www.nova.com.my

NOVA WELLNESS GROUP BERHAD (Company No.: 1196094-M)
(Incorporated in Malaysia under the Companies Act 1965 and
deemed registered under the Companies Act 2016)

Lot 708, Nova Avenue, 4th Mile,
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PROSPECTUS

NOVA WELLNESS GROUP BERHAD (Company No.: 1196094-M)

Nova®

NOVA WELLNESS GROUP BERHAD
(Company No.: 1196094-M)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

PROSPECTUS

THIS PROSPECTUS IS DATED 28 JUNE 2018

INITIAL PUBLIC OFFERING OF 81,660,000 NEW ORDINARY SHARES IN NOVA WELLNESS GROUP BERHAD ("**IPO SHARES**"), COMPRISING:

(i) 16,000,000 IPO SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;

(ii) 15,000,000 IPO SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES; AND

(iii) 50,660,000 IPO SHARES AVAILABLE FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED INVESTORS

AT AN ISSUE PRICE OF RM0.55 PER SHARE PAYABLE IN FULL UPON APPLICATION IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Principal Adviser, Sponsor, Underwriter and Placement Agent

Kenanga

KENANGA INVESTMENT BANK BERHAD
(Company Number: 15678-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET.

YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SECURITIES COMMISSION MALAYSIA ("SC").

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

FOR INFORMATION CONCERNING RISK FACTORS WHICH SOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 29.

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

THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC. THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

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

RESPONSIBILITY STATEMENTS

The Directors and Promoters (as defined in this Prospectus) of **NOVA WELLNESS GROUP BERHAD** ("**Nova Wellness**" or the "**Company**") have seen and approved this Prospectus. 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 that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Kenanga Investment Bank Berhad (**"Kenanga IB"**), being the Principal Adviser, Sponsor, Underwriter and Placement Agent, acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO (as defined in this Prospectus).

STATEMENTS OF DISCLAIMER

Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") for our Listing (as defined in this Prospectus). Admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

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

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

OTHER STATEMENTS

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

Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus is prepared and published solely in connection with our IPO under the laws of Malaysia. Our Shares are issued/ offered in Malaysia solely based on the contents of this Prospectus. Our Company, the Promoters and the Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

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

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith. It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any law of such country or jurisdiction. Neither we nor our Principal Adviser nor any other advisers in relation to the IPO shall accept any responsibility or liability in the event that any application made by you shall be illegal, unenforceable, avoidable or void in any such country and jurisdiction.

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

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the electronic Prospectus and this Prospectus registered by the SC are the same.

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

If you are in doubt of the validity or integrity of an electronic Prospectus, you should immediately request from us, the Principal Adviser or the Issuing House (as defined in this Prospectus), a paper/printed copy of this Prospectus. In the event of any discrepancies arising between the contents of the electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC, shall prevail.

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

(i) we do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and

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

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

(i) the Internet Participating Financial Institution is only liable in respect of the integrity of the contents of an electronic Prospectus, to the extent of the contents of the electronic Prospectus situated on the web server of the Internet Participating Financial Institution which may be viewed via web browser or other relevant software. The Internet Participating Financial Institution is not responsible for the integrity of the contents of an electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institution, and subsequently communicated or disseminated in any manner to you or other parties; and

(ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an electronic Prospectus, the accuracy and reliability of an electronic Prospectus cannot be guaranteed because the internet is not a fully secured medium.

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

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INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Events	Date
Opening of application for our IPO	10.00 a.m., 28 June 2018
Closing of application for our IPO	5.00 p.m., 9 July 2018
Balloting of applications	11 July 2018
Allotment of Shares to successful applicants	19 July 2018
Listing on the ACE Market of Bursa Securities	20 July 2018

In the event there is any change to the timetable, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Words importing the singular include the plural and vice versa. Words importing a gender include any gender. References to persons include a corporation. Any reference to words such as “we”, “us”, “our” and “ourselves” in this Prospectus shall be a reference to our Company, our Group or any member company of our Group as the context requires, unless otherwise stated. All references to “Nova Wellness” and “our Company” in this Prospectus are to Nova Wellness Berhad, references to “our Group” are to our Company and our subsidiary taken as a whole. Unless the context otherwise requires, references to “Management” are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Any reference in this Prospectus, the Application Form, Electronic Share Application or Internet Share Application to any legislation, statute or statutory provision shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

All references to the "LPD" in this Prospectus are to 1 June 2018**,** which is the latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate. However, third party projections, including the projections from the IMR, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. Hence, you should not place undue reliance on the third party projections cited in this Prospectus.

Certain numbers presented in this Prospectus have been rounded off to the nearest thousand or two decimal places, where applicable, hence may not be exact. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail. Any reference to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated. The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

(i) our future overall business development and operations;
(ii) our financial performance and financing plans including earnings, cash flow and liquidity;
(iii) potential growth opportunities;
(iv) our business strategies, trends and competitive position and the effect of such competition;
(v) the plans and objectives of our Company for future operations; and
(vi) the general industry environment, including the demand and supply for our products and services.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors, including, without limitations:

(i) the economic, political and investment environment in Malaysia and globally; and
(ii) government policy, legislation or regulation

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 on "Risk Factors" and Section 11 on "Management's Discussion and Analysis of Financial Condition and Results of Operations". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of the Prospectus.

Should we become aware of any subsequent material change or development affecting matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless the term is defined or the context requires otherwise:

ACE Market	:	ACE Market of Bursa Securities
Acquisition	:	The acquisition by our Company of the entire issued share capital of Nova Laboratories comprising 1,462,956 ordinary shares in Nova Laboratories for a purchase consideration of RM23,640,998 satisfied by way of issuance of 236,409,980 new Shares credited as fully paid-up at an issue price of RM0.10 per Share
Act	:	Companies Act 2016
ADA	:	Authorised Depository Agent, a person appointed by Bursa Depository under the Rules
ADA Code	:	ADA (Broker) Code
Admission	:	Admission of our Shares to the Official List of the ACE Market
Application	:	Application for our IPO Shares by way of Application Form, the Electronic Share Application or the Internet Share Application
Application Form(s)	:	The printed application form for the application of our IPO Shares
All Day Pharmacy	:	All Day Pharmacy Sdn Bhd (1190432-W)
ATM	:	Automated teller machine
Axiana	:	Axiana Pharmacy Sdn Bhd (336233-H)
Axiana (Bukit Raja)	:	Axiana Pharmacy (Bukit Raja) Sdn Bhd (1112127-P)
Board	:	Board of Directors of Nova Wellness
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CAGR	:	Compound annual growth rate
Capital Reduction and Repayment	:	The capital reduction exercise pursuant to Section 116 of the Act on 23 May 2018 to reduce 85,316,358 Shares held by our substantial shareholders on a pro rata basis, for a consideration of RM8,480,000, which will be distributed to our substantial shareholders by way of cash distribution to be paid in one or more tranches over a period of two years from the completion of the capital reduction as set out in Section 5.2.2
Capital Restructuring	:	The Capital Reduction and Repayment exercise and Share Subdivision
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account(s)	:	An account established by Bursa Depository for the recording of deposits of securities and for dealings in such securities by the Depositor

