
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	FYE 2024 RM'000
Revenue	29,719	43,558	46,449	50,886
Cost of sales	(17,767)	(25,288)	(27,479)	(29,168)
GP	11,952	18,270	18,970	21,718
Other income ⁽¹⁾	638	228	5,519	107
Selling and distribution expenses	(363)	(1,956)	(3,117)	(4,946)
Net (impairment loss)/reversal of impairment loss on non-financial assets	(28)	81	-	-
Net (impairment loss)/reversal of impairment loss on receivables	(690)	(10)	(68)	619
Administrative expenses	(4,893)	(5,615)	(8,519)	(8,766)
Operating profits	6,616	10,998	12,785	8,732
Finance income	9	5	9	8
Finance costs	(180)	(219)	(543)	(799)
PBT	6,445	10,784	12,251	7,941
Tax expenses	(1,734)	(2,560)	(2,679)	(2,441)
PAT / Total comprehensive income for the financial years	4,711	8,224	9,572	5,500
Earnings before interest, tax, depreciation and amortisation ("EBITDA") ⁽²⁾	7,963	12,509	14,983	10,828
Assumed number of Shares in issue ('000) ⁽³⁾	391,627	391,627	391,627	391,627
Basic and diluted EPS (Sen) ⁽⁴⁾	1.20	2.10	2.44	1.40
GP margin (%) ⁽⁵⁾	40.22	41.94	40.84	42.68
EBITDA margin (%) ⁽⁶⁾	26.79	28.72	32.26	21.28

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
PBT margin (%) ⁽⁷⁾	21.69	24.76	26.38	15.61
PAT margin (%) ⁽⁸⁾	15.85	18.88	20.61	10.81
Effective tax rate (%) ⁽⁹⁾	26.90	23.74	21.87	30.74

For illustrative purposes, after excluding the one-off other income and administrative expenses, our Group's adjusted PBT, PAT, PBT margin and PAT margin for the Financial Years Under Review are set out below:

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
Adjusted PBT	-	-	9,266 ⁽¹⁰⁾	8,695 ⁽¹¹⁾
Adjusted PAT	-	-	6,587 ⁽¹⁰⁾	6,254 ⁽¹¹⁾
Adjusted PBT margin (%)	-	-	19.95	17.09
Adjusted PAT margin (%)	-	-	14.18	12.29

Notes:

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

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
PAT	4,711	8,224	9,572	5,500
Add: Tax expense	1,734	2,560	2,679	2,441
Depreciation	1,331	1,511	2,198	2,096
Amortisation	16	-	-	-
Finance costs	180	219	543	799
Less: Finance income	(9)	(5)	(9)	(8)
EBITDA	7,963	12,509	14,983	10,828

- (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.

12. FINANCIAL INFORMATION (CONT'D)

- (9) Effective tax rate is calculated based on income tax expense divided by PBT.
- (10) 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.
- (11) After adjusted for the expenses incurred for our Listing of RM0.72 million and under accrual of real property gains tax related to an investment property disposed of in FYE 2023 of RM0.03 million.

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

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

	Audited as at 31 May			
	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4,138	5,903	6,614	10,178
Right-of-use assets	4,557	17,901	17,178	16,747
Investment properties	5,370	5,390	220	218
Intangible assets	*	*	*	*
Other receivables ⁽¹⁾	-	-	18	10
Total non-current assets	14,065	29,194	24,030	27,153
Current assets				
Inventories	6,616	12,383	10,104	11,618
Trade receivables	6,096	4,146	4,465	8,535
Other receivables ⁽¹⁾	912	1,090	1,570	1,472
Tax recoverable	116	54	177	133
Deposits with licensed banks	480	372	381	390
Cash and bank balances	2,266	5,451	4,220	3,173
Total current assets	16,486	23,496	20,917	25,321
Total assets	30,551	52,690	44,947	52,474
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of the Company				
Share capital	1,400	1,400	1,400	1,401
Retained earnings	18,697	25,721	25,404	30,904
Total equity	20,097	27,121	26,804	32,305

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at 31 May			
	2021 RM'000	2022 RM'000	2023 RM'000	2024 RM'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	271	353	340	713
Borrowings	1,773	2,090	11,643	11,226
Lease liabilities	175	142	113	-
Total non-current liabilities	2,219	2,585	12,096	11,939
Current liabilities				
Trade payables	2,440	3,378	1,531	2,965
Other payables	1,453	16,259	1,547	2,460
Borrowings	3,553	2,750	2,509	2,735
Lease liabilities	135	99	37	-
Tax payables	654	498	423	70
Total current liabilities	8,235	22,984	6,047	8,230
Total liabilities	10,454	25,569	18,143	20,169
Total equity and liabilities	30,551	52,690	44,947	52,474

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12. FINANCIAL INFORMATION (CONT'D)**Notes:**

* Less than RM1,000.

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

	Audited as at 31 May			
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Non-current				
Third parties ^(a)	-	-	18	10
Current				
Third parties ^(b)	396	561	479	700
Amount due from related parties	357	4	-	-
Deposits ^(c)	743	1,105	1,644	223
Prepayments	10	14	30	549
	1,506	1,684	2,153	1,472
Less: Allowance for expected credit losses	(594)	(594)	(583)	-
	912	1,090	1,570	1,472

- (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.

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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 July 2024 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 July 2024 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	-	794	794	794
- Bankers' acceptance	-	775	775	775
Unsecured:				
- Term loan	-	442	442	442
<u>Non-current</u>				
Secured:				
- Term loan	-	10,983	10,983	10,983
Unsecured:				
- Term loan	-	66	66	66
Total Indebtedness	-	13,060	13,060	13,060
CAPITALISATION				
Total equity	(1,051)	32,904	61,704	59,736
Total capitalisation and indebtedness	(1,051)	45,964	74,764	72,796
Gearing ratio (times) ⁽¹⁾	1.00	0.40	0.21	0.22

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*, *Zen Night*, *Sleepin' Beaute*, *EZ:Nitez*, *Beyoute*, *Zen Youte* and *Zenliv*. 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		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Provision of manufacturing services ⁽¹⁾	22,488	75.67	32,871	75.46	34,776	74.87	31,739	62.37
Sales of house brands products	4,089	13.76	7,644	17.55	8,698	18.73	12,143	23.86
Trading of milk powder and other activities ⁽²⁾	3,142	10.57	3,043	6.99	2,975	6.40	7,004	13.77
Total revenue	29,719	100.00	43,558	100.00	46,449	100.00	50,886	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%, 2.51% and nil of our total revenue for the Financial Years Under Review, respectively. On 1 June 2023, we 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.

12. FINANCIAL INFORMATION (CONT'D)

- (2) The trading of milk powder contributed 91.18%, 94.68%, 91.09% and 90.06% 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 test services, freight services, as well as the sales of raw materials which are surplus materials from our manufacturing activities, packaging materials, pallets and face masks on an ad hoc basis, which contributed the remaining 8.82%, 5.32%, 8.91% and 9.94%.

(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⁾	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	28,031	94.32	42,694	98.02	41,424	89.18	46,220	90.83
Overseas:								
Thailand	637	2.14	407	0.93	590	1.27	2,749	5.40
Hong Kong	454	1.53	122	0.28	3,817	8.22	1,778	3.50
Singapore	312	1.05	280	0.64	347	0.75	88	0.17
China	-	-	-	-	223	0.48	-	-
Taiwan	285	0.96	55	0.13	23	0.05	49	0.10
Australia	-	-	-	-	25	0.05	2	*
	1,688	5.68	864	1.98	5,025	10.82	4,666	9.17
Total revenue	29,719	100.00	43,558	100.00	46,449	100.00	50,886	100.00

Notes:

* Less than 0.01%.

- (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	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Orient Biotech	27,769	93.44	39,512	90.71	41,237	88.78	36,179	71.10
Orient Laboratories	1,463	4.92	1,319	3.03	2,303	4.96	9,178	18.04
Bonlife	4,089	13.76	7,646	17.55	8,698	18.72	12,144	23.86
	33,321	112.12	48,477	111.29	52,238	112.46	57,501	113.00
Consolidation adjustment	(3,602)	(12.12)	(4,919)	(11.29)	(5,789)	(12.46)	(6,615)	(13.00)
Total revenue	29,719	100.00	43,558	100.00	46,449	100.00	50,886	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 our 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).

Comparison between FYE 2023 and FYE 2024

For FYE 2024, our revenue increased by RM4.44 million or 9.56% to RM50.89 million (FYE 2023: RM46.45 million). The increase in our revenue for FYE 2024 was mainly due to the increase in revenue from the sales of house brands products segment by RM3.44 million or 39.54% to RM12.14 million for FYE 2024 (FYE 2023: RM8.70 million), as well as revenue from the trading of milk powder and other activities segment which increased by RM4.02 million or 134.90% to RM7.00 million for FYE 2024 (FYE 2023: RM2.98 million).

The provision of manufacturing services segment continued as our largest revenue contributor, contributing RM31.74 million or 62.37% of our total revenue for FYE 2024 (FYE 2023: RM34.78 million or 74.87%).

The local market has remained our primary revenue contributor for FYE 2024, representing RM46.22 million, or 90.83% of our total revenue (FYE 2023: RM41.42 million, or 89.18%).

12. FINANCIAL INFORMATION (CONT'D)***Provision of manufacturing services***

Revenue from the provision of manufacturing services segment decreased by RM3.04 million or 8.74% to RM31.74 million for FYE 2024 (FYE 2023: RM34.78 million), mainly attributable to the decrease in fortified F&B by RM2.02 million or 7.71% to RM24.19 million for FYE 2024 (FYE 2023: RM26.21 million), mainly attributable to lesser orders secured from the sales of milk-based products of RM6.32 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) herb-based products of RM2.33 million, which mainly from 2 new customers; and (b) coffee-based beverages mix of RM1.73 million, which mainly from a new customer.

In addition, such decrease was also due to no order for fortified F&B for pets for our customers in Malaysia for FYE 2024 (FYE 2023: RM1.17 million). On 1 June 2023, we 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.

Sales of house brands products

Revenue from the sales of house brands products segment increased by RM3.44 million or 39.54% to RM12.14 million for FYE 2024 (FYE 2023: RM8.70 million), mainly attributable to the following:

- (i) Increase in sales of fortified F&B by RM2.08 million or 31.76% to RM8.63 million for FYE 2024 (FYE 2023: RM6.55 million), mainly from the sale of our new product under *GoHerb*, namely GoHerb Reneicare, which contributed to RM2.09 million to our revenue for FYE 2024. GoHerb Reneicare was launched in November 2023 as a substitute product for GoHerb Antler Extract, which was discontinued in the same month.
- (ii) Increase in sales of dietary supplements by RM1.36 million or 63.26% to RM3.51 million for FYE 2024 (FYE 2023: RM2.15 million), mainly from the sale of new product under *GoHerb*, namely GoHerb Phyto Pomegranate, which contributed RM1.24 million to our revenue for FYE 2024.

Trading of milk powder and other activities

Revenue from the trading of milk powder and other activities segment increased by RM4.02 million or 134.90% to RM7.00 million for FYE 2024 (FYE 2023: RM2.98 million), mainly attributable to the increase in trading of milk powder of RM3.60 million due to higher sales to an existing Thailand customer and 3 local customers for FYE 2024, which collectively contributed to the increased revenue of RM3.69 million. In addition, the increase in revenue for this segment was also due to the sales of surplus raw materials of RM0.42 million, contributed mainly by 3 local customers, which collectively contributed to the increased revenue of RM0.40 million.

12. FINANCIAL INFORMATION (CONT'D)**(b) Cost of sales, GP and GP margin**

Our cost of sales comprises mainly for the following:

- **Costs of materials consumed**

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

- **Direct labour costs**

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

- **Factory overheads**

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

(i) Analysis of cost of sales by cost component

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

Type of cost component	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Costs of materials consumed	14,768	83.12	21,162	83.68	21,593	78.58	22,504	77.15
Direct labour costs	1,647	9.27	2,356	9.32	3,076	11.19	3,516	12.06
Factory overheads	1,352	7.61	1,770	7.00	2,810	10.23	3,148	10.79
Total cost of sales	17,767	100.00	25,288	100.00	27,479	100.00	29,168	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%.

12. FINANCIAL INFORMATION (CONT'D)***Direct labour costs***

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

- (aa) Increase in salaries and allowances by RM0.41 million to RM1.67 million for FYE 2022 (FYE 2021: RM1.26 million), mainly due to annual salary increment and higher staff incentives for FYE 2022; and
- (bb) Increase in sundry wages by RM0.24 million to RM0.39 million for FYE 2022 (FYE 2021: RM0.15 million), mainly due to the increase in monthly average part-time workers' headcount from 10 staff for FYE 2021 to 17 staff for FYE 2022 and increase in operation and production hour for part-time workers in order to meet the higher sales for products.

Factory overheads

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

- (aa) Increase in depreciation of property, plant and equipment by RM0.24 million to RM0.81 million for FYE 2022 (FYE 2021: RM0.57 million), mainly due to additional plant and machines purchased during FYE 2022 for Selayang Factory and full-year impact on the depreciation of machines acquired during FYE 2021;
- (bb) Increase in the upkeep of factory by RM0.06 million to RM0.19 million for FYE 2022 (FYE 2021: RM0.13 million), mainly due to set up costs for Rented Serendah Factory newly rented from March 2022;
- (cc) There was a new rental of Rented Serendah Factory of RM0.05 million for FYE 2022 (FYE 2021: Nil) from March 2022; and
- (dd) Increase in transportation charges by RM0.04 million to RM0.11 million for FYE 2022 (FYE 2021: RM0.07 million), which increased in tandem with the growth in our revenue.

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.

Comparison between FYE 2023 and FYE 2024

For FYE 2024, our cost of sales increased by RM1.69 million or 6.15% to RM29.17 million (FYE 2023: RM27.48 million). The increase in total cost of sales for FYE 2024 was mainly due to the increase in our costs of materials consumed of RM0.91 million or 4.21% to RM22.50 million for FYE 2024 (FYE 2023: RM21.59 million), increase in direct labour costs by RM0.44 million or 14.29% to RM3.52 million for FYE 2024 (FYE 2023: RM3.08 million), as well as the increase in factory overheads of RM0.34 million or 12.10% to RM3.15 million for FYE 2024 (FYE 2023: RM2.81 million).

12. FINANCIAL INFORMATION (CONT'D)

Costs of materials consumed

Our cost of materials consumed increased by RM0.91 million or 4.21% to RM22.50 million for FYE 2024 (FYE 2023: RM21.59 million), mainly attributable to higher materials consumed to meet higher sales for our products, which increased in tandem with the increased revenue by 9.30%.

Direct labour costs

Our direct labour costs increased by RM0.44 million or 14.29% to RM3.52 million for FYE 2024 (FYE 2023: RM3.08 million), mainly attributable to the increase in salaries and allowances of RM0.52 million to RM2.89 million for FYE 2024 (FYE 2023: RM2.37 million), resulting from the full financial year impact of the salaries and allowances for the additional foreign workers recruited since February 2023. Such an increase was partially offset by the decrease in sundry wages by RM0.10 million to RM0.18 million for FYE 2024 (FYE 2023: RM0.28 million), mainly due to the less reliance on part-time workers as our Group had hired more foreign workers since February 2023.

Factory overheads

Our factory overheads increased by RM0.34 million or 12.10% to RM3.15 million for FYE 2024 (FYE 2023: RM2.81 million), mainly attributable to the following:

- (aa) Increase in the upkeep of factory by RM0.19 million to RM0.32 million for FYE 2024 (FYE 2023: RM0.13 million), primarily due to the renovation, upgrading and improvement of our Selayang Factory; and
- (bb) Increase in the upkeep of machinery by RM0.20 million to RM0.41 million for FYE 2024 (FYE 2023: RM0.21 million), primarily due to the expenses incurred for the relocation of machines to our Rented Serendah Factory.

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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:

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cost of sales								
Provision of manufacturing services	12,745	71.73	19,312	76.37	21,529	78.35	19,637	67.32
Sales of house brands products	2,225	12.52	3,150	12.46	3,365	12.24	3,678	12.61
Trading of milk powder and other activities	2,797	15.75	2,826	11.17	2,585	9.41	5,853	20.07
Total cost of sales	17,767	100.00	25,288	100.00	27,479	100.00	29,168	100.00

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
GP								
Provision of manufacturing services	9,743	81.52	13,559	74.21	13,247	69.83	12,102	55.72
Sales of house brands products	1,864	15.60	4,494	24.60	5,333	28.11	8,465	38.98
Trading of milk powder and other activities	345	2.88	217	1.19	390	2.06	1,151	5.30
Total GP	11,952	100.00	18,270	100.00	18,970	100.00	21,718	100.00
GP margin		%		%		%		%
Provision of manufacturing services		43.33		41.25		38.09		38.13
Sales of house brands products		45.59		58.79		61.31		69.71
Trading of milk powder and other activities		10.98		7.13		13.11		16.43
Overall GP margin		40.22		41.94		40.84		42.68

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.

