotech at No. 37, Jalan PS 3, Taman Industri Prima Selayang, Batu Caves, 68100 Selangor for wholesale or storage of packaging boxes, bottles, packaging materials and others.	SMC	Reference no.: MPS 2/29-1340 P	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
3.	Orient Biotech	Business and advertisement licence granted to Orient Biotech at No. C1-13A, 162 Residency, KM 12, Jalan Ipoh-Rawang, Batu Caves, 68100 Selangor for office.	SMC	Reference no.: MPS 2/6-8905 (PI)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
4.	Orient Biotech	Business and advertisement licence granted to Orient Biotech at A-1-29, 162 Residency, KM 12, Jalan Ipoh-Rawang, Batu Caves, 68100 Selangor for office.	SMC	Reference no.: MPS 2/6-3529 (S)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
5.	Orient Biotech	Business and advertisement licence granted to Orient Biotech at B-G-1, B-G-2, B-G-3 Dataran Emerald, Jalan PS 11, Prima Selayang Batu Caves, 68100 Selangor for offices.	SMC	Reference no.: MPS 2/6-63234(S)	3 July 2023 / 31 July 2023 – 31 December 2023	Nil	N/A
6.	Orient Biotech	Business and advertisement licence granted to Orient Biotech at No. 10, Jalan Siantan Utama Laman Serendah, 48200 Serendah, Selangor for: (a) selling or provision of healthcare product; (b) manufacturing or processing of healthcare products; (c) wholesale or storage of healthcare products; and (d) office.	HSMC	File no.: 09/L/7075	8 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
7.	Orient Biotech	Manufacturing licence issued to Orient Biotech for health supplements in the form of tablet, capsule, powder, liquid and sachet and virgin coconut oil extract at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	MITI	Licence no.: A 016095 Serial no.: 024887	8 May 2007 / valid unless revoked	Orient Biotech shall notify MITI if there is any sale of Orient Biotech's shares.	To be complied
8.	Orient Biotech	Manufacturing licence issued to Orient Biotech for the development and manufacture of non-animal based softgels for supplements, vitamins and nutraceuticals at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	MITI	Licence no.: A 016095 Serial no.: 032932	20 January 2014 / valid unless revoked	(a) there is any sale of Orient Biotech's shares; or (b) there is any change to the board of directors of Orient Biotech.	To be complied
9.	Orient Biotech	Manufacturing licence issued to Orient Biotech for food based health supplements in the form of tablet, capsule, powder, liquid and sachet and plant based extracts at No. 10, Jalan Siantan Utama, Laman Serendah, 48200 Serendah, Selangor.	MITI	Licence no.: A 025190 Serial no.: A 041803	18 August 2023 / valid unless revoked	(a) Orient Biotech shall notify MITI and MIDA if there is any sale of Orient Biotech's shares. (b) Orient Biotech's total full-time workforce shall consist of at least 80% Malaysian citizens by 31	To be complied

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
						December 2024 and the employment of foreigners, including outsourced workers are subject to current policies. ⁽¹⁾	
10.	Orient Biotech	Wholesaler's licence granted to Orient Biotech to sell or supply the registered products at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor, except for the list of poisons under the Poisons Act 1952.	NPRA	Licence no.: MALLB20230735	1 November 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
11.	Orient Biotech	Certificate of registration for food premises involved in manufacturing of food located at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor	MOH	Registration no.: FSSM071000246-01	18 April 2022 / 16 July 2022 – 16 July 2025	Nil	N/A
12.	Orient Biotech	Certificate of registration for food premises involved in manufacturing of food located at No. 10, Jalan Siantan Utama, Laman Serendah, 48200 Serendah, Selangor	MOH	Registration no.: FSSM072200979-0	13 July 2022 / 13 July 2022 – 13 July 2025	Nil	N/A

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
13.	Orient Laboratories	Business and advertisement licence granted to Orient Laboratories at No. 37, Jalan PS 3, Taman Industri Prima Selayang, Batu Caves, 68100 Selangor for manufacturing or processing of health food.	SMC	Reference no.: MPS 2/5-1176 (PI)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
14.	Orient Laboratories	Certificate of registration for food premises involved in manufacturing of food located at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	MOH	Registration no.: FSSM092201669-0	15 September 2022 / 15 September 2022 – 15 September 2025	Nil	N/A
15.	Orient Laboratories	Manufacturer's licence granted to Orient Laboratories for manufacturing or repackaging of non-sterile registered products (1) Health supplement: Capsules (hard shell), capsules (soft shell), tablets; (2) Traditional medicine: Capsules (hard shell), liquids for internal use, powders, tablets at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	NPRA	Licence no.: MALLP20230566	18 October 2022 / 1 January 2023 – 31 December 2023	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or Good Distribution Practice.	Complied