DEFINITIONS *(cont'd)*

Central Depositories Act or SICDA	:	Securities Industry (Central Depositories) Act 1991
CF or CCC	:	Certificate of Fitness or Certificate of Completion and Compliance
CFO	:	Chief Financial Officer
China or PRC	:	People's Republic of China
CMSA	:	Capital Markets and Services Act 2007
DCA	:	Drug Control Authority, MOH, the executive body under the MOH established under the Control of Drugs and Cosmetics Regulation 1984
Depositor	:	A holder of a CDS Account
Director(s)	:	Members of the Board
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/ or an electronic storage medium, including but not limited to CD-ROMs
Electronic Share Application	:	Application for our IPO Shares through a Participating Financial Institution's ATM
Eligible Persons	:	Collectively, (i) the eligible Directors; (ii) the eligible employees; (iii) the eligible business associates of our Group, as set out in Section 3.3.1(ii)
EPP	:	Entry point projects are high impact projects by the Government matched with specific ideas and actions to spur the growth of the NKEAs
EPS	:	Earnings per Share
Financial Years Under Review	:	FYE 2015, FYE 2016 and FYE 2017, collectively
FPE	:	Financial period ended/ ending 31 December, as the case may be
FYE	:	Financial year ended/ ending 30 June, as the case may be
g(s)	:	gramme(s)
GDP	:	Gross Domestic Product
Government	:	Government of Malaysia
GP	:	Gross profit
GST	:	Goods and services tax imposed by the Government
House Brand	:	Our brands comprising of 'Nova', 'ActivMax', 'Sustinex', 'Novavis' and 'SP8'

DEFINITIONS *(cont'd)*

IFRS	:	International Financial Reporting Standards, as issued by the International Accounting Standards Board
IMR Report	:	Independent Assessment of the strategic analysis of the nutraceutical industry in Malaysia by Protégé, as set out in Section 7
Independent Valuer	:	IPC Island Property Consultants Sdn Bhd (637371-A)
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for the Internet Share Applications, which is set out in Section 16
IPO or Offering	:	Our initial public offering comprising the Public Issue
IPO Price	:	RM0.55 per IPO Share, being the price payable by investors under the Public Issue
IPO Share(s)	:	New shares to be issued under the Public Issue
ISA or Internet Share Application	:	Application for our IPO Shares through an Internet Participating Financial Institution
Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
JAKIM	:	Jabatan Kemajuan Islam Malaysia, is the federal government agency that governs Islamic religious affairs in Malaysia
Kenanga IB or Principal Adviser or Sponsor or Underwriter or Placement Agent	:	Kenanga Investment Bank Berhad (15678-H)
Listing	:	Listing of and quotation our entire enlarged share capital on the ACE Market of Bursa Securities
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities
Listing Scheme	:	The Public Issue and Listing, collectively
LPD	:	1 June 2018, being the latest practicable date prior to the registration of this Prospectus with the SC
Malaysian Bioeconomy Development	:	Malaysian Bioeconomy Development Corporation Sdn Bhd (691431-D)
Malaysian Public	:	Malaysian citizens, companies, societies and institutions incorporated or organized under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading in securities
MFRS	:	Malaysian Financial Reporting Standards, as issued by the Malaysian Accounting Standards Board
mg(s)	:	milligramme(s)
MOH	:	Ministry of Health, Malaysia
MPS	:	Majlis Perbandaran Sepang

DEFINITIONS *(cont'd)*

MyIPO	:	Intellectual Property Corporation of Malaysia
NA	:	Net assets
NBV	:	Net book value
NKEA	:	National Key Economic Area
NL	:	Net liabilities
Nova Laboratories	:	Nova Laboratories Sdn Bhd (179832-D), a wholly-owned subsidiary company of Nova Wellness
Nova Group or Group	:	Nova Wellness and its subsidiary, collectively
Nova Wellness or Company	:	Nova Wellness Group Berhad (1196094-M)
NPRA	:	National Pharmaceutical Regulatory Agency, is a regulatory agency under the MOH
NTA	:	Net tangible assets
NTL	:	Net tangible liabilities
Nutraphyll	:	Nutraphyll Sdn Bhd (588791-H) (formerly known as Novavis Biotech Sdn Bhd)
NWPP	:	Nova Wellness Partner Programme
Official List	:	A list specifying all securities which have been admitted for listing and which have not been removed from the ACE Market
Participating Financial Institution(s)	:	The participating financial institution(s) for the Electronic Share Application, which is set out in Section 16
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Pink Form Shares	:	15,000,000 IPO Shares representing 4.7% of our entire issued share capital at the IPO Price to the Eligible Persons
Placement Shares	:	50,660,000 Public Issue Shares made available by way of private placement to selected investors
PPE	:	Property, plant and equipment
Promoters	:	Phang Nyie Lin, Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung, collectively
Prospectus	:	This prospectus dated 28 June 2018 in relation to our IPO
Protégé or Independent Market Researcher	:	Protégé Associates Sdn Bhd (675767-H)

DEFINITIONS *(cont'd)*

Public Issue	:	Public Issue of 81,660,000 new ordinary shares at the IPO Price, representing approximately 25.7% of the entire issued share capital of our Company, to be allocated in the following manner: (i) 16,000,000 new ordinary shares made available for application by the Malaysian public; (ii) 15,000,000 new ordinary shares made available for application by the Eligible Persons; and (iii) 50,660,000 new ordinary shares made available by way of Private Placement to Malaysian institutional and selected investors
QA	:	Quality assurance
QC	:	Quality control
R&D	:	Research and development
Record of Depositors	:	A record provided by Bursa Depository to our Company under Chapter 24.0 of the Rules
RM and Sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
RMB	:	Renminbi, the lawful currency of China
ROC	:	Registrar of Companies
Rules	:	Rules of Bursa Depository
SC	:	Securities Commission Malaysia
Share Registrar	:	ShareWorks Sdn Bhd (229948-U)
Share Subdivision	:	The subdivision of 151,093,642 existing Shares into 236,083,815 Shares on the basis of 25 Shares for every 16 existing Shares held, as set out in Section 5.2.4
Share Transfer	:	The transfer of 23,327,112 Shares by Tan Sok Mooi to Phang Nyie Lin, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung for zero consideration, as set out in Section 5.2.3
Share(s)	:	Ordinary share(s) in our Company
sq. ft.	:	Square feet
sq. m.	:	Square metre
Underwriting Agreement	:	The underwriting agreement dated 8 June 2018 entered into between our Company and the Underwriter for the underwriting of up to 31,000,000 IPO Shares
USD	:	United States Dollars, the lawful currency of the Unites States of America
Valuation Certificate	:	The Valuation Certificate as prepared by the Independent Valuer
Valuation Report	:	The Valuation Report dated 8 September 2017 as prepared by the Independent Valuer
Vision Biotech	:	Vision Biotech Sdn Bhd (432814-P)