Comparison between FYE 2023 and FYE 2024

For FYE 2024, our cost of sales increased by RM1.69 million or 6.15% to RM29.17 million (FYE 2023: RM27.48 million), mainly attributable to the higher cost of sales from the trading of milk powder and other activities segment, which grew at a rate lower than our revenue growth rate of 9.56%.

Our GP increased by RM2.75 million or 14.50% to RM21.72 million for FYE 2024 (FYE 2023: RM18.97 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 higher GP margin of 42.68% for FYE 2024 (FYE 2023: 40.84%), primarily attributable to higher GP margin recorded by all segments due to the reasons explained below. The increase in our GP margin for FYE 2024 was also mainly attributable to some of the cost components in our costs of sales, such as the depreciation of property, plant and equipment and right-of-use assets and rental of factory, which are relatively fixed in nature and have not fluctuated in tandem with our revenue growth.

12. FINANCIAL INFORMATION (CONT'D)

Provision of manufacturing services

The cost of sales for our provision of manufacturing services segment decreased by RM1.89 million or 8.78% to RM19.64 million for FYE 2024 (FYE 2023: RM21.53 million), which decreased in tandem with the decrease in our revenue for this segment by 8.74%. Thus, our GP margin remained relatively consistent at 38.13% for FYE 2024 (FYE 2023: 38.09%).

Sales of house brands products

The cost of sales for our sales of house brands products segment increased by RM0.31 million or 9.20% to RM3.68 million for FYE 2024 (FYE 2023: RM3.37 million), which increased at a rate lower than our revenue growth for this segment by 39.54%, mainly attributable to the increase in average selling prices of certain house brand products primarily due to the increased raw material prices as well as lesser promotional activities such as volume discounts during FYE 2024. Thus, our GP margin for this segment increased from 61.31% for FYE 2023 to 69.71% for FYE 2024.

Trading of milk powder and other activities

The cost of sales for our trading of milk powder and other activities segment increased by RM3.26 million or 125.87% to RM5.85 million for FYE 2024 (FYE 2023: RM2.59 million), which increased at a rate lower than our revenue growth for this segment by 134.90%. Thus, our GP margin for this segment increased from 13.11% for FYE 2023 to 16.43% for FYE 2024. The GP margin for this segment in FYE 2024 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.

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12. FINANCIAL INFORMATION (CONT'D)**(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		FYE 2024	
	RM'000	%	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	31	28.97
Gain on disposal of property, plant and equipment	21	3.29	25	10.96	89	1.61	16	14.95
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	-	-
Insurance claim ⁽⁵⁾	-	-	-	-	-	-	50	46.73
Insurance refund ⁽⁶⁾	-	-	-	-	-	-	7	6.54
Others	5	0.79	3	1.32	31	0.56	3	2.81
Total	638	100.00	228	100.00	5,519	100.00	107	100.00

Notes:

- (1) Represents government grants of RM0.21 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><u>4,741</u></u>

12. FINANCIAL INFORMATION (CONT'D)

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 companies whose operations have been affected by COVID-19 with continuing operations and retaining employees.
- (5) Insurance claim relates to compensation arising from damaged stocks which resulted from water leakage.
- (6) Insurance refund relates to the disposal of a motor vehicle.

Commentary:Comparison between FYE 2021 and FYE 2022

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

Comparison between FYE 2022 and FYE 2023

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

Comparison between FYE 2023 and FYE 2024

Our other income decreased by RM5.41 million or 98.01% to RM0.11 million for FYE 2024 (FYE 2023: RM5.52 million) mainly due to absence of gain from the disposal of investment properties (FYE 2023: RM4.11 million), disposal of right-of-use asset (FYE 2023: RM0.63 million) and compensation received from an existing customer for the cancellation of a sales order (FYE 2023: RM0.61 million).

12. FINANCIAL INFORMATION (CONT'D)**(d) Selling and distribution expenses**

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertising expenses	204	56.20	582	29.75	1,464	46.97	2,970	60.05
Commissions	115	31.68	1,303	66.62	1,547	49.63	1,832	37.04
Travelling expenses	39	10.74	57	2.91	106	3.40	114	2.30
Others	5	1.38	14	0.72	-	-	30	0.61
Total	363	100.00	1,956	100.00	3,117	100.00	4,946	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 Group's house brand products during FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)Comparison between FYE 2023 and FYE 2024

Our selling and distribution expenses increased by RM1.83 million or 58.65% to RM4.95 million for FYE 2024 (FYE 2023: RM3.12 million) mainly due to the following:

- (i) increase in advertising expenses of RM1.51 million or 103.42% to RM2.97 million for FYE 2024 (FYE 2023: RM1.46 million), mainly due to more advertising activities through online marketing on social media platforms such as Facebook as well as third party e-commerce platforms to promote mainly for our Group's house brands products during FYE 2024; and
- (ii) increase in commissions by RM0.28 million or 18.06% to RM1.83 million for FYE 2024 (FYE 2023: RM1.55 million), which was mainly attributable to higher commissions paid to CTG for *GoHerb* products during FYE 2024, which increased in tandem with the growth in revenue for such products.

(e) Administrative expenses

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff-related costs	1,471	30.06	1,915	34.11	2,491	29.24	2,922	33.33
Professional fees	255	5.21	761	13.55	1,957	22.97	1,620	18.48
Product development expenses ⁽¹⁾	941	19.23	795	14.16	861	10.11	1,038	11.84
Directors' remuneration	484	9.89	511	9.10	634	7.44	770	8.78
Depreciation of property, plant and equipment, right-of-use assets and investment properties	565	11.55	505	8.99	521	6.12	526	6.00
Repair and maintenance	203	4.15	269	4.79	432	5.07	368	4.20
Rental expenses ⁽²⁾	56	1.14	113	2.01	132	1.55	260	2.97
Insurance and road tax	106	2.17	108	1.92	185	2.17	181	2.06
Security fees	87	1.78	88	1.57	99	1.16	146	1.67
Utility costs	85	1.74	106	1.89	87	1.02	119	1.36
Gifts and donations	189	3.86	75	1.34	46	0.54	50	0.57
Property, plant and equipment written off	-	-	-	-	592	6.95	45	0.51
Bad debts written off ⁽³⁾	74	1.51	-	-	15	0.18	-	-
Others ⁽⁴⁾	377	7.71	369	6.57	467	5.48	721	8.23
Total	4,893	100.00	5,615	100.00	8,519	100.00	8,766	100.00

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation of plant and equipment	150	15.94	150	18.87	158	18.35	151	14.55
Staff-related costs	175	18.60	239	30.06	388	45.06	331	31.89
Testing fees	603	64.08	388	48.81	292	33.91	438	42.19
Upkeep of laboratory equipment	13	1.38	18	2.26	23	2.68	118	11.37
Total	941	100.00	795	100.00	861	100.00	1,038	100.00

- (2) Rental expenses mainly relating to short-term lease for headquarters office in Selayang.
- (3) Bad debts were written off due to uncollectible long outstanding trade debts.
- (4) Comprises mainly printing and stationery expenses, travelling expenses and sundry expenses, which comprised mainly general office supplies expenses.

Commentary:Comparison between FYE 2021 and FYE 2022

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

- (i) increase in professional fees by RM0.50 million or 192.31% to RM0.76 million for FYE 2022 (FYE 2021: RM0.26 million), mainly due to (a) consultation fees for the renovation of our then three-storey terrace factory located in Batu Caves, Selangor for which the said property was subsequently disposed of during FYE 2023; (b) technical advisory fee; (c) consultation fee incurred for internal control improvement incurred during FYE 2022; and (d) higher auditors' remuneration for FYE 2022 as a result of the first adoption of MFRSs; and
- (ii) increase in staff-related costs by RM0.45 million or 30.61% to RM1.92 million for FYE 2022 (FYE 2021: RM1.47 million), mainly due to the annual salary increment and increase in average monthly staff headcount from 21 administrative staffs for FYE 2021 to 32 administrative staffs during FYE 2022.

The above increases were partially offset by the following:

- (i) our product development expenses decreased by RM0.14 million or 14.89% to RM0.80 million for FYE 2022 (FYE 2021: RM0.94 million), mainly due to the decrease in testing fees by RM0.21 million or 35.00% to RM0.39 million for FYE 2022 (FYE 2021: RM0.60 million), as lower costs incurred for a clinical trial for Bonlife Organic Sacha Inchi Oil 500mg towards the end of the trial as mentioned in Section 7.10.2 of this Prospectus; and
- (ii) gifts and donations of RM0.08 million for FYE 2022, mainly contributed by the donation to the British Dietetic Association.

12. FINANCIAL INFORMATION (CONT'D)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 headquarters 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;

Comparison between FYE 2023 and FYE 2024

Our administrative expenses increased by RM0.25 million or 2.93% to RM8.77 million for FYE 2024 (FYE 2023 RM8.52 million), mainly due to the following:

- (i) increase in staff-related costs by RM0.43 million or 14.73% to RM2.49 million for FYE 2024 (FYE 2023: RM2.92 million), mainly due to higher average staff salaries for FYE 2024 as compared to FYE 2023 as well as annual salaries increments; and
- (ii) increase in other administrative expenses by RM0.25 million or 53.19% to RM0.72 million for FYE 2024 (FYE 2023: RM0.47 million), mainly due to the increase in travelling expenses of RM0.10 million as well as increase in printing and stationery expenses of RM0.05 million due to higher printing usage.

The above increases were partially offset by the decrease in property, plant and equipment written off by RM0.54 million or 91.53% to RM0.05 million for FYE 2024 (FYE 2023: RM0.59 million), primarily from furniture, fittings and office equipment as well as plant and machinery, which were no longer in used and damaged.

12. FINANCIAL INFORMATION (CONT'D)**(f) Net (impairment loss)/reversal of impairment loss on non-financial assets**

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	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/(reversal of impairment loss) on receivables

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Net impairment loss/(reversal of impairment loss) on:								
- Trade receivables	95 ⁽¹⁾	13.77	-	-	68 ⁽²⁾	100.00	(69) ⁽⁴⁾	11.15
- Other receivables	595 ⁽³⁾	86.23	10	100.00	-	-	(550) ⁽⁵⁾	88.85
Total	690	100.00	10	100.00	68	100.00	(619)	100.00

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)

- (4) Reversal of impairment losses which resulted from the recovery of payments from customers.
- (5) Reversal of impairment losses which resulted from the deposits refunded from a supplier for the purchase of a machine in which the supplier was unable to deliver.

Commentary:

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

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

(h) Finance income

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income from fixed deposits	9	100.00	5	100.00	9	100.00	8	100.00

Commentary:

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

(i) Finance costs

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

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FYE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
- Bankers' acceptances	50	27.78	81	36.99	61	11.24	48	6.01
- Lease liabilities ⁽¹⁾	30	16.66	13	5.93	32	5.89	4	0.50
- Term loans	100	55.56	125	57.08	450	82.87	733	91.74
- Bank overdraft	*	*	*	*	*	*	14	1.75
Total	180	100.00	219	100.00	543	100.00	799	100.00

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

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

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

Commentary:Comparison between FYE 2021 and FYE 2022

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

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

Comparison between FYE 2022 and FYE 2023

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

Comparison between FYE 2023 and FYE 2024

Our finance costs increased by RM0.26 million or 48.15% to RM0.80 million for FYE 2024 (FYE 2023: RM0.54 million), mainly due to the increase in interest expense on term loans by RM0.28 million or 62.22% to RM0.73 million for FYE 2024 (FYE 2023: RM0.45 million), mainly due to the additional new term loan drawdown for the purchase of plant and machinery.

(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	FYE 2024
Tax expenses (RM'000)	1,734	2,560	2,679	2,441
Effective tax rate (%)	26.90	23.74	21.87	30.74
Statutory tax rate (%)	24.00	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.

12. FINANCIAL INFORMATION (CONT'D)

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

- (i) Non-deductible expenses of RM0.90 million, comprised mainly depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million and impairment loss on other receivables of RM0.58 million;
- (ii) Underprovision of deferred tax expenses in the prior year of RM0.12 million, primarily related to property, plant and equipment; and
- (iii) Non-taxable income of RM0.38 million comprised mainly wage subsidy and amortisation of deferred income for government grants as disclosed in Section 12.3.2(c) of this Prospectus.

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

- (i) Tax savings from the change in tax rates of 17% tax rate on the first RM600,000 chargeable income for those companies with paid-up capital of RM2.50 million or less, and gross business income of not more than RM50.00 million. Those companies do not control, directly or indirectly, another company that has paid-up capital of more than RM2.50 million; and
- (ii) Additional tax for non-deductible expenses of RM0.60 million, which comprise mainly professional fees of RM0.31 million and depreciation for non-qualifying property, plant and equipment and right-of-use assets for tax reporting purposes of RM0.37 million.

Comparison between FYE 2022 and FYE 2023

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

Our effective tax rate of 21.87% 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.

12. FINANCIAL INFORMATION (CONT'D)Comparison between FYE 2023 and FYE 2024

Our tax expenses decreased by RM0.24 million or 8.96% to RM2.44 million for FYE 2024 (FYE 2023: RM2.68 million), mainly due to lower PBT recorded for FYE 2024.

Our effective tax rate of 30.74% for FYE 2024 was higher than the statutory tax rate, mainly attributable to the net effect of the following:

- (i) Non-deductible expenses of RM3.93 million, which comprise mainly depreciation of property, plant and equipment, right-of-use assets and investment properties of RM1.88 million and restriction on tax-deductible interest expense of RM0.69 million, withholding tax of RM0.21 million. Additionally, RM0.85 million comprises mainly expenses incurred for our Listing and directors' remuneration incurred by OB Holdings which were non-deductible;
- (ii) Income not subject to tax of RM0.55 million, comprised mainly of reversal of impairment losses on other receivables of RM0.55 million; and
- (iii) Overprovision of income tax expenses in the prior year of RM0.12 million.

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

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

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
PBT (RM'000)	6,445	10,784	12,251	7,941
PAT (RM'000)	4,711	8,224	9,572	5,500
PBT margin (%)	21.69	24.76	26.38	15.61
PAT margin (%)	15.85	18.88	20.61	10.81
Adjusted PBT (RM'000)	-	-	9,266 ⁽¹⁾	8,695 ⁽²⁾
Adjusted PAT (RM'000)	-	-	6,587 ⁽¹⁾	6,254 ⁽²⁾
Adjusted PBT margin (%)	-	-	19.95	17.09
Adjusted PAT margin (%)	-	-	14.18	12.29

Notes:

- (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.
- (2) After adjusted for the expenses incurred for our Listing of RM0.72 million and under accrual of real property gains tax related to an investment property disposed of in FYE 2023 of RM0.03 million.

12. FINANCIAL INFORMATION (CONT'D)**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 2023 (FYE 2022: 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 represented 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%).

Comparison between FYE 2023 and FYE 2024

Our PBT decreased by RM4.31 million or 35.18% to RM7.94 million for FYE 2024 (FYE 2023: RM12.25 million), despite the increase in GP as explained in Section 12.3.2(b)(ii) of this Prospectus, mainly due to the lower other income as a result of absence of gain from the disposal of investment properties and right-of-use asset as well as higher selling and distribution expenses as a result of increase in advertising expenses as explained in Section 12.3.2(d) of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

Correspondingly, our PAT decreased by RM4.07 million or 42.53% to RM5.50 million for FYE 2024 (FYE 2023: RM9.57 million).

Hence, our PBT margin decreased to 15.61% for FYE 2024 (FYE 2023: 26.38%), despite the higher GP margin recorded as explained in Section 12.3.2(b)(ii) of this Prospectus. Correspondingly, our PAT margin decreased to 10.81% for FYE 2024 (FYE 2023: 20.61%).

For illustration purposes, if the expenses incurred for our Listing of RM0.72 million and under accrual of real property gains tax related to the investment properties disposed of in FYE 2023 of RM0.03 million are excluded from the PBT for FYE 2024, our Group recorded an adjusted PBT of RM8.70 million for FYE 2024, which represented a decrease of RM0.57 million or 6.15% (FYE 2023: adjusted PBT of RM9.27 million), mainly due to higher selling and distribution expenses as explained above. Hence, our Group recorded a lower adjusted PBT margin of 17.09% for FYE 2024 (FYE 2023: adjusted PBT of 19.95%). Correspondingly, we recorded an adjusted PAT of RM6.25 million for FYE 2024, which represents a decrease of RM0.34 million or 5.16% (FYE 2023: adjusted PAT of RM6.59 million), and recorded a lower adjusted PAT margin of 12.29% for FYE 2024 (FYE 2023: 14.18%).

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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, RM0.86 million and RM1.04 million for the Financial Years Under Review, 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%, 27.62% and 40.36% to our Group's total purchases, while the remaining 58.26%, 61.97%, 72.38 and 59.64% 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.

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, subject to the amount of the transaction as well as the anticipated foreign currency fluctuation for the foreign currency transaction with suppliers. As at LPD, our Group has outstanding foreign exchange contracts of USD0.02 million (equivalent to RM0.09 million). Notwithstanding this, our purchases are subject to foreign exchange fluctuation risks as our exposure to foreign exchange fluctuation may not be fully covered by our foreign exchange contracts. 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.