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
16.	Orient Laboratories	Wholesaler's licence granted to Orient Laboratories to wholesale or supply the registered products at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor, except for the list of poisons under the Poisons Act 1952.	NPRA	Licence no.: MALLB20230573	18 October 2022 / 1 January 2023 – 31 December 2023	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or Good Distribution Practice.	Complied
17.	Orient Laboratories	Manufacturing licence issued to Orient Laboratories to manufacture functional food, traditional medicine and health supplement in the forms of tablet, capsule, powder, liquid, sachet and non-animal based softgel at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	MITI	Licence no.: A 025287 Serial no.: A 041961	1 November 2023 / valid unless revoked	(a) Orient Laboratories shall notify MITI and MIDA if there is any sale of Orient Laboratories' shares. (b) Orient Laboratories' total full-time workforce shall consist of at least 80% Malaysian citizens.	(a) To be complied (b) Complied
18.	Bonlife	Business and advertisement licence granted to Bonlife at Unit C1-01, 162 Residency, Batu 12, Jalan Ipoh-Rawang 68100 Selangor for wholesale or storage and selling and distribution of health food.	SMC	Reference no.: MPS 2/6-9671 PI	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)

No.	Company	Description of licences / approvals / permits	Approving authority / Issuer	Licence / Permit / Reference no.	Issuance date / Validity period	Major conditions imposed	Status of compliance
19.	Bonlife	Business and advertisement licence granted to Bonlife at Unit C1-01, 162 Residency, Batu 12, Jalan Ipoh-Rawang 68100 Selangor for wholesale or storage of health food.	SMC	Reference no.: MPS 2/29-1475 PI	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
20.	Bonlife	Business and advertisement licence granted to Bonlife at A-1-29, 162 Residency, KM 12, Jalan Ipoh-Rawang, Batu Caves, 68100 Selangor for office.	SMC	Reference no.: MPS 2/6-3531 (S)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
21.	Bonlife	Business and advertisement licence granted to Bonlife at A-1-27, 162 Residency, KM 12, Jalan Ipoh-Rawang, Batu Caves, 68100 Selangor for warehouse / freezer room for the making / processing / storage of health food.	SMC	Reference no.: MPS 2/6-3532 (S)	7 December 2022 / 1 January 2023 – 31 December 2023	Nil	N/A
22.	Bonlife	Wholesaler's licence granted to Bonlife to wholesale or supply the registered products at A-1-29, 162 Residency KM 12, Jalan Ipoh-Rawang 68100 Batu Caves, Selangor, except for the list of poisons under the Poisons Act 1952.	NPRA	Licence no.: MALLB20231856	11 May 2023 / 11 May 2023 – 31 December 2023	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or Good Distribution Practice.	Complied

ANNEXURE B – MAJOR LICENCES, APPROVALS AND PERMITS (CONT'D)





Note:

- (1) Our Group's subsidiary, Orient Biotech has obtained the manufacturing licence issued by the MITI on 18 August 2023. Having received the manufacturing licence, we take cognisance of the condition required by MITI on the manufacturing licence, for which Orient Biotech is required to comply with 80% Malaysian citizens workforce requirement by 31 December 2024. As at LPD, Orient Biotech's total full-time workforce consists of approximately 72% of Malaysian citizens. As such, our Group will endeavour to meet with the 80% Malaysian citizens workforce requirement by 31 December 2024. The efforts to be undertaken by our Group are, among others, publishing advertisements frequently on job portal websites and newspaper to hire local workers, initiating employee referral program to hire the local talents and implementing employee retention strategies.





In view of our Group's business strategies and future plans to construct New Serendah Factory as highlighted in Section 7.14.1 of this Prospectus, we expect to continue complying with the Malaysian citizens workforce requirement on long term basis as we would require more local workforce upon the completion of New Serendah Factory.

ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS





Save as disclosed below, as at LPD, we do not have any other registered brand names, trademarks, patents and other intellectual property rights in Malaysia:

No.	Trademark	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
1.		Orient Laboratories / 04000112	MyIPO	Class 29 / Milk, goat's milk powder, by-products of milk, milk products, preserved, dried and cooked fruits and vegetables; all included in class 29	Registered / 6 January 2004 – 6 January 2024 ⁽¹⁾
2.		Orient Laboratories / 07000209	MyIPO	Class 29 / Powdered milk; food products made from milk; milk and cream; milk beverages (milk predominating); protein for human consumption; all included in class 29.	Registered / 5 January 2007 – 5 January 2027
3.		Orient Laboratories / 2010020814	MyIPO	Class 29 / Milk; milk products; dairy products; drinks made from dairy products; milk-based beverages (milk predominating); flavoured milk; soya bean milk; condensed milk; evaporated milk; lactose enzyme dairy products; cheese; mousses; chilled desserts (jellies for food or made from milk, milk products, dairy products, yoghurt, curd); chilled fruit desserts; chilled soya desserts; jellies; jams; sweet spreads; fruit sauces; yoghurt; yoghurt drinks; meat; meat extracts; preserved, dried and cooked fruits and vegetables; all included in class 29.	Registered / 2 November 2010 – 2 November 2030
4.		Orient Laboratories / 2010020813	MyIPO	Class 30 / Coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; non-medicated sweets, chocolate and chocolate goods, ice-creams; coffee, tea, cocoa and chocolate based drinks with added milk, and extracts or powders for the making thereof; frozen yoghurt (confectionary ices); ice-cream; cocoa beverages with milk; milk powder candy (confectionery); all included in class 30.	Registered / 2 November 2010 – 2 November 2030



ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Status / Validity period	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
5.		Orient Laboratories / 2017072923	MyIPO	Class 5 / Edible oils derived from fish (other than cod liver oil); food for babies; herbal extracts for medical purposes; medicinal tea; mineral food supplements; nutritional supplements; plant extracts for pharmaceutical purposes; propolis dietary supplements; pollen dietary supplements; royal jelly dietary supplements; wheat germ dietary supplements; yeast dietary supplements; all included in class 5.	Registered / 17 November 2017 – 17 November 2027
6.		Orient Laboratories / 2018014574	MyIPO	Class 29 / Milk; milk products; dairy products; drinks made from dairy products; milk-based beverages (milk predominating); flavoured milk; soya bean milk; condensed milk; evaporated milk; lactose enzyme dairy products; cheese; mousses; chilled desserts (jellies for food or made from milk, milk products, dairy products, yoghurt, curd); chilled fruit desserts; soy-based snack foods; jellies, jams, sweet spreads; fruit purees; yoghurt; yoghurt drinks; meat; meat extracts; preserved, dried and cooked fruits and vegetables; all included in class 29.	Registered / 22 November 2018 – 22 November 2028
7.		Orient Laboratories / 2018014575	MyIPO	Class 5 / Edible oils derived from fish (other than cod liver oil); food for babies; herbal extracts for medical purposes; medicinal tea; mineral food supplements; nutritional supplements; plant extracts for pharmaceutical purposes; propolis dietary supplements; pollen dietary supplements; royal jelly dietary supplements; wheat germ dietary supplements; yeast dietary supplements; all included in class 5.	Registered / 22 November 2018 – 22 November 2028
8.		Orient Laboratories / 07000211	MyIPO	Class 29 / Powdered milk; food products made from milk; milk and cream; milk beverages (milk predominating); protein for human consumption; all included in class 29.	Registered / 5 January 2007 – 5 January 2027

ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Status / Validity period	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
9.		Orient Laboratories / 07000212	MyIPO	Class 29 / Powdered milk; food products made from milk; milk and cream; milk beverages (milk predominating); protein for human consumption; all included in class 29.	Registered / 5 January 2007 – 5 January 2027
10.		Orient Laboratories / 06020769	MyIPO	Class 29 / Food preparation containing soya and milk protein; soya bean milk powder; preparation based on soya bean protein for making soya milk; protein derived from soya beans for use as substitutes for dairy products; all included in class 29.	Registered / 14 November 2006 – 14 November 2026
11.		Bonlife / TM2022001003	MyIPO	Class 5 / Nutritional supplement energy bars; carbohydrate supplements; protein dietary supplements; protein powder dietary supplements; mixed vitamin preparations; vitamin c preparations; vitamin d preparations; vitamins; zinc dietary supplements; nutritional supplements consisting primarily of zinc; nutritional supplements consisting primarily of magnesium; dietary food supplements in powder form; food supplements in powder form; nutritional supplements in powder form; powdered nutritional supplement drink mixes.	Registered / 12 January 2022 – 12 January 2032
12.		Bonlife / TM2021016505	MyIPO	Class 5 / Nutritional supplement energy bars; carbohydrate supplements; protein dietary supplements; protein powder dietary supplements; mixed vitamin preparations; vitamin c preparations; vitamin d preparations; vitamins; zinc dietary supplements; nutritional supplements consisting primarily of zinc; nutritional supplements consisting primarily of magnesium; dietary food supplements in powder form; food supplements in powder form; nutritional supplements in powder form; powdered nutritional supplement drink mixes.	Application filed, currently under provisional refusal (objection) – appeal ⁽²⁾

ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS (CONT'D)