GLOSSARY OF TECHNICAL TERMS

The following technical abbreviations in this Prospectus bear the same meanings as set out below unless the term is defined otherwise or the context requires otherwise:

Actisof formulation	:	A formulation that enhances the body's absorption of oil-based ingredients and is used in our fish oil, coenzyme Q10, evening primrose oil and vitamin E formulations, amongst others
Active ingredients	:	Compounds/ substances that are present in nutraceutical and skincare products, intended to provide physiological benefits and/ or have a direct effect in the treatment or prevention of disease. Active ingredients are produced from various methods such as the extraction method, chemical synthesis and fermentation. For example, the active ingredient, Phyllanthus niruri, is produced from plant extraction
Assay	:	A type of test to determine the content of an ingredient or finished product
Binder	:	A type of excipient used to hold ingredients together. It also gives weight and allows active ingredients to be combined into capsules or tablets
Biopsy	:	A medical procedure where a sample of tissue is taken from the body in order to examine it more closely
Blister	:	A type of packaging that seals a product in a cavity. Blisters usually have a backing made of paper, aluminium or film seal and it can be used to seal tablets, hard capsules and softgels
BPR	:	Batch processing record, which is a controlled document that includes information on the product name, batch number, batch size, specification of finished product, the manufacturing formula, manufacturing process and packaging instruction for a particular product
Clinical trials	:	A type of study performed to explore the safety and effectiveness of a product in human participants
Coating	:	An edible layer applied to the surface of a tablet to improve the appearance of the tablet, protect the ingredients of the tablet from exposure to light and moisture, and to mask the bitter taste of a tablet
CRO	:	Clinical Research Organisation, an organisation that provides research support services including pre-clinical trials and clinical trials to the pharmaceutical, biotechnology, and medical device industries
Dietary supplements	:	Products that are intended to supplement a diet, in order to increase the daily intake of a nutrient. The types of dietary supplements available include vitamins, minerals and herbal supplements
Disintegrant	:	A type of excipient added to product formulations to allow breakup of a tablet or capsule into smaller fragments when the tablet or capsule is wet. This ensures rapid breakdown to facilitate fast absorption of a product
Delivery system	:	A delivery method where drugs are delivered/ administered to achieve the maximum/ ideal efficacy of the said drug. Examples of delivery system include mouth-dissolving tablets and sustained release formulations

GLOSSARY OF TECHNICAL TERMS *(cont'd)*

Double-blind	:	A kind of clinical trial conducted where neither the participants nor the clinicians know which participants are in the test and control groups during the actual course of the clinical trial
Encapsulation	:	The process of enclosing the fill mixture in a capsule
Excipient	:	An inactive ingredient that is used in product formulations to provide stability to the product so they can be taken in various dosage forms such as capsules and tablets
Ficus microcarpa	:	A plant also known as Malayan Banyan that has antioxidant properties to promote better health and reduce the onset of chronic diseases
Fluid bed dryer	:	A machine that is used to dry granules
Friability	:	The tendency for a tablet to break following compression
Functional food	:	Food products fortified with vitamins and other nutrients that have potential positive effect on health and have specific health benefits
Gelatin	:	An animal protein substance that has gel-forming properties and is used in various industries including nutraceutical and food manufacturing
Gelatin softgel	:	A softgel shell made from gelatin
Glucosamine	:	An amino sugar to support the structure and function of joints
Glycerine	:	An odourless ingredient that is used as an excipient
Glycemix index	:	A value assigned based on how slowly or quickly food can cause an increase in blood glucose levels
GLP	:	Good Laboratory Practice, which is a quality system of management controls for research laboratories to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical (including pharmaceuticals) non-clinical safety tests
GMP	:	Good Manufacturing Practice, which is an internationally recognised standard of manufacturing that is applied for manufacturing of food and food-related products, and pharmaceutical products
Granulation	:	A process where fine powder materials are made to form larger particles called granules
Granulator	:	A machine that granulates fine powder to granules
HDPE	:	High-density polyethylene commonly used in the production of plastic bottles
Heavy metal limits test	:	A type of test that checks for the level of heavy metals present in a raw material or finished product
Hepar-P Capsule	:	A liver tonic that contains 250mg Phyllanthus niruri standardised extract per capsule
Hepar-P Forte Caplet	:	A liver tonic that contains 500mg Phyllanthus standardised extract per caplet

GLOSSARY OF TECHNICAL TERMS *(cont'd)*

Herbal supplements	:	Dietary supplements that are manufactured from herbal active ingredients such as Phyllanthus niruri, Cordyceps sinensis and Gingko biloba, amongst others
Lubricant	:	An excipient used to prevent the clumping of active ingredients and prevents the sticking of materials to machines during the production process
MAL	:	A registration number for products approved by the DCA for sale or use in Malaysia
Microbial limits test	:	A type of test that checks for the level of microorganisms present in a raw material or finished product
Nutraceutical	:	Products derived from food sources that provide health benefits in addition to its basic nutritional value. Examples of nutraceuticals include dietary supplements, herbal supplements and functional food
OEM	:	Original equipment manufacturers that undertake production and/ or product packing activities
Pallet	:	A flat structure to support goods when being lifted by a forklift
Phenolic acids	:	Plant metabolites with antioxidant properties produced by plants that are used as its defence mechanism
Phyllanthus niruri	:	Commonly known as "Dukung Anak" in Malaysia, is a plant that has potential medicinal benefits in terms of sustaining and protecting the health of the liver, treatment of liver diseases and Hepatitis B infections
Placebo	:	A substance that does not contain any active ingredients. A placebo is given to human participants in clinical trials to function as a control in order to compare the effects of the trial drug and the placebo on human participants in the clinical trials
Pre-clinical trials	:	Studies using animal models to collect data to support the safety of the products before clinical trials in human participants can be carried out
Sieving	:	A technique of separating solids of different sizes
Softgel	:	An oral dosage form made of gelatin or other materials that form a shell enclosing a liquid fill
Standardised extract	:	A herbal extract that contains a specific amount of active ingredients to ensure consistent strength or potency from batch to batch in manufacturing
Vege-softgel	:	A vegetable based softgel capsule is an oral dosage form that is free from materials of animal origin