12. FINANCIAL INFORMATION (CONT'D)**(g) Impact from government, economic, fiscal or monetary policies of factors on the operations of our Group**

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

(h) Impact of interest rates

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

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
Interest coverage ratio (times) ⁽¹⁾	36.76	50.22	23.55	10.93

Note:

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

Our interest coverage ratio ranged from 10.93 times 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. FINANCIAL INFORMATION (CONT'D)**12.3.4 Liquidity and capital resources****(a) Working capital**

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

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

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

As at LPD, our Group has cash and bank balances of RM3.59 million, deposits with licensed banks of RM0.28 million, and available credit facilities of RM40.06 million, of which RM12.76 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	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	4,244	9,266	5,082	5,339
Net cash used in investing activities	(1,578)	(3,969)	(4,745)	(5,253)
Net cash used in financing activities	(2,797)	(2,223)	(1,562)	(1,128)
Net changes in cash and cash equivalents	(131)	3,074	(1,225)	(1,042)
Cash and cash equivalents at the beginning of the financial years	2,738	2,607	5,681	4,456
Cash and cash equivalents at the end of the financial years ⁽¹⁾	2,607	5,681	4,456	3,414

Note:

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

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
Deposits with licensed banks	480	372	381	390
Cash and bank balances	2,266	5,451	4,220	3,173
As per combined statements of financial position	2,746	5,823	4,601	3,563
Less:				
Fixed deposits pledged with a licensed bank	(139)	(142)	(145)	(149)
As per combined statements of cash flows	2,607	5,681	4,456	3,414

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 sachinchi 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.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022**

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

- (i) increase in inventories of RM5.77 million, mainly due to the following:
 - (a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022 as well as the increase in the price of certain raw materials; and
 - (b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022.
- (ii) decrease in receivables of RM1.41 million, mainly due to the decrease in trade receivables by RM1.95 million as our Group had improved collections from our customers during FYE 2022 upon improvement in our credit control monitoring process by following up closely on the collections via calls and emails with our customers. The said decrease was partially offset by the increase in other receivables of RM0.54 million, mainly attributable to the following:
 - (a) increase in deposits of RM0.37 million, mainly due to deposits paid for the purchase of machines for our Rented Serendah Factory, renovation costs for our Rented Serendah Factory and rental and utility deposits for our Rented Serendah Factory; and
 - (b) increase in third party receivables of RM0.16 million, mainly due to more deposits paid for the purchase of raw materials;
- (iii) increase in payables of RM3.78 million, mainly attributable to the following:
 - (a) increase in trade payables of RM0.94 million, mainly due to higher raw materials purchased from a major supplier towards the end of FYE 2022; and
 - (b) increase in other payables of RM2.84 million, mainly attributable to deposit received from a customer for the purchase of our products, an amount payable for the purchase of machines and commissions payable to our marketing agent; and
- (iv) income tax paid of RM2.57 million.

FYE 2023

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

- (i) decrease in inventories of RM2.17 million, mainly due to the following:
 - (a) lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and
 - (b) lower work-in-progress and finished goods at the end of FYE 2023 as compared to FYE 2022, primarily due to lesser orders received from our customers towards the end of FYE 2023 as compared to FYE 2022;

12. FINANCIAL INFORMATION (CONT'D)

- (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.

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12. FINANCIAL INFORMATION (CONT'D)**FYE 2024**

For FYE 2024, our operating cash flows before working capital changes were RM10.28 million. After adjusting for the following key items, our net cash from our operating activities was RM5.34 million:

- (i) increase in inventories of RM1.52 million, mainly due to the higher raw materials purchased towards the last quarter of FYE 2024 as compared to FYE 2023;
- (ii) increase in receivables of RM3.38 million, mainly due to the net effect of the following:
 - (a) increase in trade receivables of RM4.07 million, mainly due to higher sales made towards the last quarter of FYE 2024; and
 - (b) decrease in other receivables of RM0.69 million, mainly attributable to the decrease in deposits of RM1.42 million resulted from deposits paid for the purchase of machines for our Rented Serendah Factory and construction of our New Serendah Factory were capitalised to property, plant and equipment during FYE 2024. Such increases were partially offset by the increase in prepayments of RM0.52 million as a result of prepaid expenses incurred for our Listing as well as the increase in third party receivables of RM0.21 million as more deposits were paid for the purchase of raw materials;
- (iii) increase in payables of RM2.35 million, mainly attributable to the following:
 - (a) increase in trade payables of RM1.44 million, mainly due to higher raw materials purchased towards the last quarter of FYE 2024 as compared to FYE 2023; and
 - (b) increase in other payables of RM0.91 million, mainly attributable to the increase in non-trade payables of RM0.72 million, mainly due to the amount payable for the construction of our New Serendah Factory and expenses incurred for our Listing as well as the increase in sales and services tax payable of RM0.12 million;
- (iv) income tax paid of RM2.42 million;
- (v) income tax refunded from the Inland Revenue Board of RM0.04 million; and
- (vi) interests paid for bank overdraft of RM0.01 million.

Net cash used in investing activities**FYE 2021**

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM1.67 million, which comprised plant and machines of RM0.95 million and furniture, fittings and office equipment of RM0.72 million for our business operations; and
- (ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.02 million.

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

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022**

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM2.97 million, which comprised mainly plant and machines of RM2.13 million, furniture, fittings and office equipment of RM0.63 million and motor vehicles of RM0.21 million for our business operations; and
- (ii) cash payments for additional right-of-use assets of RM1.38 million, which the advance payment our New Serendah Land of RM1.35 million and motor vehicles of RM0.03 million.

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

FYE 2023

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

- (i) cash payments for the purchase of additional property, plant and equipment of RM3.00 million, which comprised plant and machinery of RM1.48 million, furniture, fittings and office equipment of RM0.82 million and motor vehicles of RM0.70 million for our business operations;
- (ii) cash payments for additional right-of-use assets (motor vehicles via hire purchase arrangements) of RM0.09 million; and
- (iii) repayment for the outstanding balance for the purchase of our New Serendah Land of RM12.13 million.

The above increases were partially offset by the following:

- (i) proceeds from the disposal of property, plant and equipment of RM0.17 million, which comprised motor vehicles, plant and machines;
- (ii) proceeds from the disposal of investment properties of RM9.25 million, which comprised freehold land and building, and leasehold land; and
- (iii) proceeds from the disposal of right-of-use assets of RM1.05 million, which comprised a leasehold building.

FYE 2024

For FYE 2024, our Group recorded net cash used in investing activities of RM5.25 million. This was mainly attributed to cash payments for the purchase of additional property, plant and equipment of RM5.30 million, which comprised capital work in progress (construction costs for our New Serendah Factory) of RM2.61 million, plant and machinery of RM2.19 million as well as furniture, fittings and office equipment of RM0.50 million.

Such cash outflows was partially offset by the proceeds from the disposal of property, plant and equipment of RM0.04 million, which comprised motor vehicles and plant and machinery.

12. FINANCIAL INFORMATION (CONT'D)**Net cash used in financing activities****FYE 2021**

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

- (i) dividends paid to shareholders of RM4.35 million;
- (ii) net drawdowns of bankers' acceptances of RM1.95 million for payments to the suppliers;
- (iii) drawdowns of a term loan of RM1.00 million for working capital purposes;
- (iv) repayments of term loans of RM0.20 million;
- (v) repayments of lease liabilities of RM0.58 million for the purchase of motor vehicles under hire purchase arrangements;
- (vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.18 million;
- (vii) advances from a Director of RM0.27 million for our Group's working capital purposes; and
- (viii) repayments to companies in which certain Directors have interests of RM0.71 million.

FYE 2022

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

- (i) dividends paid to shareholders of RM1.20 million;
- (ii) net repayments of bankers' acceptances of RM1.15 million;
- (iii) drawdowns of a term loan of RM1.01 million for the purchase of plant and machinery;
- (iv) repayments of term loans of RM0.36 million;
- (v) repayments of lease liabilities of RM0.14 million for the purchase of motor vehicles under hire purchase arrangements;
- (vi) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.22 million;
- (vii) repayments to a director of RM0.22 million for advances as our Group's working capital purposes; and
- (viii) advances from companies in which certain Directors have interests of RM0.04 million.

FYE 2023

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

- (i) dividends paid to shareholders of RM9.89 million;
- (ii) net repayments of bankers' acceptances of RM0.72 million;
- (iii) drawdowns of a term loan of RM12.10 million for the purchase of our New Serendah Land;
- (iv) repayments of term loans of RM2.07 million;

12. FINANCIAL INFORMATION (CONT'D)

- (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.

FYE 2024

For FYE 2024, our Group recorded net cash used in financing activities of RM1.13 million, mainly due to the following:

- (i) repayment of term loans of RM1.23 million;
- (ii) interests paid for bankers' acceptances, lease liabilities and term loans of RM0.78 million;
- (iii) repayment of lease liabilities of RM0.15 million for the purchase of motor vehicles under hire purchase arrangements;
- (iv) drawdown of a term loan of RM0.95 million for the purchase of plant and machinery; and
- (v) net drawdown of bankers' acceptances of RM0.09 million.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.5 Borrowings**

As at 31 May 2024, our total outstanding borrowings amounted to RM13.96 million, which consists of term loans and bankers' acceptances, 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	5.00% – 6.89%	1,321	11,226	12,547
Bankers' acceptance	Payments to our suppliers	120 days	4.65% – 5.30%	1,414	-	1,414
Total borrowings				2,735	11,226	13,961
Gearing ratio as at 31 May 2024 (times) ⁽¹⁾						0.43

Note:

- (1) Computed based on total borrowings of RM13.96 million over our pro forma total equity (after the Acquisitions but before our Public Issue and use of proceeds) as at 31 May 2024 of RM32.30 million.

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

- (a) legal charges over our certain properties;
- (b) pledged of fixed deposits of our Group; and
- (c) joint and severally guarantees by our Directors.

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

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

12. FINANCIAL INFORMATION (CONT'D)

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.

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. As at LPD, our Group has outstanding foreign exchange contracts of USD0.02 million (equivalent to RM0.09 million).

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.

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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 contracted for	
Construction of New Serendah Factory ⁽¹⁾	13,701

Note:

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

12.3.9 Material contingent liabilities

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.

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	FYE 2024
Average trade receivables turnover period (days)	57	43	34	47
Average trade payables turnover period (days)	41	50	41	36
Average inventories turnover period (days)	141	164	190	176
Current ratio (times)	2.00	1.02	3.46	3.08
Gearing ratio (times)	0.28	0.19	0.53	0.43

Trade receivables

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

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
Revenue	29,719	43,558	46,449	50,886
Average trade receivables ⁽¹⁾	4,623	5,121	4,306	6,500
Average trade receivables turnover period (days) ⁽²⁾	57	43	34	47

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 1 trade receivable for FYE 2024 (FYE 2023: 3, FYE 2022: 2 and FYE 2021: 1), which is our major customer, representing 24.61% (FYE 2023: 47.45%, FYE 2022: 37.12% and FYE 2021: 53.55%) of our Group's trade receivables for FYE 2024.

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.

Our average trade receivables turnover period increased from 34 days for FYE 2023 to 47 days for FYE 2024, mainly attributable to the increase in trade receivables as higher sales made towards the last quarter of FYE 2024.

As at 31 May 2024, the trade receivables of our Group amounted to RM8.54 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	5,779	1,410	592	832	8,613
Less: Impairment losses	-	-	-	(78)	(78)
Net trade receivables	5,779	1,410	592	754	8,535
% of total trade receivables	67.71	16.52	6.94	8.83	100.00
Subsequent collections up to LPD	5,487	1,190	574	699	7,950
Outstanding net trade receivables	292	220	18	55	585

Up to the LPD, we have collected RM7.95 million or 93.09% of the total net trade receivables outstanding as at 31 May 2024. The remaining balances of RM0.59 million have yet to be collected as at LPD, of which RM0.29 million have exceeded the credit period.

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	FYE 2024 RM'000
Net impairment loss/(reversal of impairment loss) on trade receivables	95 ⁽¹⁾	-	68 ⁽²⁾	(69) ⁽³⁾

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) Reversal of impairment losses which resulted from the recovery of payments from customers.

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	FYE 2024 RM'000
Cost of materials consumed	14,768	21,162	21,593	22,504
Average trade payables ⁽¹⁾	1,672	2,909	2,455	2,248
Average trade payables turnover period (days) ⁽²⁾	41	50	41	36

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.

12. FINANCIAL INFORMATION (CONT'D)

Our average trade payables turnover periods for the Financial Years Under Review range from 36 days to 50 days, which were within the credit period extended by our suppliers to us. It is our practice to make prompt payments to our suppliers in order to obtain the supplies at more favourable terms and pricing.

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

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

Our average trade payables turnover period decreased from 41 days for FYE 2023 to 36 days for FYE 2024. However, despite trade payables increased by RM1.43 million as at the end of FYE 2024, our average trade payables turnover period decreased from 41 days for FYE 2023 to 36 days for FYE 2024, mainly due to lower average trade payables balances for FYE 2024 as a result of lower raw materials purchased towards the last quarter of FYE 2023 which were carried forward to FYE 2024 and paid during the FYE 2024.

As at 31 May 2024, the trade payables of our Group amounted to RM2.97 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	2,085	650	225	5	2,965
% of total trade payables	70.32	21.92	7.59	0.17	100.0
Subsequent payments up to the LPD	2,085	640	225	5	2,955
Outstanding trade payables	-	10	-	*	10

Note:

* Less than RM1,000.

Up to the LPD, we have settled RM2.96 million or 99.66% of the total 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.

12. FINANCIAL INFORMATION (CONT'D)**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	FYE 2024 RM'000
Cost of materials consumed	14,768	21,162	21,593	22,504
Average inventories ⁽¹⁾	5,719	9,500	11,244	10,861
Average inventories turnover period (days) ⁽²⁾	141	164	190	176

Notes:

- (1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years.
- (2) Computed based on average inventories of the respective financial years over the cost of materials consumed of the respective financial years, multiplied by 365 days.

Our inventories comprise the following:

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
Raw materials ⁽¹⁾	5,020	9,073	8,397	10,052
Work-in-progress ⁽²⁾	701	1,222	293	368
Finished goods ⁽³⁾	895	2,088	1,414	1,198
Total inventories	6,616	12,383	10,104	11,618

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 our 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.

12. FINANCIAL INFORMATION (CONT'D)

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.

Despite our inventories for FYE 2024 increased by RM1.51 million as a result of higher raw materials purchased towards the last quarter of FYE 2024 as compared to FYE 2023, in tandem with the increase in the sale of our house brands products during FYE 2024, our average inventories turnover period decreased from 190 days for FYE 2023 to 176 days for FYE 2024,

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

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

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

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FYE 2024
	RM'000	RM'000	RM'000	RM'000
Written down of inventories ⁽¹⁾	-	-	35	-
Written off of inventories ⁽²⁾	-	-	76	7

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.

12. FINANCIAL INFORMATION (CONT'D)**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	FYE 2024 RM'000
Current assets	16,486	23,496	20,917	25,321
Current liabilities	8,235	22,984	6,047	8,230
Current ratio (times)	2.00	1.02	3.46	3.08

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

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

- (i) decrease in trade receivables of RM1.95 million, mainly due to improved collections from our customers during FYE 2022 resulting from the improvement in our credit control monitoring process; and
- (ii) increase in other payables of RM14.81 million, mainly attributable to the outstanding balances for the purchase our New Serendah Land, a deposit received from a customer for the purchase of our products, amount payable for the purchase of machines and commission payables to our marketing agent.

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

- (i) increase in inventories of RM5.77 million, mainly due to the following:
 - (a) higher raw materials, which increased in tandem with our revenue growth and more purchases were made towards the end of FYE 2022; and
 - (b) higher work-in-progress and finished goods as at the end of FYE 2022 to cater for the increase in orders received from our customers towards the end of FYE 2022; and
- (ii) increase in cash and bank balances of RM3.19 million, mainly due to the internally generated funds contributed by our business growth.

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

- (i) decrease in trade payables of RM1.85 million, mainly due to lower raw materials purchased towards the last quarter of FYE 2023 as compared to FYE 2022; and
- (ii) decrease in other payables of RM14.71 million, mainly attributable to the repayment of outstanding balances for our New Serendah Land, lower deposits received from our customers during FYE 2023 and less accrued staff-related costs as most of the staff-related costs were paid during FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)

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.

Our current ratio decreased from 3.46 times as at 31 May 2023 to 3.08 times as at 31 May 2024, mainly attributable to the following:

- (i) increase in trade payables of RM1.44 million, mainly due to higher raw materials purchased towards the last quarter of FYE 2024 as compared to FYE 2023;
- (ii) decrease in cash and bank balances of RM1.05 million, mainly due to repayment of term loans and lease liabilities for hire purchase of motor vehicles as well as purchase of property, plant and equipment, which comprised mainly capital work in progress (construction costs for our New Serendah Factory), plant and machinery as well as furniture, fittings and office equipment. Such payments were partially offset by the internally generated funds contributed by our business growth; and
- (iii) increase in other payables of RM0.91 million, mainly attributable to the increase in non-trade payables of RM0.72 million, mainly due to the amount payable for the construction of our New Serendah Factory and expenses incurred for our Listing as well as the increase in sales and services tax payable of RM0.12 million.