No.	Status / Validity period	Name of applicant / Registration no.	Issuing authority	Class / Description	Status / Validity period
13.		Bonlife / TM2023008636	MyIPO	Class 5 / Nutritional supplement energy bars; carbohydrate supplements; protein dietary supplements; protein powder dietary supplements; mixed vitamin preparations; vitamin c preparations; vitamin d preparations; vitamins; zinc dietary supplements; nutritional supplements consisting primarily of zinc; nutritional supplements consisting primarily of magnesium; dietary food supplements in powder form; food supplements in powder form; nutritional supplements in powder form; powdered nutritional supplement drink mixes.	Application filed, currently under provisional refusal (objection) ⁽³⁾
14.		OB Holdings / TM2023024705	MyIPO	Class 16 / Adhesive tape dispensers (office requisites); adhesive tapes for stationery or household purposes; adhesive bands for stationery or household purposes; adhesive (glues) for stationery or household purposes; advertisement boards of paper or cardboard; albums; bags (envelopes, pouches) of paper or plastics, for packaging; booklets; bookmarks; books; bottle envelopes of paper or cardboard; bottle wrappers of paper or cardboard; boxes of paper or cardboard; bunting of paper; calendars; canvas for painting; carbon paper; cardboard*; cards*; catalogues; conical paper bags; copying paper (stationery); covers (stationery); drawing rulers; desk mats; document files (stationary); document laminators for office use; document holders (stationery); embroidery designs (patterns); engraving plates, envelopes (stationery); face towels of paper; files (office requisites); filter paper; flags of paper; flyers; folders for papers; folders (stationery); forms, printed; graphic prints; graphic reproductions; graphic representations; greeting cards; newsletters; newspapers; note books; packaging material made of starches; paper*; paper sheets (stationery); paper clasps; pencils; ink pens; ball point pens; marker pens; correction fluids; photograph stands; photographs (printed); pictures; postcards; posters; printed timetables; printed matter; printed publications; printed coupons; printing type; sealing stamps; signboards of paper or cardboard; stationery; washi; writing materials; writing paper; writing cases (stationery); writing cases (sets).	Application filed, currently under substantive examination ⁽⁴⁾

ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS (CONT'D)

Notes:

- (1) Upon the expiry of this trademark, our Group does not intend to renew the trademark as it is no longer active.
- (2) The application for registration of the trademark has been received by MyIPO on 15 June 2021 but the registration has been provisionally refused pursuant to a letter dated 28 April 2022 issued by MyIPO to Bonlife, due to the following reasons (a) the trademark is devoid of any distinctive character (section 23(1)(b) of the Trademarks Act 2019); (b) the trademark consists signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, other characteristics of goods or services or the time of production of goods or of rendering of services (section 23(1)(c) of the Trademarks Act 2019); and (c) the trademark is similar to an earlier trademark and is to be registered for goods or services identical with or similar to the earlier trademark (section 24(2)(b) of the Trademarks Act 2019). An appeal has been filed on 23 June 2022 and it is currently pending review. Our Group may not be able to protect or effectively enforce their proprietary rights against unauthorised use of this trademark in the event the registration of this trademark with MyIPO is unsuccessful.
- (3) The application for registration of this trademark has been received by MyIPO on 24 March 2023 but the registration has been provisionally refused pursuant to a letter dated 22 September 2023 issued by MyIPO to Bonlife, due to the following reasons (a) the trademark is devoid of any distinctive character (section 23(1)(b) of the Trademarks Act 2019); (b) the trademark consists signs or indications which may serve, in trade, to designate the kind, intended purpose, value, other characteristics of goods or services or the time of production of goods or of rendering of services (section 23(1)(c) of the Trademarks Act 2019); and (c) the trademark is similar to an earlier trademark and is to be registered for goods or services identical with or similar to the earlier trademark (section 24(2)(b) of the Trademarks Act 2019). As at the LPD, our Group is in the midst of preparing an appeal on this. Our Group may not be able to protect or effectively enforce their proprietary rights against unauthorised use of this trademark in the event the registration of this trademark with MyIPO is unsuccessful.
- (4) The application for registration of this trademark has been received by MyIPO on 18 August 2023 and it is currently under substantive examination by MyIPO. Our Group may not be able to protect or effectively enforce their proprietary rights against unauthorised use of this trademark in the event the registration of this trademark with MyIPO is unsuccessful.

In the event that the above registered trademarks are not renewed and/or the applications for registration of the trademarks with MyIPO are unsuccessful, our Group does not foresee any material impact to our Group's business operations and financial performance as our Group is not dependent on the above for our Group's products.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS

MATERIAL REGULATORY REQUIREMENTS RELATING TO OUR BUSINESS OPERATIONS

The following is an overview of the material laws and regulations that are relevant to the business operations of our Group. The following does not purport to be an exhaustive description of all relevant laws and regulations of which our business is subject to.

(A) LAWS AND REGULATIONS RELATING TO OUR BUSINESS

(i) Local Government Act 1976 (“LGA”)

The LGA empowers every local authority to grant licence or permit for any trade, occupation or premise through by-laws. Every licence or permit granted shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor. As our business is carried out in Selangor, we come under the jurisdiction of the SMC and HSMC.