Company Number: 1196094-M

1. CORPORATE DIRECTORY

DIRECTORS

Name/Designation	Address	Nationality
Dr Abdul Manaf bin Mohamad Radzi *(Independent Non-Executive Chairman)*	No. 22 Jalan Bacang 4/2C 40000 Shah Alam Selangor Darul Ehsan	Malaysian
Phang Nyie Lin *(Managing Director)*	No. 2 Jalan Satu Taman Bahagia 43950 Sungai Pelek Selangor Darul Ehsan	Malaysian
Phang Yeen Nung *(Executive Director)*	No. 2 Jalan Satu Taman Bahagia 43950 Sungai Pelek Selangor Darul Ehsan	Malaysian
Phang Yeen Aun *(Executive Director)*	No. 2 Jalan Satu Taman Bahagia 43950 Sungai Pelek Selangor Darul Ehsan	Malaysian
Dr Munavvar Zubaid bin Abdul Sattar *(Independent Non-Executive Director)*	No.54 Cangkat Minden Jalan 12 Minden Heights 11700 Gelugor Pulau Pinang	Malaysian
Sulaiman bin Haji Ahmad *(Non-Independent Non-Executive Director)*	No. 27 Jalan PUJ 9/7 Taman Puncak Jalil 43300 Seri Kembangan Selangor Darul Ehsan	Malaysian
Sim Seng Loong @ Tai Seng *(Independent Non-Executive Director)*	A68 Jalan 24/42 Taman Kok Doh 51200 Kuala Lumpur Wilayah Persekutuan (KL)	Malaysian
Tan Mio Har *(Independent Non-Executive Director)*	No. 49 Jalan BSC 1A/1 Presint 1 Bandar Seri Coalfields 47000 Sungai Buloh Selangor Darul Ehsan	Malaysian

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1. CORPORATE DIRECTORY *(cont'd)*

AUDIT COMMITTEE

Name	Designation	Directorship
Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director
Dr Abdul Manaf bin Mohamad Radzi	Member	Independent Non-Executive Chairman
Tan Mio Har	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Dr Abdul Manaf bin Mohamad Radzi	Chairman	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director
Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Dr Abdul Manaf bin Mohamad Radzi	Chairman	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director
Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director
Dr Abdul Manaf bin Mohamad Radzi	Member	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY *(cont'd)*

COMPANY SECRETARIES	:	Lee Wee Hee (MAICSA 0773340) *(Chartered Secretary, Fellow Member of the Malaysian Institute of Chartered Secretaries & Administrators)* No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Telephone No. : (603) 6201 1120 Facsimile No. : (603) 6201 3121 Wong Yuet Chyn (MAICSA 7047163) *(Chartered Secretary, Fellow Member of the Malaysian Institute of Chartered Secretaries & Administrators)* No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Telephone No. : (603) 6201 1120 Facsimile No. : (603) 6201 3121
REGISTERED OFFICE	:	No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Telephone No. : (603) 6201 1120 Facsimile No. : (603) 6201 3121
HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS	:	Nova Wellness Group Berhad Lot 708, Nova Avenue, 4th Mile 43950 Sungai Pelek Sepang, Selangor Telephone No. : (603) 3141 3181 Facsimile No. : (603) 3141 1661 Website : www.nova.com.my E-mail : mail@nova.com.my
LEGAL ADVISERS/ SOLICITORS	:	Wong Beh & Toh Level 19, West Block Wisma Selangor Dredging 142-C, Jalan Ampang 50450 Kuala Lumpur Telephone No. : (603) 2713 6050 Facsimile No. : (603) 2713 6052

1. CORPORATE DIRECTORY *(cont'd)*

AUDITORS AND REPORTING ACCOUNTANTS	:	Mazars PLT (AF 001954) Level 11, South Block Wisma Selangor Dredging 142-A, Jalan Ampang 50450 Kuala Lumpur Partner-in-charge : Lee Soo Eng *(Chartered Accountant;* *Member of the Malaysian Institute of Accountants ("**MIA**") (Membership No.: 25082);* *Fellow member of the Association of Chartered Certified Accountants, United Kingdom ("**FCCA**") (Membership No.: 0462099);* *Member of Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (Membership No.: A31335); and* *Asean Chartered Professional Accountant ("**ACPA**") (Membership No.: ACPACC-MY. 0000191))* Telephone No. : (603) 2161 5222 Facsimile No. : (603) 2161 3909
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/ 46 47301 Petaling Jaya Selangor Telephone No. : (603) 7841 8289 Facsimile No. : (603) 7841 8150
SHARE REGISTRAR	:	ShareWorks Sdn Bhd No. 2-1, Jalan Sri Hartamas 8 Sri Hartamas 50480 Kuala Lumpur Wilayah Persekutuan (KL) Telephone No. : (603) 6201 1120 Facsimile No. : (603) 6201 3121
PRINCIPAL ADVISER, SPONSOR, UNDERWRITER, PLACEMENT AGENT	:	Kenanga Investment Bank Berhad Level 17, Kenanga Tower 237, Jalan Tun Razak 50400 Kuala Lumpur Telephone No. : (603) 2172 2888 Facsimile No. : (603) 2172 2999

1. CORPORATE DIRECTORY *(cont'd)*

INDEPENDENT MARKET RESEARCHER	:	Protégé Associates Sdn Bhd Suite C-06-06, Plaza Mont' Kiara No. 2 Jalan Kiara, Mont' Kiara 50480 Kuala Lumpur Partner-in-charge : Seow Cheow Seng *(Master in Business Administration from Charles Sturt University, Australia;* *Bachelor of Business specialising in Marketing from RMIT University, Australia)* Telephone No. : (603) 6201 9301 Facsimile No. : (603) 6201 7302
INDEPENDENT VALUER	:	IPC Island Property Consultants Sdn Bhd 40A, 1st Floor, Jalan Sri Sarawak 19, Taman Sri Andalas, 41200 Klang, Selangor Darul Ehsan Partner-in-charge : Azman bin Wahid *(Registered Valuer and Estate Agent with the Board of Valuers, Appraisers and Estate Agent Malaysia;* *Bachelor Degree in Estate Management (Hons) Institute Technology of Mara)* Telephone No. : (603) 3323 8544 Facsimile No. : (603) 3323 9544
LISTING SOUGHT	:	ACE Market of Bursa Securities

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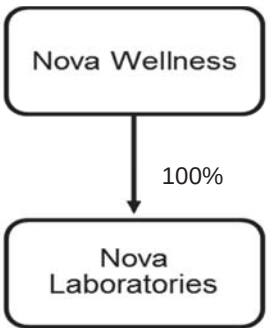
2. PROSPECTUS SUMMARY

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

2.1 OVERVIEW

Our Company was incorporated in Malaysia under the Companies Act 1965 on 27 July 2016 as a private limited company under the name of Nova Wellness Group Sdn Bhd. Our Company is also deemed registered under the Act as at 31 January 2017. Our Group was formed on 24 October 2017 pursuant to the completion of the Acquisition and Nova Laboratories then became a wholly-owned subsidiary of our Company. We subsequently converted to a public limited company on 31 October 2017 to facilitate our Listing. An illustration of our Group structure is as follows:



Our Group is in the nutraceutical industry and our principal activities are as follows:

(i) development, production and sales of nutraceutical and skincare products under our House Brands; and

(ii) OEM development and production of nutraceutical products.