The above contributed to the decrease in our current ratio as at 31 May 2024, and were partially offset by the following:

- (i) increase in inventories of RM1.52 million, mainly due to the higher raw materials purchased towards the last quarter of FYE 2024 as compared to FYE 2023; and
- (ii) increase in trade receivables of RM4.07 million, mainly due to higher sales made towards the last quarter of FYE 2024.

12. FINANCIAL INFORMATION (CONT'D)**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	FYE 2024 RM'000
Total borrowings ⁽¹⁾	5,636	5,081	14,302	13,961
Total equity	20,097	27,121	26,804	32,305
Gearing ratio (times)	0.28	0.19	0.53	0.43

Note:

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

	Audited			
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FYE 2024 RM'000
Term loans	2,141	2,799	12,828	12,547
Bankers' acceptances	3,185	2,040	1,324	1,414
Lease liabilities	310	242	150	-
Total borrowings	5,636	5,081	14,302	13,961

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.

Our gearing ratio had decreased from 0.53 times as at 31 May 2023 to 0.43 times as at 31 May 2024 mainly attributable to the increase in total equity of RM5.50 million, mainly due to the PAT of RM5.61 million in FYE 2024. Such increase was partially offset by the decrease in borrowings of RM0.34 million as a result of net repayments of term loans of RM0.28 million.

12. FINANCIAL INFORMATION (CONT'D)

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 Section and in 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 Section and in 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 Section and in 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 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 2024 and up to the LPD.

12.8 DIVIDEND POLICY

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

12. FINANCIAL INFORMATION (CONT'D)

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:

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FYE 2024</u>	<u>1 June 2024 up to the LPD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividends declared	4,350	1,200	9,890	-	-
Dividends paid	4,350	1,200	9,890	-	-
PAT	4,711	8,224	9,572	5,500	N/A
Dividend payout rate (%) ⁽¹⁾	92.34	14.59	103.32	N/A	N/A

Notes:

N/A No dividend has been declared.

(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 2024**

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)



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

**REPORTING ACCOUNTANTS' REPORT ON THE
COMPILATION OF PRO FORMA COMBINED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2024**

**T +603 2692 4022
F +603 2691 5229**

(Prepared for inclusion in the Prospectus)

Date: 2 September 2024

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 2024**

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 2024 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 2024. 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 2024.

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 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.

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 Directors 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)

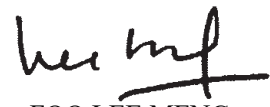


Other Matter

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,


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

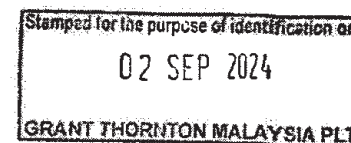

FOO LEE MENG
(NO: 03069/07/2025(J))
CHARTERED ACCOUNTANT

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 2024



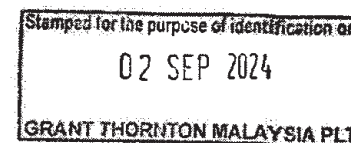
The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2024 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 May 2024, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position.

			<u>Pro Forma I</u>		<u>Pro Forma II</u>		<u>Pro Forma III</u>	
	<u>Note</u>	Statement of Financial Position as at 31 May 2024 RM	Adjustments for <u>Acquisitions</u> RM	After <u>Acquisitions</u> RM	Adjustments for <u>Public Issue</u> RM	After <u>Public Issue</u> RM	Adjustments for Utilisation of Proceeds <u>from IPO</u> RM	After Utilisation of Proceeds <u>from IPO</u> RM
ASSETS								
Non-current assets								
Property, plant and equipment	4.01	32,392	10,145,814	10,178,206	-	10,178,206	-	10,178,206
Right-of-use assets	4.02	-	16,747,180	16,747,180	-	16,747,180	-	16,747,180
Investment properties	4.03	-	217,392	217,392	-	217,392	-	217,392
Intangible assets	4.04	-	1	1	-	1	-	1
Other receivables	4.05	-	10,100	10,100	-	10,100	-	10,100
Total non-current assets		<u>32,392</u>	<u>27,120,487</u>	<u>27,152,879</u>	<u>-</u>	<u>27,152,879</u>	<u>-</u>	<u>27,152,879</u>
Current assets								
Inventories	4.06	-	11,617,583	11,617,583	-	11,617,583	-	11,617,583
Trade receivables	4.07	-	8,535,220	8,535,220	-	8,535,220	-	8,535,220
Other receivables	4.05	272,592	1,199,895	1,472,487	-	1,472,487	(272,292)	1,200,195
Tax recoverable	4.08	-	133,403	133,403	-	133,403	-	133,403
Deposits with licensed banks	4.09	-	389,650	389,650	-	389,650	-	389,650
Cash and bank balances	4.10	-	3,172,503	3,172,503	28,800,000	31,972,503	(1,968,329)	30,004,174
Total current assets		<u>272,592</u>	<u>25,048,254</u>	<u>25,320,846</u>	<u>28,800,000</u>	<u>54,120,846</u>	<u>(2,240,621)</u>	<u>51,880,225</u>
Total assets		<u>304,984</u>	<u>52,168,741</u>	<u>52,473,725</u>	<u>28,800,000</u>	<u>81,273,725</u>	<u>(2,240,621)</u>	<u>79,033,104</u>

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 2024 (CONT'D)



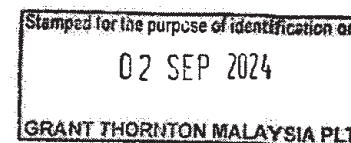
The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2024 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 3 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 May 2024, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position (cont'd).

			<u>Pro Forma I</u>		<u>Pro Forma II</u>	Adjustments for Utilisation of Proceeds from IPO	<u>Pro Forma III</u> After Utilisation of Proceeds from IPO	
	<u>Note</u>	Statement of Financial Position as at 31 May 2024 RM	Adjustments for <u>Acquisitions</u> RM	After <u>Acquisitions</u> RM	Adjustments for <u>Public Issue</u> RM	After <u>Public Issue</u> RM	RM	
EQUITY AND LIABILITIES								
EQUITY								
Equity attributable to owners of parent:-								
Share capital	4.11	1,000	27,162,600	27,163,600	28,800,000	55,963,600	(1,225,656)	54,737,944
Retained earnings	4.12	(854,987)	31,758,669	30,903,682	-	30,903,682	(1,014,965)	29,888,717
Merger reserve	2	-	(25,762,600)	(25,762,600)	-	(25,762,600)	-	(25,762,600)
Total equity		(853,987)	33,158,669	32,304,682	28,800,000	61,104,682	(2,240,621)	58,864,061
LIABILITIES								
Non-current liabilities								
Deferred tax liabilities	4.13	-	713,107	713,107	-	713,107	-	713,107
Borrowings	4.14	-	11,226,448	11,226,448	-	11,226,448	-	11,226,448
Total non-current liabilities		-	11,939,555	11,939,555	-	12,939,555	-	11,939,555

13. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

OB HOLDINGS BERHAD

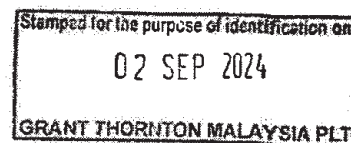
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)



The Pro Forma Combined Statements of Financial Position of the Group as at 31 May 2024 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 2024, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position (cont'd).

			Pro Forma I		Pro Forma II		Adjustments	Pro Forma III
	Statement of	Adjustments for	After	Adjustments for	After	for	After	
Note	Financial	Acquisitions	Acquisitions	Public Issue	Public Issue	Utilisation of	Utilisation of	
	Position as at					Proceeds	Proceeds	
	31 May 2024					from IPO	from IPO	
	RM	RM	RM	RM	RM	RM	RM	
EQUITY AND LIABILITIES (CONT'D)								
LIABILITIES (CONT'D)								
Current liabilities								
Trade payables	4.15	-	2,964,888	2,964,888	-	2,964,888	-	2,964,888
Other payables	4.16	1,158,971	1,300,808	2,459,779	-	2,459,779	-	2,459,779
Borrowings	4.14	-	2,734,961	2,734,961	-	2,734,961	-	2,734,961
Tax payable	4.17	-	69,860	69,860	-	69,860	-	69,860
Total current liabilities		1,158,971	7,070,517	8,229,488	-	8,229,488	-	8,229,488
Total liabilities		1,158,971	19,010,072	20,169,043	-	20,169,043	-	20,169,043
Total equity and liabilities		304,984	52,168,741	52,473,725	28,800,000	81,273,725	(2,240,621)	79,033,104
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)		(853.99)		0.12		0.16		0.15
Borrowings (RM)		-		13,961,409		13,961,409		13,961,409
Gearing ratio (times)		-		0.43		0.23		0.24

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 2024

1. GENERAL INFORMATION

OB Holdings Sdn Bhd (“the 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.

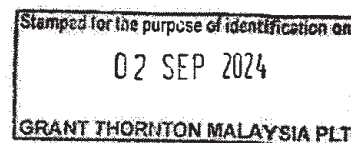
The principal place of business of the Company is located at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor Darul Ehsan.

2. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position as at 31 May 2024 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 Combined Financial Statements of the Group for the financial year ended 31 May 2024, which was prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards (“IFRSs”) 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 2024 (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	27,162,600
Less: Issued share capital of 1,400,000 as at 31 May 2024	<u>(1,400,000)</u>
Merger reserve	<u>25,762,600</u>

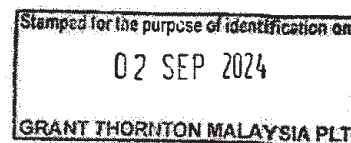
Bonlife, Orient Biotech, and Orient Laboratories are regarded as continuing entities resulting from the reorganisation exercise because the management of Bonlife, Orient Biotech, and Orient Laboratories, which participated in the reorganisation exercise was under common control before and immediately 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 2 September 2024 on audited combined financial statements of the Group for the financial year ended 31 May 2024 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 RM27,162,600 satisfied via the issuance of 271,626,000 new OB Holdings shares at an issue price of RM0.10 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 21 June 2024.

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 2024 (CONT'D)****3. LISTING SCHEME (CONT'D)****(ii) Pro Forma II: Public Issue****(a) 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 RM0.24 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) Listing

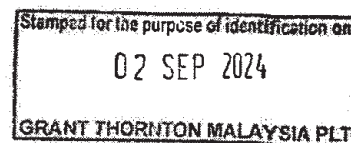
Subsequent to the above, the Company's entire enlarged share capital of RM55,963,600 comprising 391,627,000 ordinary shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

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

Gross proceeds from the IPO of RM28,800,000 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 (%)
<i>Not reflected in the Pro Forma Combined Statements of Financial Position</i>			
Business expansion:			
- Repayment of Bank Borrowing ⁽²⁾	36 months	14,900,000	51.74
- Purchase of machines ⁽³⁾	36 months	5,000,000	17.36
- Product development expenditure ⁽³⁾	36 months	900,000	3.12
Marketing and advertisement ⁽⁴⁾	24 months	1,000,000	3.47
Working Capital ⁽⁴⁾	24 months	3,000,000	10.42
<i>Reflected in the Pro Forma Combined Statements of Financial Position</i>			
Estimated listing expenses ^{(5)*}	3 months	4,000,000	13.89
Total estimated proceeds		28,800,000	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 2024 (CONT'D)

3. LISTING SCHEME (CONT'D)

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

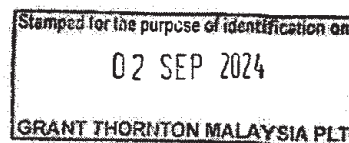
Notes:

- (1) From the date of listing of the shares.
- (2) As at 30 August 2024, being the latest practicable date prior to the date of Prospectus ("LPD"), a facility of RM12,100,000 had been fully drawdown to part finance the purchase of a land in Serendah. The Group intends to utilise RM10,000,000 of the proceeds from IPO to make repayment for the facility. Also, the Group intends to utilise another RM4,900,000 of the proceeds from IPO for Flexi Term Islamic Financing Facility of RM13,500,000 which the Company had secured to cover the construction cost of new factory. However, there is no drawdown of loan is made yet and accordingly, the use of proceeds earmarked for repayment of bank borrowing is not reflected in the Pro Forma Combined Statements of Financial Position
- (3) As at the LPD, the Group has yet to enter into any contractual binding agreements or issue any purchase order in relation to the purchase of machineries and product development expenditure. Accordingly, the use of proceeds earmarked for the purchase of machineries and for product development expenditure are not reflected in the Pro Forma Combined Statements of Financial Position.
- (4) The Group intends to utilise RM1,000,000 and RM3,000,000 of its IPO proceeds to fund its marketing and advertisement and working capital requirements respectively. As at the LPD, the Group has yet to enter any contractual binding arrangements or issued any purchase orders for the marketing and advertisement as well as the working capital. Accordingly, the utilisation is not reflected in the Pro Forma Statements of Financial Position.
- (5) 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 RM4,000,000. As at 31 May 2024, RM1,759,379 has been charged to the profit or loss account and RM272,292 has been capitalized under prepayments and the said amount has been fully paid. The remaining estimated listing expenses of RM1,968,329 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 2024 (CONT'D)****4.01 PROPERTY, PLANT AND EQUIPMENT**

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

	RM
As at 31 May 2024	32,392
Pursuant to Acquisitions	<u>10,145,814</u>
As per Pro Forma I/II/III	<u><u>10,178,206</u></u>

4.02 RIGHT-OF-USE ASSETS

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

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>16,747,180</u>
As per Pro Forma I/II/III	<u><u>16,747,180</u></u>

4.03 INVESTMENT PROPERTIES

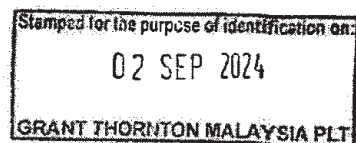
The movements of investment properties are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>217,392</u>
As per Pro Forma I/II/III	<u><u>217,392</u></u>

4.04 INTANGIBLE ASSETS

The movements of intangible assets are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>1</u>
As per Pro Forma I/II/III	<u><u>1</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 2024 (CONT'D)****4.05 OTHER RECEIVABLES**

The movements of other receivables are as follows:-

	Non-current <u>Assets</u> RM	Current <u>Assets</u> RM	<u>Total</u> RM
As at 31 May 2024	-	272,592	272,592
Pursuant to Acquisitions	10,100	1,199,895	1,209,995
As per Pro Forma I/II	10,100	1,472,487	1,482,587
Pursuant to Utilisation of Proceeds from IPO - Estimated listing expenses	-	(272,292)	(272,292)
As per Pro Forma III	10,100	1,200,195	1,210,295

4.06 INVENTORIES

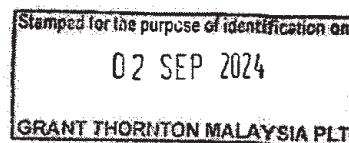
The movements of inventories are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	11,617,583
As per Pro Forma I/II/III	11,617,583

4.07 TRADE RECEIVABLES

The movements of trade receivables are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	8,535,220
As per Pro Forma I/II/III	8,535,220

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 2024 (CONT'D)
4.08 TAX RECOVERABLE

The movements of tax recoverable are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>133,403</u>
As per Pro Forma I/II/III	<u>133,403</u>

4.09 DEPOSITS WITH LICENSED BANKS

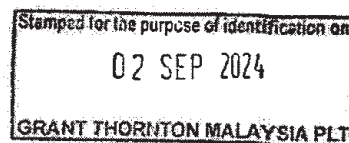
The movements of deposits with licensed banks are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>389,650</u>
As per Pro Forma I/II/III	<u>389,650</u>

4.10 CASH AND BANK BALANCES

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

	RM
Current assets	
As at 31 May 2024	-
Pursuant to Acquisitions	<u>3,172,503</u>
As per Pro Forma I	3,172,503
Pursuant to IPO	<u>28,800,000</u>
As per Pro Forma II	31,972,503
Pursuant to Utilisation of Proceeds from IPO	
- Estimated listing expenses	<u>(1,968,329)</u>
As per Pro Forma III	<u>30,004,174</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 2024 (CONT'D)****4.11 SHARE CAPITAL**

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

	<u>Number of ordinary shares</u> Unit	<u>Amount</u> RM
As at 31 May 2024	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>28,800,000</u>
As per Pro Forma II	391,627,000	55,963,600
Pursuant to Utilisation of Proceeds from IPO - Portion of estimated listing expenses set-off against issued share capital	<u>-</u>	<u>(1,225,656)</u>
As per Pro Forma III	<u>391,627,000</u>	<u>54,737,944</u>

4.12 RETAINED EARNINGS

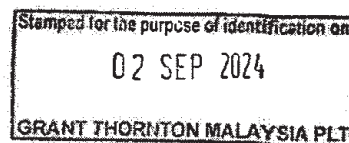
The movements of retained earnings are as follows:-

	RM
As at 31 May 2024	(854,987)
Pursuant to Acquisitions	<u>31,758,669</u>
As per Pro Forma I/II	30,903,682
Pursuant to Utilisation of Proceeds from IPO - Estimated listing expenses set-off against profit or loss	<u>(1,014,965)</u>
As per Pro Forma III	<u>29,888,717</u>

4.13 DEFERRED TAX LIABILITIES

The movements of deferred tax liabilities are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	<u>713,107</u>
As per Pro Forma I/II/III	<u>713,107</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 2024 (CONT'D)****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 31 May 2024	-	-	-
Pursuant to Acquisitions	11,226,448	2,734,961	13,961,409
As per Pro Forma I/II/III	<u>11,226,448</u>	<u>2,734,961</u>	<u>13,961,409</u>

4.15 TRADE PAYABLES

The movements of trade payables are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	2,964,888
As per Pro Forma I/II/III	<u>2,964,888</u>

4.16 OTHER PAYABLES

The movements of other payables are as follows:-

	RM
As at 31 May 2024	1,158,971
Pursuant to Acquisitions	1,300,808
As per Pro Forma I/II/III	<u>2,459,779</u>

4.17 TAX PAYABLE

The movements of tax payable are as follows:-

	RM
As at 31 May 2024	-
Pursuant to Acquisitions	69,860
As per Pro Forma I/II/III	<u>69,860</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, 31 MAY 2023
AND 31 MAY 2024

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

14. ACCOUNTANTS' REPORT (CONT'D)

Date: 2 September 2024

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

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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, 31 May 2023 and 31 May 2024, 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, 31 May 2023 and 31 May 2024, and material accounting policy information, as set out on pages 4 to 62.