The following sets out the relevant by-laws governing the conduct of our business:

- (a) The Licensing of Trades, Businesses and Industries (Selayang Municipal Council) By-Laws 2007 (“**SMC Licensing By-Laws 2007**”). The SMC Licensing By-Laws 2007 provides that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the SMC for any activity of trade, business and industry without a licence issued by the SMC. Any person who contravenes any of the provision of the SMC Licensing By-Laws 2007 commits an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction.
- (b) The Licensing of Food Establishments (Selayang Municipal Council) By-Laws 2007 (“**SMC Food Establishments By-Laws 2007**”). The SMC Food Establishments By-Laws 2007 provides that no person shall operate any activities of food establishments or use any places or premises in the local area of the SMC for any activities of food establishment without a licence issued by the SMC. Food establishments are defined as “any places or premises where food is prepared, manufactured, processed, packed, canned, bottled or stored for the purpose of sale for human consumption and foods are defined to include “every article manufactured, processed, sold or represented for use as food or drinks for human consumption or which enters into or is used in the composition, preparation, preservation of any food or drinks. Any person who contravenes any of the provision of the SMC Food Establishments By-Laws 2007 commits an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction.
- (c) The Advertisement (Selayang Municipal Council) By-Laws 2007 (“**SMC Advertisement By-Laws 2007**”). The SMC Advertisement By-Laws 2007 establishes that no person shall exhibit any advertisement without a license issued by the SMC. Any person who contravenes any of the provision of the SMC Advertisement By-Laws 2007 shall be guilty of an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each date during which such offence is continued after conviction.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

- (d) The Licensing of Trades, Businesses and Industries (Hulu Selangor Municipal Council) By-Laws 2007 ("**HSMC Licensing By-Laws 2007**"). The HSMC Licensing By-Laws 2007 provides that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the HSMC for any activity of trade, business and industry without a licence issued by the HSMC. Any person who contravenes any of the provision of the HSMC Licensing By-Laws 2007 commits an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction.
- (e) The Licensing of Food Establishments (Hulu Selangor Municipal Council) By-Laws 2007 ("**HSMC Food Establishments By-Laws 2007**"). The HSMC Food Establishments By-Laws 2007 provides that no person shall operate any activities of food establishments or use any places or premises in the local area of the HSMC for any activities of food establishment without a licence issued by the HSMC. Food establishments are defined as "any places or premises where food is prepared, manufactured, processed, packed, canned, bottled or stored for the purpose of sale for human consumption and foods are defined to include "every article manufactured, processed, sold or represented for use as food or drinks for human consumption or which enters into or is used in the composition, preparation, preservation of any food or drinks. Any person who contravenes any of the provision of the HSMC Food Establishments By-Laws 2007 commits an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each day during which such offence is continued after conviction.
- (f) The Advertisement (Hulu Selangor Municipal Council) By-Laws 2007 ("**HSMC Advertisement By-Laws 2007**"). The HSMC Advertisement By-Laws 2007 establishes that no person shall exhibit any advertisement without a license issued by the HSMC. Any person who contravenes any of the provision of the HSMC Advertisement By-Laws 2007 shall be guilty of an offence and shall upon conviction be liable to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 1 year or to both such fine and imprisonment and in the case of a continuing offence to a fine not exceeding RM200.00 for each date during which such offence is continued after conviction.

As at LPD, our Group holds and maintains valid business premises licences and advertisement licences for all our operating business premises.

(ii) Industrial Co-ordination Act 1975 ("ICA")

The ICA provides the co-ordination and orderly development of manufacturing activities in Malaysia. Manufacturing companies with shareholders' funds of RM2.5 million and above or engaging 75 or more full-time paid employees are required to have manufacturing licences. Any failure to observe and adhere to the licensing requirements constitutes an offence and is liable on conviction to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000.00 for every day during which such default continues.

As our Group is involved in the provision of manufacturing services of fortified F&B and dietary supplements to third party brand owners as well as the manufacturing of fortified F&B and dietary supplements under our house brands, we are required to obtain manufacturing licences issued by the MITI once we meet the licensing requirements stipulated above.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

Our subsidiary, Orient Laboratories, had operated without a manufacturing licence issued by MITI pursuant to Section 3 of the ICA in the past. During the period from incorporation of Orient Laboratories in year 1999 until 31 May 2012, Orient Laboratories was not required to apply for a manufacturing licence as Orient Laboratories' shareholders' funds did not exceed RM2.50 million and it did not employ more than 75 full-time employees. In the course of reviewing its licensing requirements, Orient Laboratories realised that it had met the licensing requirements since FYE 2012 but had not obtained the requisite manufacturing licence. Hence, Orient Laboratories began the process of applying to MITI to obtain the requisite manufacturing licence in May 2023. The cost incurred for the rectification to obtain the manufacturing licence was RM300.00, which was the application fee payable to MITI. Orient Laboratories had on 28 July 2023 obtained a conditional approval from MITI, which requires Orient Laboratories to fulfil the conditions stated in the conditional approval letter within 6 months from the date of such letter.