Nutraceuticals are products derived from food sources that provide health benefits in addition to its basic nutritional value. Examples of nutraceuticals include dietary supplements, herbal supplements and functional food.

We were founded in 1989 by Phang Nyie Lin and Tan Sok Mooi to initially undertake the trading of animal health products from 1990. In 1997 we commenced a small scale R&D on Phyllanthus niruri, a species of herb that has been traditionally used for the treatment of liver diseases. In 2000, we developed Hepar-P Capsule as a liver tonic and in 2002, we were granted approval for the marketing and sales of Hepar-P Capsule in Malaysia by MOH. In 2004, we set up our GMP-compliant production facility with R&D facilities in Sepang, Selangor; and started production of our dietary supplements and animal health products. In 2006, we were awarded the BioNexus status by Malaysian Bioeconomy Development.

We have over the years successfully developed and produced a number of nutraceutical products under our House Brands and for our OEM customers. We have two patents for our Hepar-P Capsule with MyIPO and two patents for standardised extract from oil palm leaves comprising phenolic acids with MyIPO and the State Intellectual Property Office of the PRC. In 2017, we ceased our animal health business to focus on development and production of our House Brand and OEM products.

As at the LPD, we have developed 144 product formulations with 88 products sold under five different House Brands, namely 'Nova', 'ActivMax', 'Sustinex', 'Novavis' and 'SP8' in both the local and overseas markets. We have received Halal certification from JAKIM for 37 of our House Brand products.

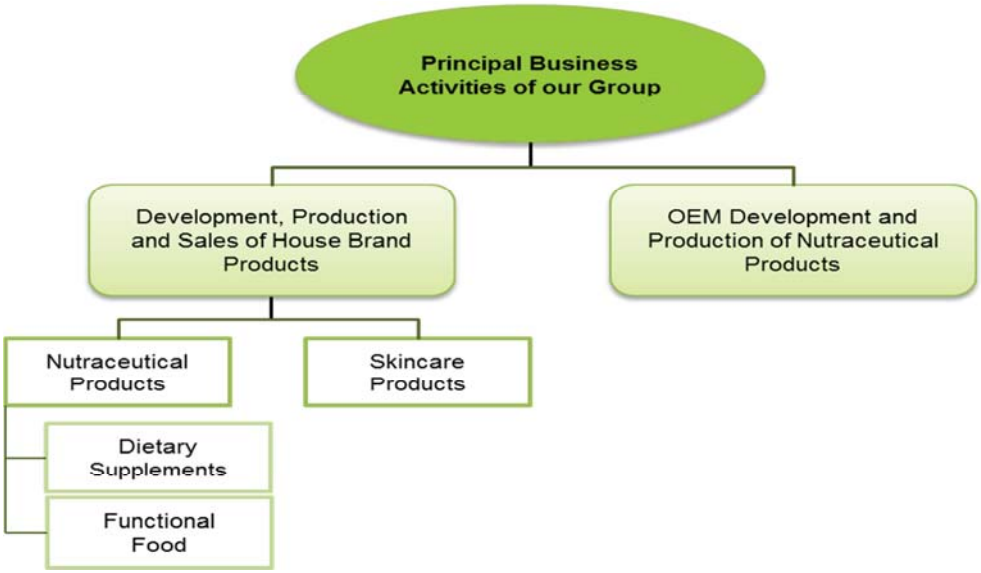
2. PROSPECTUS SUMMARY *(cont'd)*

Under our OEM segment, as at the LPD, we have developed 88 product formulations with 74 products manufactured for our OEM customers under brands such as 'Powerlife', 'Eastern', 'ActiveLife', 'HSC', 'Nexus', 'COCO.LAB', and 'BELVEA'. We have received Halal certification from JAKIM for 12 of our OEM products.

Malaysia is the principal market for our products, accounting for 90.7%, 87.1%, 94.6% and 96.1% our total revenue during the Financial Years Under Review and FPE 2017, respectively.

Please refer to Section 6.1 for further details on the history of our Group.

2.1.1 OUR BUSINESS ACTIVITIES



(i) Dietary supplements

Our dietary supplements include vitamin, mineral and herbal supplements, which are formulated to increase the daily intake of desired nutrient(s) and provide various health benefits such as improving blood circulation and enhancing the vitality of individuals. Our dietary supplements are sold under the 'Nova' House Brand.

(ii) Functional food products

Our functional food products are fortified with vitamins and other nutrients, and are formulated to have low glycemic index and balanced nutrient to fulfil consumers' daily nutritional needs and manage sugar level. Our functional food products are sold under two House Brand namely 'ActivMax' and 'Sustinex'.

(iii) Skincare products

Our skincare products are mainly developed using natural ingredients from plants and are sold under the 'Novavis' and 'SP8' House Brand. The production of our skincare products is currently outsourced to Nutriskin Marketing Sdn Bhd based on product formulations developed by us.

(iv) OEM development and production of nutraceutical products

We provide OEM services for the manufacturing of dietary supplements and functional food products for our customers. Our customers sell the OEM products under their own brands. Our OEM services include formulation of products, procurement of raw materials and packaging materials, production and final packaging of finished products.

Please refer to Section 6.5 for details on the products and services of our Group.

2. PROSPECTUS SUMMARY *(cont'd)*

2.2 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages and key strengths are as follows:

(i) The ability to undertake in-house R&D activities with our own R&D team and facilities

As at the LPD, we have five members in our R&D team consisting of a registered pharmacist, two microbiologists, and two laboratory technicians. Our in-house R&D provides us the platform to expand our product range as well as to improve our existing products to meet market demand and our customers' requirements. The ability to undertake in-house R&D activities enables our Group to respond faster to the changing customer preferences and new market developments.

(ii) Our production facility is GMP-compliant and we are able to produce halal-certified products

We are able to develop and produce a range of nutraceutical products at our own production facility that are marketed under our House Brands and conform to the standards required by the relevant authorities which include GMP-compliance and Halal certification.

(iii) We have distribution network across Malaysia for our House Brand products

Our House Brand products are sold in Malaysia and the overseas market. As at the LPD, there are 227 independent retail pharmacies in Malaysia that sell our House Brand products of which 105 are also our NWPP partners.

(iv) We have a wide range of nutraceutical and skincare products in our portfolio

As at the LPD, we have a wide range of products comprising 49 dietary supplements, 11 functional food products and 28 skincare products. Our range of products is developed to fulfil the needs of consumers of various demographic profiles and lifestyle such as children, women, health conscious individuals and the elderly.

(v) We have an experienced management team

Our Group has an experienced management team that has collectively contributed to the growth and development of our Group. Our Group is led by our Managing Director and Chief Research Officer, Phang Nyie Lin who has approximately 20 years of work experience in the local nutraceutical industry. He is supported by a group of experienced key management personnel; each playing a vital role in their respective divisions. The continuous effort of our experienced management team will provide the basis for the business growth of our Group.

Further details on our Group's competitive advantages and key strengths are set out in Section 6.4.