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, 31 May 2023 and 31 May 2024, 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 IFRS Accounting 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 IFRS Accounting 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)

Kuala Lumpur


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

14. ACCOUNTANTS' REPORT (CONT'D)

OB HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2021, 31 MAY 2022, 31 MAY 2023 AND 31 MAY 2024

	Note	2021 RM	2022 RM	2023 RM	2024 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	4,137,767	5,902,374	6,614,310	10,178,206
Right-of-use assets	4	4,557,117	17,901,168	17,178,087	16,747,180
Investment properties	5	5,370,368	5,390,289	220,109	217,392
Intangible assets	6	1	1	1	1
Other receivables	7	-	-	17,990	10,100
Total non-current assets		<u>14,065,253</u>	<u>29,193,832</u>	<u>24,030,497</u>	<u>27,152,879</u>
Current assets					
Inventories	8	6,615,932	12,383,194	10,103,856	11,617,583
Trade receivables	9	6,095,898	4,145,835	4,465,473	8,535,220
Other receivables	7	911,469	1,090,114	1,567,924	1,472,487
Tax recoverable		116,299	54,143	177,494	133,403
Deposits with licensed banks	10	480,353	372,330	381,379	389,650
Cash and bank balances		<u>2,266,281</u>	<u>5,450,597</u>	<u>4,220,012</u>	<u>3,172,503</u>
Total current assets		<u>16,486,232</u>	<u>23,496,213</u>	<u>20,916,138</u>	<u>25,320,846</u>
TOTAL ASSETS		<u>30,551,485</u>	<u>52,690,045</u>	<u>44,946,635</u>	<u>52,473,725</u>
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	11	1,400,000	1,400,000	1,400,000	1,401,000
Retained earnings		<u>18,696,857</u>	<u>25,720,863</u>	<u>25,403,630</u>	<u>30,903,682</u>
Total equity		<u>20,096,857</u>	<u>27,120,863</u>	<u>26,803,630</u>	<u>32,304,682</u>
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	12	270,847	352,764	340,119	713,107
Borrowings	13	1,773,500	2,089,625	11,643,493	11,226,448
Lease liabilities	14	<u>174,669</u>	<u>142,617</u>	<u>112,771</u>	<u>-</u>
Total non-current liabilities		<u>2,219,016</u>	<u>2,585,006</u>	<u>12,096,383</u>	<u>11,939,555</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, 31 MAY 2023 AND 31 MAY 2024 (CONT'D)

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES (CONT'D)					
Current liabilities					
Trade payables	15	2,439,504	3,377,662	1,530,858	2,964,888
Other payables	16	1,453,975	16,259,064	1,547,105	2,459,779
Borrowings	13	3,552,971	2,750,382	2,508,856	2,734,961
Lease liabilities	14	135,089	98,646	37,039	-
Government grant	17	-	-	-	-
Tax payable		654,073	498,422	422,764	69,860
Total current liabilities		<u>8,235,612</u>	<u>22,984,176</u>	<u>6,046,622</u>	<u>8,229,488</u>
Total liabilities		<u>10,454,628</u>	<u>25,569,182</u>	<u>18,143,005</u>	<u>20,169,043</u>
TOTAL EQUITY AND LIABILITIES		<u>30,551,485</u>	<u>52,690,045</u>	<u>44,946,635</u>	<u>52,473,725</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, 31 MAY 2023 AND 31 MAY 2024

	<u>Note</u>	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Revenue	18	29,719,148	43,558,063	46,448,840	50,886,193
Cost of sales		<u>(17,766,779)</u>	<u>(25,287,604)</u>	<u>(27,479,105)</u>	<u>(29,168,134)</u>
Gross profit		11,952,369	18,270,459	18,969,735	21,718,059
Other income		638,381	227,720	5,519,051	107,266
Selling and distribution expenses		<u>(363,335)</u>	<u>(1,956,099)</u>	<u>(3,116,633)</u>	<u>(4,945,956)</u>
Net (impairment loss)/reversal of impairment loss on non-financial assets		<u>(27,798)</u>	81,203	-	-
Net (impairment loss)/reversal of impairment loss on receivables		<u>(689,661)</u>	<u>(10,000)</u>	<u>(68,249)</u>	618,525
Administrative expenses		<u>(4,894,062)</u>	<u>(5,615,004)</u>	<u>(8,518,783)</u>	<u>(8,766,037)</u>
Operating profits		6,615,894	10,998,279	12,785,121	8,731,857
Finance income	19	9,407	4,983	9,049	8,271
Finance costs	20	<u>(180,174)</u>	<u>(218,985)</u>	<u>(542,780)</u>	<u>(799,299)</u>
Profit before tax	21	6,445,127	10,784,277	12,251,390	7,940,829
Tax expenses	22	<u>(1,734,048)</u>	<u>(2,560,271)</u>	<u>(2,678,623)</u>	<u>(2,440,777)</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>	<u>5,500,052</u>
Earnings per share (RM)	23	<u>3.37</u>	<u>5.87</u>	<u>6.84</u>	<u>3.93</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, 31 MAY 2023 AND 31 MAY 2024

	<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	24	-	(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	24	-	(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	24	-	(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
Transaction with owners:-				
Issuance of shares	11	1,000	-	1,000
Total comprehensive income for the financial year		-	5,500,052	5,500,052
At 31 May 2024		1,401,000	30,903,682	32,304,682

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, 31 MAY 2023 AND 31 MAY 2024**

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
OPERATING ACTIVITIES				
Profit before tax	6,445,127	10,784,277	12,251,390	7,940,829
Adjustments for:-				
Amortisation of deferred income	(214,017)	-	-	-
Amortisation of intangible assets	16,264	-	-	-
Bad debts written off	73,734	-	14,861	-
Deposits forfeited	-	-	-	36,270
Depreciation of property, plant and equipment	870,918	1,206,383	1,880,404	1,876,167
Depreciation of right-of-use assets	399,051	243,141	285,718	216,646
Depreciation of investment properties	61,280	61,282	31,552	2,717
Gain on disposal of property, plant and equipment	(21,000)	(24,900)	(88,967)	(15,999)
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	799,299
Interest income	(9,407)	(4,983)	(9,049)	(8,271)
Inventories written down	-	-	34,637	-
Inventories written off	-	-	76,170	6,623
Net impairment loss/(Reversal of impairment loss) on receivables	689,661	10,000	68,249	(618,525)
Property, plant and equipment written off	-	-	591,869	45,265
Operating profit before working capital changes	8,520,167	12,412,982	10,938,952	10,281,021
Changes in working capital:-				
Inventories	(1,794,563)	(5,767,262)	2,168,531	(1,520,350)
Receivables	(2,698,622)	1,408,599	(903,108)	(3,384,165)
Payables	1,878,399	3,781,314	(4,237,508)	2,346,704
Cash generated from operations	5,905,381	11,835,633	7,966,867	7,723,210
Income tax paid	(1,664,584)	(2,571,849)	(2,958,245)	(2,419,168)
Tax refund	-	-	67,968	42,566
Interest received	3,962	3,327	5,244	6,451
Interest paid	(473)	(620)	(104)	(14,558)
Net cash from operating activities	4,244,286	9,266,491	5,081,730	5,338,501

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, 31 MAY 2023 AND 31 MAY 2024 (CONT'D)

	Note	2021 RM	2022 RM	2023 RM	2024 RM
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,673,308)	(2,970,990)	(2,996,563)	(5,298,585)
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	43,517
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	1,820
Net cash used in investing activities		<u>(1,577,784)</u>	<u>(3,968,785)</u>	<u>(4,744,646)</u>	<u>(5,253,248)</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	947,134
Interest paid		(179,701)	(218,365)	(542,676)	(784,741)
Increased in deposits pledged		(1,932)	(1,754)	(3,078)	(3,744)
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)	-
Proceeds from issuance of shares		1,950,000	(1,145,000)	(716,000)	90,000
Repayment of lease liabilities		-	-	-	1,000
Repayment of term loans		(580,202)	(144,095)	(251,453)	(149,810)
Repayment of term loans		<u>(196,878)</u>	<u>(355,184)</u>	<u>(2,071,658)</u>	<u>(1,228,074)</u>
Net cash used in financing activities		<u>(2,797,614)</u>	<u>(2,223,167)</u>	<u>(1,561,698)</u>	<u>(1,128,235)</u>
CASH AND CASH EQUIVALENTS					
Net changes		(131,112)	3,074,539	(1,224,614)	(1,042,982)
Brought forward		2,737,855	2,606,743	5,681,282	4,456,668
Carried forward	B	<u>2,606,743</u>	<u>5,681,282</u>	<u>4,456,668</u>	<u>3,413,686</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, 31 MAY 2023 AND 31 MAY 2024 (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	<u>2024</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>	<u>-</u>
Cash payment	<u>21,729</u>	<u>1,377,170</u>	<u>87,858</u>	<u>-</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	<u>2024</u> RM
Deposits with licensed banks	480,353	372,330	381,379	389,650
Cash and bank balances	<u>2,266,281</u>	<u>5,450,597</u>	<u>4,220,012</u>	<u>3,172,503</u>
	2,746,634	5,822,927	4,601,391	3,562,153
Less: Fixed deposits pledged with a licensed bank	<u>(139,891)</u>	<u>(141,645)</u>	<u>(144,723)</u>	<u>(148,467)</u>
Total cash and cash equivalents	<u>2,606,743</u>	<u>5,681,282</u>	<u>4,456,668</u>	<u>3,413,686</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 AcquisitionsOB 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 was completed on 21 June 2024.
- (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 was completed on 21 June 2024.

14. ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION (CONT'D)

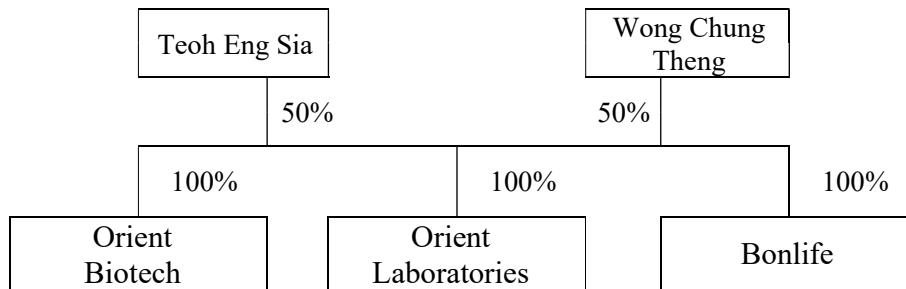
1.4 Acquisitions (cont'd)

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):-

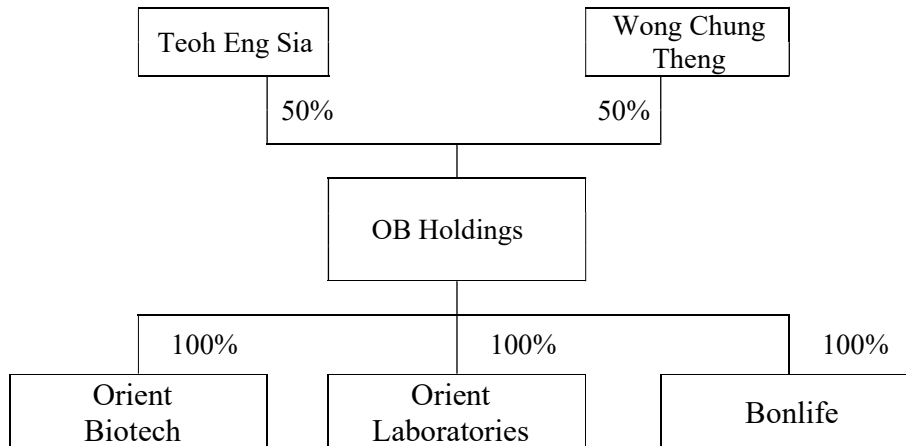
- (iii) The acquisition of Bonlife entails the acquisition by OB Holdings of the entire issued share capital of Bonlife of RM100,000 comprising 100,000 ordinary shares from Teoh Eng Sia and Wong Chung Theng for a purchase consideration of RM1,816,100.00. The said purchase consideration was entirely satisfied 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 was completed on 21 June 2024.

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, 31 May 2023 and 31 May 2024 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, 31 May 2023 as OB Holdings, was only incorporated on 1 June 2023.

1.5 Auditors

The combined financial statements of OB Holdings Group for financial year ended 31 May 2024 reflect the financial information of OB Holdings, Orient Biotech, Orient Laboratories and Bonlife.

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
OB Holdings	FYE 31 May 2024	Grant Thornton Malaysia PLT
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
	FYE 31 May 2024	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
	FYE 31 May 2024	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
	FYE 31 May 2024	Grant Thornton Malaysia PLT

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

The audited financial statements of OB Holdings, 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 IFRS Accounting Standards 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 financial statements.

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 by the Group.

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

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

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**

At the beginning of the current financial year, the Group adopted new standards/amendments/improvements to MFRSs which mandatory for the financial periods beginning on or after 1 June 2023.

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, except for disclosed below:-

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments change the requirements in MFRS 101 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant' with 'material'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in MFRS 101 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Malaysian Accounting Standards Board ("MASB") has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in MFRS Practice Statement 2.

14. ACCOUNTANTS' REPORT (CONT'D)**2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.4 MFRSs (cont'd)****2.4.1 Adoption of new Standards/Amendments/Improvements to MFRSs (cont'd)**Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies (cont'd)

The amendments have had an impact on the Group's disclosures of accounting policies but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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 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	Statement of Cash Flows and MFRS 7 Financial Instruments: 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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Effective for the financial period beginning on or after 1 January 2026:-

Amendments to MFRS 9 and MFRS 7	Financial Instruments and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments
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Effective for the financial period beginning on or after 1 January 2027

MFRS 18	Presentation and Disclosure in Financial Statements
MFRS 19	Subsidiaries without Public Accountability: Disclosures

Deferred to a date to be determined by Malaysian Accounting Standards Board

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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The initial application of the above mentioned new and amended standards are not expected to have material financial impact to the combined financial statements of the Group.

14. ACCOUNTANTS' REPORT (CONT'D)**2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.5 The use of estimates and judgements**

The preparation of combined financial statements in conformity with MFRSs and IC Interpretations require the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. It also requires the management and Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the management's and Directors' best knowledge of current events and actions, actual results may defer from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised from the period in which the estimate is revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses are outlined below.

Useful lives of depreciable assets

Management assesses that the useful lives represent the expected utility of the assets to the Group. Management estimates the useful lives of the depreciable assets to be within 5 to 87 years and reviews the useful lives of depreciable assets at end of each reporting date. 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 amounts of inventories.

14. ACCOUNTANTS' REPORT (CONT'D)**2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.5 The use of estimates and judgements (cont'd)**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 days past due for groupings of various customer segments that have similar loss patterns such as 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.

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.

Amortisation of intangible assets

The patent is 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.

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations 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 recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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.