For information purpose, the revenue contribution of Orient Laboratories during the Financial Years Under Review are RM1.05 million, RM1.32 million and RM1.43 million, respectively.

Orient Laboratories has complied with the conditions stated in the conditional approval letter and obtained the manufacturing licence issued by the MITI on 1 November 2023. No penalty was imposed by MITI for the period of past non-compliance from 1 June 2012 up to the date of the issuance of the manufacturing licence. In any event, the potential penalty which may be imposed in connection with this non-compliance is RM2,000.00, which represents approximately 0.02% of our Group's PBT for the FYE 2023. Such potential penalty would not however be expected to have a material adverse impact on our Group's business operations and financial results.

Save for the past non-compliance by Orient Laboratories as disclosed above, we will ensure that we continue to hold valid manufacturing licences issued by the MITI for purpose of our manufacturing activities.

(iii) Food Act 1983 ("FA"), Food Regulations 1985 ("FR") and Food Hygiene Regulations 2009 ("FHR")

The FA and the FR aim to protect the public against health hazards and fraud in the preparation, sale and use of food and for other related matters. Both the FA and the FR regulate various aspects of food safety and quality control, including food compositional standards, food additives, nutrient supplements, contaminants, food labelling, advertisement and procedure for taking samples.

Further, the FHR governs and controls the hygiene and safety of food sold in Malaysia. No person shall use any food premise involved in manufacturing of food or in connection with the preparation, preservation, packaging, storage, conveyance, distribution or sale of any food except where such premise is registered under the FHR. Any person who uses any food premises for the prescribed purposes without a valid certificate of registration commits an offence and shall, upon conviction, be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 2 years.

In general, the FHR regulates, amongst others:

- (a) the duty of proprietor, owner or occupier of food premises;
- (b) general and specific requirements pertaining to food premises which include requirements as to the cleanliness, pest control, disposal of refuse and ventilation of food premises;

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

- (c) the training, medical examination, health condition, clothing and personal hygiene of the food handler (i.e. any person who is involved directly in the food preparation); and
- (d) the protection of food from contamination throughout the various stages and processes in relating to food including the use and condition of food appliances and containers and preparation, packing and storage of food.

We are required to ensure that our Group complies with the FA, FR and FHR to ensure that our products are safe for human consumption and meet the relevant standards and conducts applicable to our products. In ensuring that our food production meet the standard of cleanliness and hygiene and the food assurance system required under Malaysian food-related laws, we are duly certified by the independent certification bodies with a number of requirements and standards in respect of food safety management system such as the good manufacturing practices, hazard analysis critical control point and quality management system.

(iv) Sale of Drugs Act 1952 (“SDA”) and the Control of Drugs and Cosmetics Regulations 1984 (“CDCR”)

The SDA is an act relating to the sale of drugs and such drugs include any substance, product or article intended to be used or capable, or purported or claimed to be capable, of being used on human or any animal, whether internally or externally, for a medicinal purpose. Medicinal purpose is defined to include, among others, general maintenance or promotion of health or wellbeing.

The CDCR which was issued pursuant to the SDA stipulates that save as otherwise provided therein, no person shall manufacture, sell, supply, import or possess or administer any product unless the product is a registered product, and the person is a holder of the appropriate licence required under the CDCR, such as manufacturer’s licence and wholesaler’s licence. Any person who contravenes any of the provisions of the CDCR or any condition of any licence issued under the CDCR or any condition subject to which a product is registered under the CDCR commits an offence.

The SDA provides that any body corporate who commits an offence against the SDA or any regulation made under the SDA for which no penalty is expressly provided shall be liable on conviction to a fine not exceeding RM50,000.00 and for a second or subsequent offence, it shall be liable on conviction to a fine not exceeding RM100,000.00.

Our subsidiary, Bonlife, had operated without a wholesaler’s licence issued by NPRA prescribed under Regulation 12 of the CDCR since 2007. For information purpose, the products supplied to Bonlife were manufactured by Orient Laboratories, for which Orient Laboratories had obtained and maintained a valid manufacturer and wholesaler’s licence granted by NPRA which is renewed annually. Due to a misunderstanding of the NPRA wholesaler’s licence registration requirements, Bonlife had not obtained a separate wholesaler’s licence and had instead relied on Orient Laboratories’ wholesaler’s licence for its wholesale activities.