2.3 FUTURE PLANS AND STRATEGIES

We have identified the following plans and strategies which we intend to implement within three years from the listing of our Company:

(i) Construction of a new GMP-compliant production facility

We intend to construct a new GMP-compliant production facility for the production of our functional food and skincare products. We expect the GMP-compliant facility to contribute positively to the sales of our functional food and skincare products.

(ii) R&D activities

As part of our R&D activities, we conduct pre-clinical and clinical trials on our nutraceutical and skincare products. Products with clinically confirmed health benefits are expected to lend further credence and increase the acceptance of our clinically proven products by consumers. We intend to have more clinically proven products under our portfolio in the future by undertaking clinical trials on selected products from 2017 to 2020.

(iii) Expansion of our retail market presence

With the increasing demand for nutraceutical products in the market, we intend to place greater focus in our efforts to market our House Brands to improve our retail market presence.

Further details on our Group's future plans and strategies are set out in Section 6.23.

2.4 SUMMARY OF RISK FACTORS

Our business is subject to a number of risk factors, many of which are outside our control. Before investing in our Shares, you should carefully consider, along with the other matters set out in this Prospectus, the risk factors (which may not be exhaustive) set out in Section 4.

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

(i) Our business is dependent on the successful development and commercialisation of new products

We depend on the successful development and commercialisation of new nutraceutical and/ or skincare products to generate new revenue stream in the future. The commercial success of future new products depends on several factors. The failure of these factors may impact our financial performance as the R&D expenses incurred may have to be written off or the sales of the newly developed products may be insufficient to cover our R&D and marketing expenses.

(ii) We are exposed to risk of unsuccessful pre-clinical and clinical trials

There is no assurance that the pre-clinical and clinical trials will be successful. If the pre-clinical and clinical trials fail, it may affect our competitiveness and our ability to increase the sales of the products. In such an event, we may be unable to recover the cost incurred for the pre-clinical and clinical trials.

(iii) Gestation period of the new GMP-compliant production facility

We intend to construct a new GMP-compliant production facility for the production of our Group's functional food and skincare products. As such, we are subject to risks such as ability to obtain requisite approvals, licenses/ or permits to operate the new GMP-compliant productions facility and construction delays. In addition, we may not able to capture the expected growth in demand from our customers or to successfully commercialise additional production of functional food and skincare products.

2. PROSPECTUS SUMMARY *(cont'd)*

(iv) The impact of the new GMP-compliant production facilities and tax expenses on future profit of the Group

Our high profit margin in the Financial Years Under Review were mainly due to our lower depreciation costs and 100% tax exemption during the period. However, we recorded a lower net profit margin for FPE 2017 due to the expiry of our tax exemption. In addition, our future profit and profit margins are also expected to be adversely affected due to higher operating expenses, depreciation costs with the new machinery, tax expenses and time taken to commence operations in the new production facility.

(v) Disruption to business operations

The average lifespan of our machinery is 8 to 10 years and some of our machinery and equipment are above their lifespan. In the event any of our machinery and equipment breakdown, our production facility may be interrupted and may cause production downtime and delay in delivery of our products to our customers. We may also incur additional cost to repair or replace the affected machinery and equipment. In addition, any disruption in the supply of utilities such as fire outbreaks, power outages and disruption of water supply may also disrupt the manufacturing processes and affect our production facility.

2.5 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT OF OUR GROUP

Our Promoters, substantial shareholders, Directors and key management are as follows:

Name	Designation
Promoters and substantial shareholders	
Phang Nyie Lin	Managing Director/ Chief Research Officer
Tan Sok Mooi	Substantial shareholder/ Promoter
Phang Yeen Nung	Executive Director
Phang Yeen Aun	Executive Director
Phang Yeen Hung	Substantial shareholder/ Promoter
Directors	
Dr Abdul Manaf bin Mohamad Radzi	Independent Non-Executive Chairman
Phang Nyie Lin	Managing Director/ Chief Research Officer
Phang Yeen Nung	Executive Director
Phang Yeen Aun	Executive Director
Dr Munavvar Zubaid bin Abdul Sattar	Independent Non-Executive Director
Sulaiman bin Haji Ahmad	Non-Independent Non-Executive Director
Sim Seng Loong @ Tai Seng	Independent Non-Executive Director
Tan Mio Har	Independent Non-Executive Director
Key management	
Yeoh Kim Kooi	CFO
Nicholas Cheong Peck Hiang	Chief Business Officer
Tan Kiat Wei	Chief Production Officer
Sangeetha A/P Thuraisingam	Chief Quality Officer

2. PROSPECTUS SUMMARY *(cont'd)*

The following table sets out the shareholdings of our Promoters and substantial shareholders before and after our IPO:

Name/ (Nationality)	Before the IPO[1]				After the IPO[2]			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Phang Nyie Lin/ (Malaysian)	25,249,603	10.70	210,834,212[3]	89.30	25,249,603	7.95	210,834,212[3]	66.35
Tan Sok Mooi/ (Malaysian)	135,085,403	57.20	-	-	135,085,403	42.50	-	-
Phang Yeen Nung/ (Malaysian)	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Phang Yeen Aun/ (Malaysian)	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Phang Yeen Hung /(Malaysian)	25,249,603	10.70	-	-	25,249,603	7.95	-	-

Notes:

(1) Based on the issued share capital of 236,083,815 Shares after the completion of the Acquisition, Capital Restructuring and Share Transfer.

(2) Based on the enlarged share capital of 317,743,815 Shares after the IPO.

(3) Deemed interest pursuant to Section 8 of the Act through the shareholdings of Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung in the Company. Details of the relationship and association are set out in Section 8.6.

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters for a period of six months from the date of our admission to the official list. Further details on the moratorium imposed on our Shares are set out in Section 9.2.

Further details of our Promoters, substantial shareholders, Directors and key management are set out in Section 8.

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2. PROSPECTUS SUMMARY *(cont'd)*

2.6 FINANCIAL HIGHLIGHT

2.6.1 Historical Statements of Profit or Loss and Other Comprehensive Income

The following selected historical financial data for the Financial Years Under Review, unaudited FPE 2016 and audited FPE 2017 have been extracted from the Accountants' Report included in Section 12.

The following selected historical financial data should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects" in Section 11 and the Accountants' Report in Section 12.

	Audited			Unaudited	Audited
	FYE 2015 RM'000	**FYE 2016 RM'000**	**FYE 2017 RM'000**	**FPE 2016 RM'000**	**FPE 2017 RM'000**
Revenue	22,847	24,270	24,541	12,578	12,486
Cost of sales	(6,091)	(6,572)	(6,957)	(3,441)	(3,986)
Gross profit	16,756	17,698	17,584	9,137	8,500
PBT	12,309	13,552	13,610	7,018	5,875
Profit for the year, and total comprehensive income for the year	**12,279**	**13,536**	**13,710**	**7,223**	**4,508**

	Audited			Unaudited	Audited
	FYE 2015	**FYE 2016**	**FYE 2017**	**FPE 2016**	**FPE 2017**
GP margin (%)[(1)]	73.3	72.9	71.7	72.6	68.1
PBT margin (%)[(2)]	53.9	55.8	55.5	55.8	47.1
Net profit margin (%)[(3)]	53.7	55.8	55.9	57.4	36.1

Notes:

(1) GP margin is computed based on GP over revenue.