14. ACCOUNTANTS' REPORT (CONT'D)

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

2.5 The use of estimates and judgements (cont'd)

Classification between investment properties and owner-occupied properties (cont'd)

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. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture, fittings and office equipment</u> RM	<u>Motor vehicles</u> RM	<u>Renovation</u> RM	<u>Plant and machinery</u> RM	<u>Capital- work-in progress</u> RM	<u>Total</u> 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
Additions	497,029	-	-	2,193,847	2,607,709	5,298,585
Disposals	-	(88,338)	-	(156,710)	-	(245,048)
Written off	(1,192,982)	-	-	(1,225,036)	-	(2,418,018)
Transfer from right-of-use assets	-	247,858	-	-	-	247,858
At 31 May 2024	3,609,920	2,922,818	-	15,297,689	2,607,709	24,438,136

14. ACCOUNTANTS' REPORT (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture, fittings and office equipment RM	Motor vehicles RM	Renovation RM	Plant and machinery RM	Capital- work-in progress RM	Total RM
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
Charge for the financial year	336,966	427,381	-	1,111,820	-	1,876,167
Disposals	-	(88,337)	-	(129,193)	-	(217,530)
Written off	(1,171,204)	-	-	(1,201,549)	-	(2,372,753)
Transfer from right-of-use assets	-	33,597	-	-	-	33,597
At 31 May 2024	1,649,561	2,118,178	-	10,492,191	-	14,259,930

14. ACCOUNTANTS' REPORT (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<u>Furniture, fittings and office equipment</u> RM	<u>Motor vehicles</u> RM	<u>Renovation</u> RM	<u>Plant and machinery</u> RM	<u>Capital- work-in progress</u> RM	<u>Total</u> RM
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
At 31 May 2024	1,960,359	804,640	-	4,805,498	2,607,709	10,178,206

14. ACCOUNTANTS' REPORT (CONT'D)**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**Plant and machinery pledged as securities to financial institution

The net carrying amount of plant and machinery pledged as securities for bank borrowing is amounted to RM1,349,180.

The details of asset pledged as securities for bank borrowings are disclosed in Note 13 to the financial statements.

Material accounting policy information**(a) Recognition and measurement**

All property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses. 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.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use.

The estimated useful lives for the current and comparative periods are 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%

Fully depreciated assets are retained in the financial statements until they are no longer in used and no further charge for depreciation is made in respect of these assets.

Capital work-in-progress consists of buildings under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until they are completed and ready for their intended use.

14. ACCOUNTANTS' REPORT (CONT'D)

4. RIGHT-OF-USE ASSETS

	<u>Leasehold land and buildings</u> RM	<u>Motor vehicles</u> RM	<u>Total</u> 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
Transfer to property, plant and equipment	-	(247,858)	(247,858)
At 31 May 2024	17,657,692	-	17,657,692
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
Charge for the financial year	202,119	14,527	216,646
Transfer to property, plant and equipment	-	(33,597)	(33,597)
At 31 May 2024	910,512	-	910,512

14. ACCOUNTANTS' REPORT (CONT'D)

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

	<u>Leasehold land and building</u> RM	<u>Motor 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>
At 31 May 2024	<u>16,747,180</u>	<u>-</u>	<u>16,747,180</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	<u>2024</u> RM
Motor vehicles	<u>408,400</u>	<u>326,431</u>	<u>228,788</u>	<u>-</u>

Leased assets are pledged as securities for the related lease liabilities as disclosed in Note 14 to the combined financial statements.

Material accounting policy information

Recognition and measurement

The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liabilities.

Depreciation

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:-

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

Recognition exemption

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

14. ACCOUNTANTS' REPORT (CONT'D)

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

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	<u>2024</u> RM
Leasehold land and buildings	<u>3,111,111</u>	<u>3,067,901</u>	<u>16,355,893</u>	<u>16,161,192</u>

The details of assets pledged as securities for bank borrowings are disclosed in Note 13 to the combined financial statements.

5. INVESTMENT PROPERTIES

	<u>Freehold land</u> RM	<u>Freehold building</u> RM	<u>Leasehold land</u> RM	<u>Leasehold 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>(6,264,456)</u>
At 31 May 2023/ 31					
May 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Accumulated depreciation					
At 1 June 2020	-	478,826	76,129	21,740	576,695
Charge for the financial year	<u>-</u>	<u>53,202</u>	<u>5,361</u>	<u>2,717</u>	<u>61,280</u>
At 31 May 2021	-	532,028	81,490	24,457	637,975
Charge for the financial year	<u>-</u>	<u>53,203</u>	<u>5,362</u>	<u>2,717</u>	<u>61,282</u>
At 31 May 2022	-	585,231	86,852	27,174	699,257
Charge for the financial year	<u>-</u>	<u>26,601</u>	<u>2,234</u>	<u>2,717</u>	<u>31,552</u>
Disposals	<u>-</u>	<u>(611,832)</u>	<u>(89,086)</u>	<u>-</u>	<u>(700,918)</u>
At 31 May 2023	-	-	-	29,891	29,891
Charge for the financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,717</u>	<u>2,717</u>
At 31 May 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,608</u>	<u>32,608</u>

14. ACCOUNTANTS' REPORT (CONT'D)

5. 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 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/ 31 May 2024	-	-	-	-	-
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
At 31 May 2024	-	-	-	217,392	217,392

Material accounting policy information

Recognition and measurement

Investment property is stated at cost less accumulated depreciation and any impairment losses.

Depreciation

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

Leasehold land and building	83 – 84 years
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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	<u>2024</u> RM
Rental income	110,800	112,200	30,400	-
Direct operating expenses: - income generating investment properties	4,393	11,386	4,855	1,925

14. ACCOUNTANTS' REPORT (CONT'D)

5. 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	<u>2024</u> RM
Freehold building	1,622,000	1,650,000	-	-
Leasehold building	<u>225,543</u>	<u>222,826</u>	<u>220,109</u>	<u>217,392</u>

The details of investment properties pledged as securities for bank borrowings are disclosed in Note 13 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	<u>2024</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>314,455</u>
	<u>10,099,503</u>	<u>10,273,310</u>	<u>370,129</u>	<u>314,455</u>

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The Group estimates the fair value of all investment properties based on the market evidence of transaction prices for similar properties. Valuation processes applied by the Group for level 3 fair value.	Indicative market price of property in vicinity compared.	The estimated fair value would increase/ (decrease) if market prices of property were higher/(lower).

Assessment of the fair values of the Group's investment properties is undertaken annually. The changes in Level 3 fair values are analysed by the management based on the assessment undertaken.

14. ACCOUNTANTS' REPORT (CONT'D)

6. INTANGIBLE ASSETS

	<u>Patents</u> RM
Cost	
At 1 June 2020/31 May 2021/31 May 2022/31 May 2023/31 May 2024	<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 2023/31 May 2024	<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>
At 31 May 2024	<u>1</u>

Material accounting policy information

Intangible assets which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Recognition and measurement
Patents

Patents are stated at cost and is amortised using the straight-line basis over its estimated useful life. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

Amortisation
Patents

Patents are stated at cost less any accumulated impairment losses and is amortised using the straight-line basis over its estimated useful life of 5 years.

14. ACCOUNTANTS' REPORT (CONT'D)

7. OTHER RECEIVABLES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
<u>Non-current</u>				
Third parties	-	-	17,990	10,100
<u>Current</u>				
Third parties	396,312	560,606	477,980	700,384
Amount due from related parties	357,379	4,560	-	-
Deposits	742,751	1,104,589	1,643,514	223,197
Prepayments	9,737	13,869	29,940	548,906
	1,506,179	1,683,624	2,151,434	1,472,487
Less: Allowance for expected credit losses	(594,710)	(593,510)	(583,510)	-
	911,469	1,090,114	1,567,924	1,472,487
	911,469	1,090,114	1,585,914	1,482,587

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	<u>2024</u> RM
<u>Individually impaired</u>				
Brought forward	-	594,710	593,510	583,510
Charge for the financial year	594,710	10,000	-	-
Reversal	-	-	-	(550,000)
Written off	-	(11,200)	(10,000)	(33,510)
Carried forward	594,710	593,510	583,510	-

The impairment loss on other receivables was reversed as a result of subsequent receipt of the amount.

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

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

8. INVENTORIES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
At cost:-				
Raw materials	5,019,723	9,072,783	8,395,870	10,051,420
Work-in-progress	700,582	1,222,148	293,191	367,786
Finished goods	895,627	2,088,263	1,413,399	1,198,377
	6,615,932	12,383,194	10,102,460	11,617,583

14. ACCOUNTANTS' REPORT (CONT'D)**8. INVENTORIES (CONT'D)**

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
At net realisable value:-				
Raw materials	-	-	1,396	-
	<u>6,615,932</u>	<u>12,383,194</u>	<u>10,103,856</u>	<u>11,617,583</u>
Recognised in profit or loss:-				
Inventories recognised in cost of sales	14,675,258	20,697,684	21,038,200	22,216,685
Inventories written down	-	-	34,637	-
Inventories written off	-	-	76,170	6,623

Material accounting policy information

Inventories are stated at the lower of cost and net realisable value adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories. The cost of inventories is calculated using the first-in first-out method.

The write-down and reversal are included in cost of sales. The Company writes down its obsolete or slow moving inventories based on assessments of their estimated net selling price, the expiry date, 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 could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow-moving inventories.

The reversal of inventories written down was made and recognised in profit or loss when the related inventories were subsequently used or were sold above their carrying amount.

9. TRADE RECEIVABLES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Third parties	6,190,849	4,240,786	4,628,673	8,613,301
Less: Allowance for expected credit losses	<u>(94,951)</u>	<u>(94,951)</u>	<u>(163,200)</u>	<u>(78,081)</u>
	<u>6,095,898</u>	<u>4,145,835</u>	<u>4,465,473</u>	<u>8,535,220</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>2024</u> RM
Individually impaired				
Brought forward	-	94,951	94,951	163,200
Additions	94,951	-	91,421	-
Reversal	-	-	(23,172)	(68,525)
Written off	-	-	-	(16,594)
Carried forward	<u>94,951</u>	<u>94,951</u>	<u>163,200</u>	<u>78,081</u>

14. ACCOUNTANTS' REPORT (CONT'D)

9. TRADE RECEIVABLES (CONT'D)

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, 2022 and 2023: cash term to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

10. DEPOSITS WITH LICENSED BANKS

Included in deposits with licensed banks is an amount of RM148,467 (2021: RM139,891, 2022: RM141,645, 2023: RM144,723) 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> %	<u>2024</u> %
Effective interest rates	<u>1.35 – 2.95</u>	<u>1.35 – 1.55</u>	<u>1.75 – 2.55</u>	<u>2.45 – 2.55</u>

11. SHARE CAPITAL

	<u>OB Holdings</u> RM	<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	-	1,000,000	300,000	100,000	1,400,000
Add: Issued during the financial year	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
At 31 May 2024	<u>1,000</u>	<u>1,000,000</u>	<u>300,000</u>	<u>100,000</u>	<u>1,401,000</u>

14. ACCOUNTANTS' REPORT (CONT'D)

11. SHARE CAPITAL (CONT'D)

	<u>OB Holdings</u> Unit	<u>Orient</u> <u>Biotech</u> Unit	<u>Orient</u> <u>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	-	1,000,000	300,000	100,000	1,400,000
Add: Issued during the financial year	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
At 31 May 2024	<u><u>1,000</u></u>	<u><u>1,000,000</u></u>	<u><u>300,000</u></u>	<u><u>100,000</u></u>	<u><u>1,401,000</u></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.

12. DEFERRED TAX LIABILITIES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Brought forward	222,000	270,847	352,764	340,119
Recognised in profit or loss	<u>48,847</u>	<u>81,917</u>	<u>(12,645)</u>	<u>372,988</u>
Carried forward	<u><u>270,847</u></u>	<u><u>352,764</u></u>	<u><u>340,119</u></u>	<u><u>713,107</u></u>

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

	<u>Inventories</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	(121,692)	(3,982)	465,793	-	340,119

14. ACCOUNTANTS' REPORT (CONT'D)

12. DEFERRED TAX LIABILITIES (CONT'D)

The balance in the deferred tax liabilities is made up of temporary differences arising from (cont'd):-

	<u>Inventories</u> RM	<u>Impairment</u> RM	<u>Property, plant and equipment</u> RM	<u>Right-of- use assets</u> RM	<u>Total</u> RM
Recognised in profit or loss	44,475	(14,718)	343,231	-	372,988
At 31 May 2024	<u>(77,217)</u>	<u>(18,700)</u>	<u>809,024</u>	<u>-</u>	<u>713,107</u>

13. BORROWINGS

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
<u>Non-current</u>				
Secured:-				
Term loans	1,090,476	914,195	11,041,243	11,115,028
Unsecured:-				
Term loans	683,024	1,175,430	602,250	111,420
	<u>1,773,500</u>	<u>2,089,625</u>	<u>11,643,493</u>	<u>11,226,448</u>
<u>Current</u>				
Secured:-				
Bankers' acceptance	3,185,000	2,040,000	1,324,000	1,414,000
Term loans	171,516	176,281	605,004	794,424
	<u>3,356,516</u>	<u>2,216,281</u>	<u>1,929,004</u>	<u>2,208,424</u>
Unsecured:-				
Term loans	196,455	534,101	579,852	526,537
	<u>3,552,971</u>	<u>2,750,382</u>	<u>2,508,856</u>	<u>2,734,961</u>
	<u>5,326,471</u>	<u>4,840,007</u>	<u>14,152,349</u>	<u>13,961,409</u>

Borrowings are secured by:-

- (i) Legal charge over a machine of the Group as disclosed in Note 3 to the combined financial statements;
- (ii) Legal charge over certain properties of the Group as disclosed in Note 4 and 5 to the combined financial statements;
- (iii) Joint and several guarantee by two Directors of the Group;
- (iv) Corporate guarantee by Orient Biotech for the financial years 2021 and 2022; and
- (v) Pledged of fixed deposit of the Group as disclosed in Note 10 to the combined financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)

13. BORROWINGS (CONT'D)

The effective interest rates per annum are as follows:-

	<u>2021</u> %	<u>2022</u> %	<u>2023</u> %	<u>2024</u> %
Term loans	4.01 - 5.00	4.01 - 5.01	4.51 - 5.88	5.00 - 6.89
Bankers' acceptance	<u>3.50 - 5.00</u>	<u>3.60 - 3.85</u>	<u>3.95 - 5.30</u>	<u>4.65 - 5.30</u>

14. LEASE LIABILITIES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</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>	<u>-</u>

The maturity analysis of lease liabilities is disclosed in Note 29.2.2 to the combined financial statements.

The effective interest rates of lease liabilities of the Group are charged at rates of 1.68% (2021: 3.97% to 6.11%, 2022: 3.97% to 6.11%, 2023: 3.97% to 7.18%) per annum.

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Depreciation of right-of-use assets	399,051	243,141	285,718	216,646
Interest expense on lease liabilities	29,519	13,161	31,637	3,732
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>561,730</u>
	<u>484,836</u>	<u>419,674</u>	<u>736,575</u>	<u>782,108</u>

The Group had total cash outflows for the leases of RM715,272 (2021: RM665,987, 2022: RM320,628 and 2023: RM702,310).

15. 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, 2022 and 2023: 30 days to 90 days).

14. ACCOUNTANTS' REPORT (CONT'D)**16. OTHER PAYABLES**

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Non-trade payables	417,241	15,198,837	976,329	1,700,181
Amount due to related parties	50,267	95,045	-	-
Amount due to a Director	309,055	91,788	-	-
Deposits	30,000	30,000	-	-
Accruals	574,340	686,628	392,734	460,334
Sales and services tax payable	73,072	156,766	178,042	299,264
	<u>1,453,975</u>	<u>16,259,064</u>	<u>1,547,105</u>	<u>2,459,779</u>

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

17. GOVERNMENT GRANT

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Brought forward	214,017	-	-	-
Amortised during the financial year	<u>(214,017)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carried forward	<u>-</u>	<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.

18. REVENUE

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
<u>Revenue from contracts with customers:</u>				
Sales of goods	29,692,746	43,515,244	46,274,949	50,773,560
Services	<u>26,402</u>	<u>42,819</u>	<u>173,891</u>	<u>112,633</u>
	<u>29,719,148</u>	<u>43,558,063</u>	<u>46,448,840</u>	<u>50,886,193</u>
Revenue recognised at a point in time	<u>29,719,148</u>	<u>43,558,063</u>	<u>46,448,840</u>	<u>50,886,193</u>
<u>Primary geographical market:</u>				
- Malaysia	28,030,975	42,693,644	41,423,931	46,220,246
- Overseas	<u>1,688,173</u>	<u>864,419</u>	<u>5,024,909</u>	<u>4,665,947</u>

14. ACCOUNTANTS' REPORT (CONT'D)**18. REVENUE (CONT'D)****Performance obligations**Sales of goods and services

Revenue from sales of goods and services rendered is recognised at a point in time when the goods have been transferred or the services have been rendered to the customers and coincides with the delivery of products or services and acceptance by customer.