After becoming aware of the requirement to obtain a separate licence, Bonlife had in May 2023 made an application for the requisite licence and had on 11 May 2023 obtained the wholesaler’s licence with a validity period until 31 December 2023. The cost incurred for the rectification to obtain the wholesaler’s licence was RM500.00, which was the application fee payable to NPRA. The potential penalty which may be imposed in connection with this non-compliance is approximately RM50,000.00, which represents approximately 0.41% of our Group’s PBT for the FYE 2023. Such potential penalty, if imposed, is however not expected to have a material adverse impact on our Group’s business operations and financial results.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

Save for the past non-compliance by Bonlife as disclosed above, our Group will continue to hold valid manufacturer's licences and wholesaler's licences issued by the NPRA for purpose of our business operations. Our Group will continue to observe the relevant laws, rules and regulations relating to our industry and to renew the required licences, permits and approvals in a timely manner.

(v) Trade Descriptions Act 2011 ("TDA"), Trade Descriptions (Definition of Halal) Order 2011 ("TDDH") and Trade Descriptions (Certification and Marking of Halal) Order 2011 ("TDCMH")

The purposes of the TDA are to, amongst others, promote good trade practices by prohibiting false trade descriptions and false or misleading statements, conduct and practices in relation to the supply of goods and services and to provide for connected and incidental matters.

Pursuant to Section 5 of the TDA, any person who:

- (a) applies a false trade description to any goods;
- (b) supplies or offers to supply any goods to which a false trade description is applied; or
- (c) exposes for supply or has in his possession, custody or control for supply any goods to which a false trade description is applied,

commits an offence and shall, on conviction, be liable, if such person is a body corporate, to a fine not exceeding RM250,000.00, and for a second or subsequent offence, to a fine not exceeding RM500,000.00.

The TDDH and the TDCMH are issued under the TDA to protect traders and consumers from unethical trade practices in the supply of Halal products and services. Generally for food or goods to be described as Halal or can be consumed or used by Muslims, it shall be certified as Halal by a competent authority and marked with the logo specified in the first schedule to the TDCMH, by affixing, annexing or in any other manner incorporating it with the food or goods themselves or anything in, on or with which the food or goods are supplied. JAKIM and the State Islamic Religious Council have been appointed as the competent authorities to provide Halal certification. Definitions of Halal and other related expression are, on the other hand, contained in the TDDH.

Under Order 8 of the TDCMH, any person who supplies or offers to supply any food or goods in contravention of TDCMH commits an offence and shall, on conviction, be liable, if such person is a body corporate, to a fine not exceeding RM200,000.00, and for a second or subsequent offence, to a fine not exceeding RM500,000.00. Besides, it shall also be an offence for any body corporate that supplies or offers to supply any food or goods which are described as Halal or are described in any other expression in contravention of the TDDH and shall, on conviction, be liable to a fine not exceeding RM5,000,000.00 and for a second or subsequent offence to a fine not exceeding RM10,000,000.00.

We will continue to practice good trade practices and to ensure in particular that trade descriptions of the goods and services supplied by us are not false or misleading. Our Group shall continue to comply with the TDDH and the TDCMH and shall ensure that the preparation, processing and storage of our Halal products comply with the definition of "Halal", before such products are marketed as Halal products.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

(B) LAWS AND REGULATIONS RELATING TO OUR PROPERTIES AND MACHINERIES

(i) Street, Drainage and Building Act 1974 (“SDBA”)

The SDBA provides uniformity of law and policy to make laws with regard to local government matters relating to street, drainage and buildings in Peninsular Malaysia. It provides for the requirement to have a CF or CCC to ensure that the building is safe and fit for occupation.

In exercise of the powers conferred by the SDBA, the Uniform Building By-Laws 1984 (“UBBL”) has been put into force. Under the UBBL, the CCC shall be issued by the principal submitting person, amongst others -

- (a) When all the technical conditions as imposed by the local authority have been duly complied with;
- (b) When all essential services have been provided; and
- (c) He has supervised the erection and completion of the building and that to the best of this knowledge and belief the building has been constructed and completed in accordance with the SDBA, UBBL and the approved plans.

No person shall occupy or permit to be occupied any building or any part thereof unless a CF or CCC has been issued and any failure to comply shall be liable on conviction to a fine of up to RM250,000.00 or to imprisonment for a term not exceeding 10 years or to both.

All our owned and tenanted properties have been issued with a CF or CCC.

(ii) Factories and Machinery Act 1967 (“FMA”)

The FMA governs the control of factories with respect to matters relating to the safety, health and welfare of person therein, the registration and inspection of machinery and for matters connected therewith.

No person shall install or caused to be installed (a) any machinery in any factory; or (b) any machinery in respect of which a certificate of fitness is prescribed, except with the written approval of the Inspector of Factories and Machinery.

Section 19(1) of the FMA provides that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate is prescribed, unless a valid certificate of fitness under the FMA has been issued. Any person who contravenes Section 19(1) of the FMA shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM150,000.00 or to imprisonment for a term not exceeding 3 years or to both.

The machinery and equipment that we own and/or operate in the course of carrying out our business operations are governed by the requirements of the FMA. Accordingly, we have been issued with certificate of fitness in respect of the machinery and equipment which fall under the purview of the FMA.