(2) PBT margin is computed based on PBT over revenue.

(3) Net profit margin is computed based on profit for the year over revenue.

Our future profit and profit margins are expected to be adversely affected with the construction of our new GMP-compliant production facility due to increased operating expenses, increased depreciation costs with the new machinery, increased tax expenses with the expiry of our tax exemption on 30 June 2017 and time taken to commence operations in the new production facility. Please refer to Section 4.1 for the risks associated with our business operations.

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2. PROSPECTUS SUMMARY *(cont'd)*

2.7 PARTICULARS OF OUR IPO

2.7.1 Allocation

Our IPO is subject to the terms and conditions of this Prospectus and the allocation of the IPO Shares shall be in the following manner:

Allocation	Public Issue Shares	%[(1)]
Retail Offering		
- Malaysian Public Allocation	16,000,000	5.0
- Pink Form Allocation	15,000,000	4.7
Private Placement:		
- Malaysian/ Foreign institutional investors	50,660,000	16.0
Total	**81,660,000**	**25.7**

Note:

(1) Based on our enlarged share capital of 317,743,815 Shares after our IPO.

2.7.2 The principle statistics in relation to our IPO is set out below:

	No. of Shares	RM
Share capital		
Issued share capital as at the date of this Prospectus	236,083,815	15,161,000
New Shares to be issued pursuant to the Public Issue	81,660,000	44,913,000
Enlarged issued share capital upon Listing	**317,743,815**	**60,074,000**
IPO Price per Share		0.55
Market Capitalisation upon Listing based on the IPO Price		174,759,100
Pro forma consolidated NA based on the pro forma consolidated statements of financial position as at 31 December 2017		
Pro forma NA (after Public Issue) (RM'000)		66,964
Pro forma NA per share (after Public Issue)		0.21
Pro forma NA (after Public Issue and use of proceeds) (RM'000)		53,464
Pro forma NA per Share (after Public Issue and use of proceeds)		0.17

Further details of the listing scheme are set out in Section 3.3.

2. PROSPECTUS SUMMARY *(cont'd)*

2.8 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of RM44.91 million in the following manner:

Description	Amount RM'000	Percentage of total gross proceeds (%)	Estimated Timeframe for utilisation upon Listing
Construction of a new GMP-compliant production facility	16,500	36.7	Within 24 months
R&D activities	11,600	25.8	Within 36 months
Expansion of our retail market presence	5,000	11.2	Within 36 months
Working capital	9,213	20.5	Within 12 months
Estimated listing expenses	2,600	5.8	Immediate
Total gross proceeds	**44,913**	**100.0**	

Further details on the utilisation of proceeds are set out in Section 3.7.

2.9 DIVIDEND POLICY

Our Board recommends distributing a dividend of 30.0% of our annual audited profit for FYE 2018 to shareholders of our Company. Whilst it is our intention to adopt a dividend distribution policy to allow our shareholders to participate in our Group's profits, our ability to declare dividends or make other distributions to our shareholders in the future years will also depend upon other various factors such as:

(i) our Group's cash flows requirements for operations and capital requirement including the solvency test as stipulated under Section 112 of the Act in relation to dividends;

(ii) the availability of adequate distributable reserves; and

(iii) general financial performance of the Group.

You should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to modification at our Board's discretion. As at the LPD, there are no dividend restrictions imposed on our Group.

The dividends declared and paid by Nova Laboratories in respect of the Financial Years Under Review and as at the LPD are as follows:

	Dividend declared	Dividend paid	Profit for the year	Percentage of dividend declared over profit for the year
	RM'000	RM'000	RM'000	%
FYE 2015	12,763	12,763	12,279	103.9
FYE 2016	15,156	12,071	13,536	112.0
FYE 2017	12,080	12,866[(1)]	13,710	88.1
Up to the LPD	2,001[(2)]	4,301[(2)(3)]	-	-

Notes:

(1) Includes RM3.09 million as payment of dividend declared in respect of FYE 2016.

(2) The interim dividend declared and paid in respect of FYE 2018 amounting to RM2.0 million was subsequently returned by the shareholders of Nova Laboratories on 13 April 2018.

(3) Includes payment of final dividend declared in respect of FYE 2017 amounting to RM2.30 million.

3. DETAILS OF OUR IPO

3.1 OPENING AND CLOSING OF APPLICATIONS

Application for our IPO Shares under the Public Issue will open at 10:00 a.m. on 28 June 2018 and will remain open until 5:00 p.m. on 9 July 2018.

3.2 INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

Event	Date
Opening of application for our IPO	10.00 a.m., 28 June 2018
Closing of application for our IPO	5.00 p.m., 9 July 2018
Balloting of applications	11 July 2018
Allotment of IPO Shares to successful applicants	19 July 2018
Listing on the ACE Market	20 July 2018

In the event there is any change to the timetable, we will advertise the notice of the change in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

3.3 PARTICULARS OF OUR IPO

3.3.1 Public Issue

Our Public Issue, representing approximately 25.7% of our enlarged share capital, at the IPO Price, is subject to the terms and conditions stated in this Prospectus and will be offered in the following manner:

(i) Malaysian public

16,000,000 IPO Shares, representing approximately 5.0% of the enlarged share capital of our Company, to be allocated via balloting, will be made available for application by the Malaysian public.

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3. DETAILS OF OUR IPO *(cont'd)*

(ii) Eligible Persons

15,000,000 Shares, representing approximately 4.7% of our enlarged share capital, will be made available for application by the Eligible Persons.

The details of our IPO Shares allocated to the Eligible Persons are set out below:

Eligible Persons	No. of persons	IPO Shares allocated
Eligible Directors of our Group [(1)]	5	1,500,000
Eligible employees of our Group [(2)]	45	7,250,000
Eligible business associates of our Group [(3)]	50	6,250,000
Total	**100**	**15,000,000**

Notes:

(1) The following table represents the number of Public Issue Shares allocated to our eligible Directors:

Directors	Designation	IPO Shares allocated
Dr Abdul Manaf bin Mohamad Radzi	Independent Non-Executive Chairman	300,000
Dr Munavvar Zubaid bin Abdul Sattar	Independent Non-Executive Director	300,000
Sulaiman bin Haji Ahmad	Non-Independent Non-Executive Director	300,000
Sim Seng Loong @ Tai Seng	Independent Non-Executive Director	300,000
Tan Mio Har	Independent Non-Executive Director	300,000
Total		**1,500,000**

(2) The criteria of allocation to our eligible employees are based on the following factors:

(i) the eligible employee must be a full time and confirmed employee of our Group;

(ii) the eligible employee must be on our Group's payroll;

(iii) seniority and position;

(iv) length of service;

(v) past performance and respective contribution made to our Group; and

(vi) the eligible employee must be at least 18 years of age.