There is no material right of return provided to the customers on the sale of products.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

19. FINANCE INCOME

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Interest income:				
Fixed deposits	<u>9,407</u>	<u>4,983</u>	<u>9,049</u>	<u>8,271</u>

20. FINANCE COSTS

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Interest expenses:				
- Lease liabilities	29,519	13,161	31,637	3,732
- Term loans	100,109	124,123	450,265	733,240
- Bank overdrafts	473	620	104	14,558
- Bankers' acceptance	<u>50,073</u>	<u>81,081</u>	<u>60,774</u>	<u>47,769</u>
	<u>180,174</u>	<u>218,985</u>	<u>542,780</u>	<u>799,299</u>

21. 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>2024</u> RM
<u>Charging:-</u>				
Auditors' remuneration related to:				
- Statutory services	39,500	85,000	112,000	136,000
Amortisation of intangible assets	16,264	-	-	-
Bad debts written off	73,734	-	14,861	-
Deposit forfeited	-	-	-	36,270
Goods and services tax written off	584	-	-	-

14. ACCOUNTANTS' REPORT (CONT'D)

21. PROFIT BEFORE TAX (CONT'D)

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

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Charging:-				
Depreciation of property, plant and equipment	870,918	1,206,383	1,880,404	1,876,167
Depreciation of right-of-use assets	399,051	243,141	285,718	216,646
Depreciation of investment properties	61,280	61,282	31,552	2,717
Directors' fees	-	-	172,000	255,000
Expenses relating to short term leases	56,266	163,372	419,220	561,730
Impairment loss on investment properties	27,798	-	-	-
Property, plant and equipment written off	-	-	591,869	45,265
	<u>-</u>	<u>-</u>	<u>591,869</u>	<u>45,265</u>
Crediting:-				
Amortisation of deferred income	(214,017)	-	-	-
Rental income	(113,800)	(112,200)	(34,950)	-
Gain on disposal of property, plant and equipment	(21,000)	(24,900)	(88,967)	(15,999)
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)	(30,764)
Wages subsidies income	(227,400)	-	-	-
Reversal of impairment loss on investment properties	-	(81,203)	-	-
	<u>-</u>	<u>(81,203)</u>	<u>-</u>	<u>-</u>

22. TAX EXPENSES

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Current tax:				
- Current financial years	1,653,356	2,485,111	2,494,040	2,189,790
- Under/(Over) provision in prior financial years	31,845	(6,757)	197,228	(122,001)
	<u>1,685,201</u>	<u>2,478,354</u>	<u>2,691,268</u>	<u>2,067,789</u>
Deferred tax:				
- Current year	(67,949)	22,115	(80,343)	393,010
- Under/(Over) recognised in prior financial years	116,796	59,802	67,698	(20,022)
	<u>48,847</u>	<u>81,917</u>	<u>(12,645)</u>	<u>372,988</u>
	<u>1,734,048</u>	<u>2,560,271</u>	<u>2,678,623</u>	<u>2,440,777</u>

Malaysian income tax is calculated at statutory tax rate of 24% (2021, 2022 and 2023: 24%) of the estimated assessable profits for the financial years.

14. ACCOUNTANTS' REPORT (CONT'D)

22. TAX EXPENSES (CONT'D)

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	<u>2024</u> RM
Profit before tax	<u>6,445,127</u>	<u>10,784,277</u>	<u>12,251,390</u>	<u>7,940,829</u>
Tax at Malaysian statutory tax rate of 24% (2021, 2022 and 2023: 24%)	1,546,830	2,588,226	2,940,334	1,905,798
Tax effects in respect of:-				
Expenses not deductible for tax purposes	214,977	142,874	736,254	944,002
Income not subject to tax	(90,964)	(110,237)	(1,159,111)	(132,000)
Change in tax for the first tranche of categories income	(78,704)	(113,637)	(40,500)	(40,500)
Change in tax for the second tranche of categories income	-	-	(75,677)	(94,500)
Under/(Over) provision of tax expense in prior financial years	31,845	(6,757)	197,228	(122,001)
Movement of deferred tax not recognition	(6,732)	-	12,397	-
Under recognised of deferred tax liabilities in prior financial years	<u>116,796</u>	<u>59,802</u>	<u>67,698</u>	<u>(20,022)</u>
Total tax expense	<u>1,734,048</u>	<u>2,560,271</u>	<u>2,678,623</u>	<u>2,440,777</u>

23. 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	<u>2024</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>	<u>5,500,052</u>
Weighted average number of ordinary shares in issue	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,401,000</u>
Basic earnings per share (RM)	<u>3.37</u>	<u>5.87</u>	<u>6.84</u>	<u>3.93</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.

14. ACCOUNTANTS' REPORT (CONT'D)

24. DIVIDENDS

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</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	-	-
<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	-	-	<u>2,790,000</u>	-
	<u>4,350,000</u>	<u>1,200,000</u>	<u>9,890,000</u>	-

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

14. ACCOUNTANTS' REPORT (CONT'D)

25. EMPLOYEE BENEFITS EXPENSE

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Salaries, bonus and other emoluments	3,297,962	4,424,073	5,680,105	6,426,884
Defined contribution plans	<u>288,960</u>	<u>356,293</u>	<u>528,172</u>	<u>612,776</u>
	<u>3,586,922</u>	<u>4,780,366</u>	<u>6,208,277</u>	<u>7,039,660</u>

The employee benefits expense for cost of sales is amounted to RM3,515,982 (2021: RM1,647,409, 2022: RM2,355,711 and 2023: RM3,075,649).

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	<u>2024</u> RM
Salaries, bonus and other emoluments	446,285	471,030	412,832	465,070
Defined contribution plans	<u>37,430</u>	<u>39,890</u>	<u>49,615</u>	<u>49,950</u>
	<u>483,715</u>	<u>510,920</u>	<u>462,447</u>	<u>515,020</u>

The estimated monetary value of benefits-in-kind received by Directors other than cash from the Group are amounted to RM58,725 (2021: RM41,350, 2022: RM41,350, and 2023: RM65,767).

26. CAPITAL COMMITMENT

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Capital expenditure				
<u>Authorised and contracted for:-</u>				
Property, plant and equipment	74,500	185,604	941,607	-
Construction of factory	-	-	-	13,920,646
<u>Authorised but not contracted for:-</u>				
Property, plant and equipment	-	-	100,974	-
Construction of factory	<u>-</u>	<u>-</u>	<u>16,623,748</u>	<u>-</u>
	<u>74,500</u>	<u>185,604</u>	<u>17,666,329</u>	<u>13,920,646</u>

14. ACCOUNTANTS' REPORT (CONT'D)

27. CONTINGENT LIABILITY

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Corporate guarantee				
Corporate guarantee given to bank for credit facility granted to a Company in which certain Directors have interest	<u>1,297,275</u>	<u>1,020,887</u>	<u>734,024</u>	<u>-</u>

28. 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>2024</u> RM
<u>Companies in which certain Directors have interests:-</u>				
Sales	2,251,210	2,813,457	896,368	-
Purchase	83,985	220,916	265,840	292,747
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>-</u>
<u>Directors:-</u>				
Rental expenses	12,000	12,000	17,000	31,200
Advances from	2,027,649	1,193,517	1,289,705	-
Sales of property, plant and equipment to	<u>-</u>	<u>-</u>	<u>79,000</u>	<u>-</u>

Related party balances

Outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 7 and 16 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.

14. ACCOUNTANTS' REPORT (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

Compensation with key management personnel (cont'd)

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Directors' fees	-	-	172,000	255,000
Directors' remuneration	483,715	510,920	462,447	515,020
Benefits-in-kind	41,350	41,350	65,767	58,725
	<u>525,065</u>	<u>552,270</u>	<u>700,214</u>	<u>828,745</u>
Other key management personnel:				
- Salaries and other emoluments	321,953	394,898	609,164	692,941
- Defined contribution plans	35,211	39,447	73,877	84,480
- Benefits-in-kind	28,300	19,500	30,333	32,500
	<u>910,529</u>	<u>1,006,115</u>	<u>1,413,588</u>	<u>1,638,666</u>

29. FINANCIAL INSTRUMENTS

29.1 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	<u>2024</u> RM
Financial assets				
Trade receivables	6,095,898	4,145,835	4,465,473	8,535,220
Other receivables	901,732	1,076,245	1,555,974	933,681
Deposits with licensed banks	480,353	372,330	381,379	389,650
Cash and bank balances	2,266,281	5,450,597	4,220,012	3,172,503
	<u>9,744,264</u>	<u>11,045,007</u>	<u>10,622,838</u>	<u>13,031,054</u>
Financial liabilities				
Trade payables	2,439,504	3,377,662	1,530,858	2,964,888
Other payables	1,380,903	16,102,298	1,369,063	2,160,515
Borrowings	5,326,471	4,840,007	14,152,349	13,961,409
	<u>9,146,878</u>	<u>24,319,967</u>	<u>17,052,270</u>	<u>19,086,812</u>

29.2 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 main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

14. ACCOUNTANTS' REPORT (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.1 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	<u>2024</u> RM
Financial assets				
Trade receivables	6,095,898	4,145,835	4,465,473	8,535,220
Other receivables	901,732	1,076,245	1,555,974	933,681
Deposits with licensed banks	480,353	372,330	381,379	389,650
Cash and bank balances	<u>2,266,281</u>	<u>5,450,597</u>	<u>4,220,012</u>	<u>3,172,503</u>
	<u>9,744,264</u>	<u>11,045,007</u>	<u>10,622,838</u>	<u>13,031,054</u>

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.

	<u>2021</u> RM	%	<u>2022</u> RM	%	<u>2023</u> RM	%	<u>2024</u> RM	%
Trade receivables								
Malaysia								
1 customer (2021: 1								
2022: 2, and 2023:								
3 customers)	<u>3,264,458</u>	<u>54</u>	<u>1,539,128</u>	<u>37</u>	<u>2,118,658</u>	<u>47</u>	<u>2,100,901</u>	<u>25</u>

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, 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.

14. ACCOUNTANTS' REPORT (CONT'D)**29. FINANCIAL INSTRUMENTS (CONT'D)****29.2 Financial risk management (cont'd)****29.2.1 Credit risk (cont'd)****Trade receivables and other receivables (cont'd)***Recognition and measurement of impairment loss (cont'd)*

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.

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 days	31 to 60 days	61 to 90 days	More than 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	<u>2,675,783</u>	<u>2,584,327</u>	<u>307,069</u>	<u>239,791</u>	<u>288,928</u>	<u>6,095,898</u>

	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	More than 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	<u>2,412,899</u>	<u>670,230</u>	<u>275,583</u>	<u>189,078</u>	<u>598,045</u>	<u>4,145,835</u>

14. ACCOUNTANTS' REPORT (CONT'D)**29. FINANCIAL INSTRUMENTS (CONT'D)****29.2 Financial risk management (cont'd)****29.2.1 Credit risk (cont'd)****Trade receivables and other receivables (cont'd)***Recognition and measurement of impairment loss (cont'd)*

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 (cont'd):-

	Current	Days past due				Total
		1 to 30 days	31 to 60 days	61 to 90 days	More than 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	<u>2,028,008</u>	<u>1,741,544</u>	<u>290,559</u>	<u>206,953</u>	<u>198,409</u>	<u>4,465,473</u>
	Current	Days past due				Total
	RM	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	RM
2024						
Gross amount	5,779,041	1,410,519	591,764	172,834	659,143	8,613,301
Expected credit losses	-	-	-	-	(78,081)	(78,081)
Net balance	<u>5,779,041</u>	<u>1,410,519</u>	<u>591,764</u>	<u>172,834</u>	<u>581,062</u>	<u>8,535,220</u>

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.

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.

14. ACCOUNTANTS' REPORT (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.2 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	Maturity 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)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.2 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	-
	24,734,950	6,209,918	5,789,140	12,735,892
<u>2024</u>				
Non derivative financial liabilities				
Secured:				
Borrowings	20,431,422	2,996,181	5,725,972	11,709,269
Unsecured:				
Trade payables	2,964,888	2,964,888	-	-
Other payables	2,160,515	2,160,515	-	-
Borrowings	657,141	544,977	112,164	-
	26,213,966	8,666,561	5,838,136	11,706,269

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

29.2.3 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.

14. ACCOUNTANTS' REPORT (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.3 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:-

	<u>2021</u> RM	<u>2022</u> RM	<u>2023</u> RM	<u>2024</u> RM
Fixed rate instruments				
<u>Financial asset</u>				
Deposits with licensed banks	480,353	372,330	381,379	389,650
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>1,414,000</u>
	<u>3,494,758</u>	<u>2,281,263</u>	<u>1,473,810</u>	<u>1,414,000</u>
Net	<u>(3,014,405)</u>	<u>(1,908,933)</u>	<u>(1,092,431)</u>	<u>(1,024,350)</u>
Floating rate instruments				
<u>Financial liability</u>				
Term loans	<u>2,141,471</u>	<u>2,800,007</u>	<u>12,828,349</u>	<u>12,547,409</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, 2022 and 2023: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instrument held at each reporting date that is sensitive to changes in interest rate. All other variables are held constant

	Impact on profit/equity (Decrease)/Increase	
	+25bp RM	-25bp RM
2021	(5,354)	5,354
2022	(7,000)	7,000
2023	(32,071)	32,071
2024	<u>(31,369)</u>	<u>31,369</u>

14. ACCOUNTANTS' REPORT (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.4 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>2024</u> RM
<u>Denominated in USD</u>				
Other receivables	70,413	38,835	64,533	193,227
Cash and bank balances	15,330	5,937	849	33,215
Trade payables	<u>(116,735)</u>	<u>(79,235)</u>	<u>-</u>	<u>27,791</u>
	<u>(30,992)</u>	<u>(34,463)</u>	<u>65,382</u>	<u>254,233</u>
<u>Denominated in SGD</u>				
Other receivables	<u>13,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Denominated in RMB</u>				
Other receivables	<u>434</u>	<u>221,063</u>	<u>80,876</u>	<u>-</u>
<u>Denominated in JPY</u>				
Other receivables	<u>-</u>	<u>-</u>	<u>407,573</u>	<u>-</u>
<u>Denominated in EUR</u>				
Trade receivables	266,626	88,320	-	697,034
Trade payables	-	(1,116,133)	-	218,287
Cash and bank balances	<u>-</u>	<u>-</u>	<u>870,798</u>	<u>143,392</u>
	<u>266,626</u>	<u>(1,027,813)</u>	<u>870,798</u>	<u>1,058,713</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, 2022 and 2023: +/-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)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

29.2.4 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
2024	(2,542)	2,542
<u>RM/SGD</u>		
2021	134	(134)
2022	-	-
2023	-	-
2024	-	-
<u>RM/RMB</u>		
2021	4	(4)
2022	2,211	(2,211)
2023	809	(809)
2024	-	-
<u>RM/JPY</u>		
2021	-	-
2022	-	-
2023	4,076	(4,076)
2024	-	-
<u>RM/EUR</u>		
2021	2,666	(2,666)
2022	(10,278)	10,278
2023	8,708	(8,708)
2024	(10,587)	10,587

29.3 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.

14. ACCOUNTANTS' REPORT (CONT'D)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 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.

29.5 Reconciliation of liabilities arising from financing activities

	<u>1 June 2020</u> RM	New lease/ Drawdown <u>borrowings</u> RM	<u>Cash flows</u> RM	<u>31 May 2021</u> 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> RM	New lease/ Drawdown <u>borrowings</u> RM	<u>Cash flows</u> RM	<u>31 May 2022</u> 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> RM	New lease/ Drawdown <u>borrowings</u> RM	<u>Cash flows</u> RM	<u>31 May 2023</u> 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)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Reconciliation of liabilities arising from financing activities (cont'd)

	<u>1 June 2023</u>	<u>Drawdown</u> <u>borrowings</u>	<u>Cash flows</u>	<u>31 May 2024</u>
	RM	RM	RM	RM
Term loans	12,828,349	947,134	(1,228,074)	12,547,409
Bankers' acceptance	1,324,000	-	90,000	1,414,000
Lease liabilities	149,810	-	(149,810)	-
	<u>14,302,159</u>	<u>947,134</u>	<u>(1,287,884)</u>	<u>13,961,409</u>

30. 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.