(C) LAWS AND REGULATIONS RELATING TO SOCIAL WELFARE

(i) Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (“EMSA”) and Employees' Minimum Standards of Housing, Accommodations and Amenities (Accommodation and Centralized Accommodation) Regulations 2020 (“EMSA Regulations”)

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

The EMSA and the EMSA Regulations prescribe the minimum standards of housing for employees, requiring employers to provide health, hospital, medical and social amenities and matters incidental thereto to its employees. Part IIIA of the EMSA imposes the duty and responsibility on employers to, among other things, ensure that:

- (a) no accommodation shall be provided to an employee unless certified with a certificate for accommodation (“**Certificate for Accommodation**”). Pursuant to Section 24D(3) of the EMSA, an employer who fails to obtain a Certificate for Accommodation commits an offence and shall on conviction be liable to a fine not exceeding RM50,000.00;
- (b) the employer shall within 30 days from the date an accommodation is occupied by his employee, inform the Director General of such occupation. Pursuant to Section 24(E)(2) of the EMSA, any employer who fails to notify the Director General of such occupation commits an offence and shall on conviction be liable to a fine not exceeding RM10,000.00;
- (c) every accommodation provided for employees complies with the minimum standards required under the EMSA or any regulations made thereunder;
- (d) every accommodation provided for employees shall with decent and adequate amenities in accordance with the EMSA or any regulations made thereunder;
- (e) necessary preventive measures are taken to ensure employees’ safety and well-being;
- (f) the employees receive the necessary medical assistance; and
- (g) preventive measures are taken to contain the spread of infectious diseases as ordered by the registered medical practitioner in accordance with the relevant laws and the employer shall, at his own expense, make arrangements as ordered by the medical practitioner so that all or any of the employees be given immunization against any infectious disease.

Further, pursuant to Section 29A of the EMSA, a person who at the time of the commission of the offence was a director, compliance officer, partner, manager, secretary or other similar officer of the company, or was purporting to act in the capacity or was in any manner or to any extent responsible for the management of any of the affairs of the company or was assisting in its management may be charged severally or jointly in the same proceedings with the company and if the company is found guilty of the offence, shall be deemed to be guilty of that offence and shall be liable to the same punishment or penalty as an individual unless, having regard to the nature of his functions in that capacity and to all circumstances, he proves that the offence was committed without his knowledge, or that the offence was committed without his consent or connivance and that he had taken all reasonable precautions and exercised due diligence to prevent the commission of the offence.

The employees’ accommodations that our Group provided to our employees were issued with the Certificate of Accommodation and complies with the necessary requirements of the EMSA and the EMSA Regulations.

(ii) Occupational Safety and Health Act 1994 (“OSHA”)

The OSHA provides provisions for securing the safety, health and welfare of persons at work, for protecting others against risk to safety or health in connection with the

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

activities of persons at work and for matters connected therewith. The OSHA applies to our Group as we are in the manufacturing industry.

Employers and every self-employed person must as far as is practicable, ensure the safety, health and welfare at work of all their employees by (including but without limitation):

- (a) the provision and maintenance of plant and systems of work that are, so far as is practicable, safe and without risks to health;
- (b) the making of arrangements for ensuring, so far as is practicable, safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;
- (c) the provision of such information, instruction, training and supervision as is necessary to ensure, so far as is practicable, the safety and health at work of its employees;
- (d) so far as is practicable, as regards any place of work under the control of the employer or self-employed person, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and
- (e) the provision and maintenance of a working environment for its employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work.

Failure to comply with the above constitutes an offence and the employer is liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 2 years, or to both.

Our Group will continue to ensure compliance with the applicable OSHA provisions.

(D) LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademarks Act 2019 (“TMA”)

The TMA provides for the registration of trademarks in relation to goods and services and to implement the relevant treaties and for other connected matters. A trademark is defined under Section 3 of the TMA as any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings. A sign may constitute a trademark even though it is used in relation to a service ancillary to the trade or business of an undertaking and whether or not the service is provided for money or money's worth.

A registered trademark shall be a property right obtained by the registration of trademark under the TMA and a registered proprietor of the trademark has the rights and remedies provided under the TMA. The registration of a trademark shall be for a period of 10 years and may be renewed for a further period of 10 years in accordance with the TMA.

Our Group holds multiple registered trademarks which have been registered under the Trade Marks Act 1976 (“**TMA 1976**”) and has submitted applications for 3 other trademarks which are currently pending approval. Notwithstanding that the TMA 1976 has been repealed, any existing marks registered under the TMA 1976 shall be a registered trademark for the purpose of the TMA. Please refer to Annexure C of this Prospectus for a list of our registered trademarks and trademarks that are currently pending approval in Malaysia.

Our Group will continue to take all necessary efforts in protecting our trademarks.