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

	<u>Note</u>	Provision of manufacturing <u>services</u> RM	House brands <u>products</u> RM	Trading and <u>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)
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>

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

	<u>Note</u>	Provision of manufacturing <u>services</u> RM	House brand <u>products</u> RM	Trading and <u>others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
<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>
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>

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

	<u>Note</u>	Provision of manufacturing <u>services</u> RM	House brand <u>products</u> RM	Trading and <u>others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
<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		34,776,329	12,668,398	4,793,180	(5,789,067)	46,448,840
Results						
Finance income						9,049
Finance costs						(542,780)
Depreciation of property, plant and equipment						(1,880,404)
Depreciation of right- of-use assets						(285,718)
Depreciation of investment properties						(31,552)
Other non-cash income	(ii)					4,043,843
Tax expense						(2,678,623)
Segment profit	(iii)					<u>10,106,498</u>
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)

30. SEGMENT (CONT'D)

	<u>Note</u>	Provision of manufacturing <u>services</u> RM	House brand <u>products</u> RM	Trading and <u>others</u> RM	<u>Elimination</u> RM	<u>Total</u> RM
<u>2024</u>						
Revenue						
External revenue		31,739,107	12,143,668	7,003,418	-	50,886,193
Inter-segment revenue	(i)	-	4,722,112	1,892,725	(6,614,837)	-
Total revenue		<u>31,739,107</u>	<u>16,865,780</u>	<u>8,896,143</u>	<u>(6,614,837)</u>	<u>50,886,193</u>
Results						
Finance income						8,271
Finance costs						(799,299)
Depreciation of property, plant and equipment						(1,876,167)
Depreciation of right- of-use assets						(216,646)
Depreciation of investment properties						(2,717)
Other non-cash income	(ii)					546,366
Tax expense						(2,440,777)
Segment profit	(iii)					<u>6,291,080</u>
Assets						
Unallocated segment assets	(iv)					52,340,321
Additions to non- current assets	(v)					<u>5,298,585</u>
Liabilities						
Unallocated segment liabilities	(vi)					<u>5,424,667</u>

14. ACCOUNTANTS' REPORT (CONT'D)

30. 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 combination.
- (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	<u>2024</u> RM
Bad debts written off	(73,734)	-	(14,861)	-
Deposits forfeited	-	-	-	(36,270)
Gain on disposal of property, plant and equipment	21,000	24,900	88,967	15,999
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/(reversal of impairment loss) on receivables	(689,661)	(10,000)	(68,249)	618,525
Inventories written down	-	-	(34,637)	-
Inventories written off	-	-	(76,170)	(6,623)
Property, plant and equipment written off	-	-	(591,869)	(45,265)
Reversal of impairment loss on investment properties	-	81,203	-	-
	<u>(770,777)</u>	<u>96,103</u>	<u>4,043,843</u>	<u>546,366</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	<u>2024</u> RM
Segment profit	4,881,846	8,438,008	10,106,498	6,291,080
Finance income	9,407	4,983	9,049	8,271
Finance costs	<u>(180,174)</u>	<u>(218,985)</u>	<u>(542,780)</u>	<u>(799,299)</u>
Profit after tax	<u>4,711,079</u>	<u>8,224,006</u>	<u>9,572,767</u>	<u>5,500,052</u>

- (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	<u>2024</u> RM
Segment assets	30,435,185	52,635,901	44,769,140	52,340,321
Intangible assets	1	1	1	1
Tax recoverable	<u>116,299</u>	<u>54,143</u>	<u>177,494</u>	<u>133,403</u>
Total assets	<u>30,551,485</u>	<u>52,690,045</u>	<u>44,946,635</u>	<u>52,473,725</u>

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

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

- (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	<u>2024</u> RM
Property, plant and equipment	1,673,308	2,970,990	2,996,563	5,298,585
Right-of-use assets	<u>57,729</u>	<u>13,587,192</u>	<u>247,858</u>	-
Total assets	<u>1,731,037</u>	<u>16,558,182</u>	<u>3,244,421</u>	<u>5,298,585</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	<u>2024</u> RM
Segment liabilities	3,893,479	19,636,726	3,077,963	5,424,667
Deferred tax liabilities	270,847	352,764	340,119	713,107
Lease liabilities	309,758	241,263	149,810	-
Borrowings	5,326,471	4,840,007	14,152,349	13,961,409
Tax payable	<u>654,073</u>	<u>498,422</u>	<u>422,764</u>	<u>69,860</u>
Total liabilities	<u>10,454,628</u>	<u>25,569,182</u>	<u>18,143,005</u>	<u>20,169,043</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.

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</u> <u>assets</u> RM
<u>2021</u>		
Malaysia	28,030,975	14,065,253
Overseas	<u>1,688,173</u>	-
	<u>29,719,148</u>	<u>14,065,253</u>
<u>2022</u>		
Malaysia	42,693,644	29,193,832
Overseas	<u>864,419</u>	-
	<u>43,558,063</u>	<u>29,193,832</u>

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

Business segment (cont'd)

(a) Geographical information (cont'd)

Revenue and non-current assets information based on geographical location of the customers and assets respectively are as follows (cont'd):-

	<u>Revenue</u> RM	<u>Non-current assets</u> RM
<u>2023</u>		
Malaysia	41,423,931	24,030,497
Overseas	<u>5,024,909</u>	<u>-</u>
	<u>46,448,840</u>	<u>24,030,497</u>
<u>2024</u>		
Malaysia	46,220,246	27,152,879
Overseas	<u>4,665,947</u>	<u>-</u>
	<u>50,886,193</u>	<u>27,152,879</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	<u>2024</u> RM
Property, plant and equipment	4,137,767	5,902,374	6,614,310	10,178,206
Right-of-use assets	4,557,117	17,901,168	17,178,087	16,747,180
Investment properties	5,370,368	5,390,289	220,109	217,392
Intangible assets	1	1	1	1
Other receivables	<u>-</u>	<u>-</u>	<u>17,990</u>	<u>10,100</u>
	<u>14,065,253</u>	<u>29,193,832</u>	<u>24,030,497</u>	<u>27,152,879</u>

(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>	

14. ACCOUNTANTS' REPORT (CONT'D)

30. SEGMENT (CONT'D)

Business segment (cont'd)

(b) Information about major customers (cont'd)

The following are the major customers with revenue equal to or more than ten percent of revenue of the Group (cont'd):-

	RM	%	Operating segment
<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
<u>2024</u>			
Customer A	<u>12,984,297</u>	<u>26</u>	Provision of manufacturing services

31. 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 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 Company, do hereby state that, in our opinion, the accompanying combined financial statements set out on pages 4 to 62 are drawn up in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards so as to give a true and fair view of the combined financial position as at 31 May 2021, 31 May 2022, 31 May 2023 and 31 May 2024 and of their combined financial performance and their cash flows for the financial years ended at 31 May 2021, 31 May 2022, 31 May 2023 and 31 May 2024.

Signed in accordance with a resolution of the Directors dated 2 September 2024.

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.

VotingClause 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 powersClause 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 shares or securities 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.

Notwithstanding the above, the Directors shall not be required to offer any new ordinary shares for the time being unissued and not allotted and any new shares or other convertible securities from time to time to be created to the holders of the existing shares where the said shares or securities are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company.

For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained for implementation of a scheme that involves a new issuance of shares or other convertible securities to the employees of the Company and its subsidiaries and approval obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply and the Company is not required to offer new shares or convertible securities in proportion to the shareholdings of the existing Members.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 57 - Power to alter capital

Subject to the provisions of this Constitution and the Act, the Company may by ordinary 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.

15.1.3 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.

15. ADDITIONAL INFORMATION (CONT'D)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 rightsClause 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.

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.

15. ADDITIONAL INFORMATION (CONT'D)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.

15.2 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. ADDITIONAL INFORMATION (CONT'D)

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.

15.7 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 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;

15. ADDITIONAL INFORMATION (CONT'D)

- (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;
- (vii) The share sale agreement dated 18 August 2023 and supplemental letter agreement dated 17 May 2024 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 was completed on 21 June 2024;
- (viii) The share sale agreement dated 18 August 2023 and supplemental letter agreement dated 17 May 2024 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 was completed on 21 June 2024;
- (ix) The share sale agreement dated 18 August 2023 and supplemental letter agreement dated 17 May 2024 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 was completed on 21 June 2024;
- (x) The letter of award dated 7 May 2024 between MTS Fibromat (M) Sdn Bhd and Orient Biotech for the construction of reinforced geogrid wall on the New Serendah Land for a consideration of RM873,020.00. The construction of reinforced geogrid wall was completed on 5 July 2024;
- (xi) The letter of award dated 5 July 2024 between Messrs. S.H. Butterworth Engineering Sdn Bhd and Orient Biotech for the construction relating to the New Serendah Factory comprising of earthwork for geogrid wall, piling works, main building works & infrastructure of the factory for a consideration of RM14,709,282.00. As at the LPD, the construction works are pending completion;
- (xii) The Underwriting Agreement; and
- (xiii) The Placement Agreement.

15. ADDITIONAL INFORMATION (CONT'D)

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 Combined Statements of Financial Position of our Group as at 31 May 2024 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 2024 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;
- (vii) the audited financial statements of OB Holdings for the FYE 2024; and
- (viii) the audited financial statements of Orient Biotech, Orient Laboratories and Bonlife for the FYE 2021, FYE 2022, FYE 2023 and FYE 2024, respectively.

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.

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: 10.00 A.M., 27 SEPTEMBER 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 15 OCTOBER 2024

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 RM0.24 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 771**” 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 15 October 2024 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 or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd and Moomoo Securities Malaysia Sdn Bhd. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (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 or Participating Securities Firms.

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 16.9 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 or Participating Securities Firms 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) or Participating Securities Firms 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) or Participating Securities Firms 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 or Participating Securities Firms will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions or Participating Securities Firms 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 or Participating Securities Firms 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 2024 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.	586

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 2024 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>2,981</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 2024 RM'000
3.	Beneficial owner: Orient Biotech Individual Title: 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	Description: Vacant land Existing use: Currently under construction	Leasehold for a period of 99 years expiring on 6 July 2122	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.	13,180

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 2024 and are subject to annual renewal. Our Group has on 21 July 2024 applied for the permit of additional awnings to be constructed at the front entrance of the Selayang Factory, which is currently pending approval.

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:-

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
1.	Orient Biotech	Orient Laboratories	No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor	Description: 3 storeys detached factory Existing use: Manufacturing, R&D and storage facility	14 October 2005	Land area: 1,136.80 sq. mt. Built-up area: 938.5 sq. mt.	1 April 2023 – 31 March 2025	RM5,900.00
2.	ES Teoh	Orient Biotech	No. C1-13A, 162 Residency, KM 12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor	Description: Ground floor corner shop office unit Existing use: Office unit	30 September 2011	Land area: 213 sq. mt. Built-up area: 213 sq. mt.	1 June 2024 – 31 May 2025	RM2,900.00
3.	Ong Kong	Eng Biotech	No. 10, Jalan Siantan Utama, Laman Serendah, 48200 Serendah, Selangor	Description: Factory unit ⁽¹⁾ Existing use: Manufacturing and storage facility	18 May 2022	Land area: 3,964 sq. mt. Built-up area: 1,909.20 sq. mt.	15 April 2024 – 14 April 2026	RM26,000.00

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
4.	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
5.	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
6.	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
7.	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
8.	Teh Kim Cheong and Teh Thiam Meng	Bonlife	No. A-1-27, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor ⁽²⁾	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
9.	Teh Yen	Siok Bonlife	No. A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor ⁽³⁾	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

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ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Notes:

- (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.
- (2) Pursuant to a letter dated 30 July 2024 issued by Bonlife, Bonlife has decided not to continue with the renting of the premise, as the premise is no longer needed for the business operation of our Group.
- (3) Teh Siok Yen (as landlord) has agreed to continue letting to Bonlife (as tenant) the premise at A-1-29, 162 Residency, KM12, Jalan Ipoh-Rawang, 68100 Batu Caves, Selangor, for another 1 year commencing from 1 October 2024 to 30 September 2025, with an increased monthly rental of RM1,800.00.

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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 2024 (RM'000)
Powder mixer	To mix and blend the raw materials and food ingredients.	3	-
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	133
Sacheting machine (liquid)	To fill the liquid into the sachet.	6	1,635
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	274
Liquid filling machine (bottling)	To fill liquid into the bottle.	4	-
Capsulating machine	To fill the powder into the capsules.	6	24
Metal can filling machine	To fill the powder into the metal can.	3	24
Vacuum and nitrogen and metal can sealing machine	To vacuum and flush the nitrogen gas to the powder inside the metal can.	15	593
Shrink wrap machine	To seal the products with shrink wrap.	8	83
Carton sealing machine	To strap the cartons with strapping band.	8	12

ANNEXURE A – MATERIAL PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Machines and equipment	Function	No. of units	NBV as at 31 May 2024
Inkjet printer	To print the batch number, manufacturing date and expiry date on the packaging.	8	165
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	14
Softgel process	To fill the oil into the shell/softgel.	1	-
Coffee Roaster machine	To roast coffee bean	1	257
	Total	86	3,232

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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)	5 December 2023 / 1 January 2024 – 31 December 2024	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	5 December 2023 / 1 January 2024 – 31 December 2024	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)	5 December 2023 / 1 January 2024 – 31 December 2024	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)	5 December 2023 / 1 January 2024 – 31 December 2024	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)	5 December 2023 / 1 January 2024 – 31 December 2024	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	15 November 2023 / 1 January 2024 – 31 December 2024	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.	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	Orient Biotech shall notify MITI and MIDA if: (a) there is any sale of Orient Biotech's shares; or (b) there is any change to the board of directors of Orient Biotech.	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
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 December 2024 and the employment of foreigners, including outsourced workers are subject to current policies. ⁽¹⁾	Complied
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.: MALLB20240355	21 September 2023 / 1 January 2024 – 31 December 2024	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
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
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)	5 December 2023 / 1 January 2024 – 31 December 2024	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

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
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), capsule (soft shell), liquids for internal use, powders, tablets at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor.	NPRA	Licence no.: MALLP20240445	27 September 2023 / 1 January 2024 – 31 December 2024	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or Good Distribution Practice.	Complied
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.: MALLB20240481	4 October 2023 / 1 January 2024 – 31 December 2024	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
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) 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	19 December 2023 / 1 January 2024 – 31 December 2024	Nil	N/A
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	19 December 2023 / 1 January 2024 – 31 December 2024	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
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)	19 December 2023 / 1 January 2024 – 31 December 2024	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)	19 December 2023 / 1 January 2024 – 31 December 2024	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.: MALLB20240426	27 September 2023 / 1 January 2024 – 31 December 2024	Compliance with the Control of Drugs and Cosmetics Regulations 1984 and requirements of GMP and/or Good Distribution Practice.	Complied
23.	OB Holdings	Business and advertisement licence granted to OB Holdings at No. 37, Jalan PS 3, Taman Industri Prima Selayang, 68100 Batu Caves, Selangor for office.	SMC	Reference no.: MPS 2/5-1294 (S)	4 January 2024 / 4 January 2024 – 31 December 2024	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
24.	OB Holdings	Business and advertisement licence granted to OB Holdings at B-G-2, Dataran Emerald, Jalan PS 11, Prima Selayang Batu Caves, 68100 Selangor for offices.	SMC	Reference no.: MPS 2/6- 64117(S)	17 July 2024 / 17 July 2024 – 31 December 2024	Nil	N/A




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 73.12% 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 / 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
2.		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
3.		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
4.		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
5.		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
6.		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
7.		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
8.		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
9.		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
10.		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
11.		Bonlife / TM2023031229	MyIPO	Class 5 / Dietary supplements for human beings and animals; dietary supplements intended to supplement a normal diet or to have health benefits; nutritional supplements; gelatin capsules for pharmaceuticals; nutritional supplements in capsule form; dietary supplements consisting of vitamins; dietary supplements consisting of minerals; dietary supplements for controlling cholesterol; dietary supplements; nutritional supplements containing vitamins and minerals; nutritional supplements in capsule form, not for medical purposes; food supplements in capsule form.	Registered / 13 October 2023 – 13 October 2033

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
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 ⁽¹⁾
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) – 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
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; bookmarkers; 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 (stationery); 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).	Registered / 17 August 2023 – 17 August 2033

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ANNEXURE C – BRAND NAMES, TRADEMARKS, PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS (CONT'D)

Notes:

- (1) 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.

- (2) 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). An appeal has been filed on 1 November 2023 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.

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.

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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 FYEs 2021 to 2023 were 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. Bonlife has further renewed the wholesaler’s licence with a validity period until 31 December 2024. 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

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

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.

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) Occupational Safety and Health Act 1994 (“OSHA”) and the Occupational Safety and Health (Plant Requiring Certificate of Fitness) Regulations 2024 (“OSH Regulations”)

Since the repeal of the Factories and Machinery Act 1967 (“FMA”) with effect from 1 June 2024, the OSHA and the OSH Regulations are the main governing laws with respect to matters relating to, amongst other, the registration and inspection of plants (including machineries and equipment).

Section 27C of the OSHA provides that no person shall install or caused to be installed any prescribed plant unless the person ensures that the plant has fulfilled all the requirements prescribed by the minister and has obtained the written approval from the Director General of Occupational Safety and Health. Section 27D of the OSHA further provides that no person shall operate or cause or permit to be operated any plant that has been installed under Section 27C unless the plant has a certificate of fitness issued by an officer or licenced person.

Any person who contravenes Section 27C and Section 27D shall be guilty of an offence and shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both.

The machinery and equipment that we own and/or operate in the course of carrying out our business operations were previously governed by the requirements of the FMA and have been issued with certificates of fitness under the purview of the FMA with validity as set out below. Despite the repeal of the FMA, such certificates of fitness issued under the purview of FMA remains valid and subsisting until its expiration date. Once expired, new certificates of fitness must be obtained in accordance with the OSHA and OSH Regulations.

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

Type of machinery	Issuance date / Validity period
Horizontal air receiver (1 unit), goods hoists (2 units) and air receivers (4 units)	25 May 2023 / 25 May 2023 – 23 November 2024
Air receiver tank (A) – Handhole (1 unit)	16 August 2023 / 16 August 2023 – 15 November 2024
Autoclave (1 unit)	19 December 2023 / 19 December 2023 – 11 March 2025

(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")**

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

ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

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) OSHA

Apart from as stipulated in paragraph (B)(ii) above, the OSHA also 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 activities of persons at work and for matters connected therewith.

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.

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ANNEXURE D – MATERIAL REGULATORY REQUIREMENTS (CONT'D)

(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 2 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.

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