The number of IPO Shares allocated under this category is inclusive of the allocation to our key management (excluding our Executive Directors).

(3) The criteria for allocation to our Group's eligible business associates are those who have contributed to the success of our Group. Their allocations are based on, among others, their level of contributions to our Group and length of their respective relationships. The persons who have contributed to the success of our Group include suppliers and customers.

Save for the allocation made available for application as disclosed Section 3.3.1(ii), it is not known to our Company as to whether any of the Directors or member of the key senior management have the intention to subscribe for the IPO Shares allocated under Section 3.3.1(i) for the Malaysian Public. Our Company is also not aware as to whether there is any person intending to subscribe for more than 5% of the IPO Shares allocated under the Section 3.3.1(i) for the Malaysian Public.

(iii) Private Placement to Identified Investors

50,660,000 IPO Shares, representing approximately 16.0% of the enlarged share capital of our Company, at the IPO Price are reserved by way of private placement to identified investors by our Placement Agent.

3.3.2 Underwriting Arrangement and Allocation of the IPO Shares

The 16,000,000 Public Issue Shares made available for application by the Malaysian Public and the 15,000,000 Pink Form Shares made available to the Eligible Persons under Sections 3.3.1(i) and (ii) respectively are fully underwritten by our Underwriter.

All the 50,660,000 IPO Shares made available to identified investors by way of private placement under Section 3.3.1(iii) are not underwritten. Irrevocable undertakings have been obtained from identified investors to subscribe for the IPO Shares available under the private placement.

Any unsubscribed Pink Form Shares will be re-offered to our Group's other Directors, employees and/ or business associates before being re-allocated to the Malaysian Public and/ or identified investors via the private placement. Any unsubscribed Public Issue Shares by the Malaysian Public will be made available for application by way of private placement to identified investors.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid market for our Shares.

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares are either subscribed by the identified investors, pursuant to their irrevocable undertakings or fully underwritten by our Underwriter. The number of IPO Shares offered under the Public Issue will not be increased via any over-allotment or "greenshoe" option.

3.3.3 Share capital

Upon the completion of our IPO, our share capital would be as follows:

	No. of Shares	Share Capital RM
Issued share capital as at the date of this Prospectus	236,083,815	15,161,000
New shares to be issued pursuant to the Public Issue	81,660,000	44,913,000
Enlarged share capital upon Listing	**317,743,815**	**60,074,000**

3.3.4 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only one class of share in our Company, namely ordinary shares.

Our IPO Shares upon allotment and issuance will rank equally in all respects with our then existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared after its date of allotment and issuance.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid on the Shares held by them, be entitled to share in the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

Each shareholder shall be entitled to be present and to vote at our general meeting in person or by proxy or by attorney or by duly authorised representative. Each person shall be entitled to appoint more than one proxy to attend and vote at our general meeting. At any general meeting convened by our Company, a resolution put to the vote of the meeting shall be decided by poll. On a poll, every such person present shall have one vote for every one Share he holds.

3.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our IPO Price of RM0.55 per IPO Share was determined and agreed upon by us and our Principal Adviser after taking into consideration the following factors:

(i) our pro forma consolidated NA per Share of RM0.17 as at 31 December 2017 based on our enlarged share capital of 317,743,815 Shares, after the IPO and subsequent to the use of proceeds from our Public Issue as set out in Section 3.7 of this Prospectus;

(ii) the PE Multiple of 12.76 times based on our EPS of 4.31 sen for the FYE 2017, computed based on our enlarged share capital of 317,743,815 Shares upon Listing;

(iii) our competitive advantages and key strengths as described in Section 6.4;

(iv) our future plans and strategies to grow our business as described in Section 6.23; and

(v) prospects of our Group and industry outlook as set out in Section 6.23.2 and Section 7 respectively.

Prospective investors should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to consider carefully the risk factors as set out in Section 4 of this Prospectus.

3.5 EXPECTED MARKET CAPITALISATION UPON LISTING

Based on the IPO Price of RM0.55, the total market capitalisation of our Company upon Listing shall be RM174,759,100.

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3.6 DILUTION

Dilution is the amount by which the price paid by the investors for our Shares exceeds our consolidated NA per Share after our IPO.

After giving effect to the issuance of 81,660,000 new ordinary Shares under the Public Issue, and after adjusting for the use of proceeds, our pro forma consolidated NA per Share as at 31 December 2017 (based on our enlarged share capital of 317,743,815 Shares) would be RM0.17. This represents an immediate increase in NA per Share of RM0.07 to our existing shareholders and an immediate dilution in NA per Share of RM0.38, representing 69.1% dilution to our new investors.

The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	0.55
Pro forma consolidated NA per Share as at 31 December 2017 after the Capital Restructuring	0.10
Increase in pro forma consolidated NA per Share attributable to the existing shareholders (after the Public Issue and use of proceeds)	0.07
Pro forma consolidated NA per Share after the Public Issue and use of proceeds	0.17
Dilution in pro forma consolidated NA per Share to new investors	0.38
Dilution in pro forma consolidated NA per Share to new investors as a percentage of the IPO Price	69.1%

The following table summarises the total number of Shares acquired by our Promoters, substantial shareholders, and/ or persons connected to them, or which they have a right to acquire, the average cost per Share to them and the cost per Share to our new investors who subscribe for the IPO Shares:

	No. of Shares	**Total Consideration[(2)] RM**	**Average cost per Share RM**
Promoters, substantial shareholders and Directors			
Phang Nyie Lin	25,249,603[(1)]	1,036,327	0.04
Tan Sok Mooi	135,085,403[(1)]	11,015,695	0.08
Phang Yeen Nung	25,249,603 [(1)]	1,036,327	0.04
Phang Yeen Aun	25,249,603 [(1)]	1,036,327	0.04
Phang Yeen Hung	25,249,603 [(1)]	1,036,327	0.04
New investors from our IPO			
Public Issue (including Directors)	81,660,000	44,913,000	0.55

Notes:

(1) After the Acquisition, Capital Restructuring, Share Transfer and including subscriber's Shares. Please refer to Section 5.2.1 for further details on the Acquisition.

(2) After taking into consideration the capital repayment of RM8,480,000 pursuant to the Capital Restructuring as set out in Section 5.2.2.

3.7 USE OF PROCEEDS

We expect to use the gross proceeds from the Public Issue of RM44.91 million in the following manner:

Description		Amount RM'000	Percentage of total gross proceeds (%)	Estimated Timeframe for utilisation upon Listing
Construction of a new GMP-compliant production facility:				
(i)	Construction of new GMP-compliant production facility;	8,250	18.4	
(ii)	Purchase of machineries for the production of functional food and skincare products; and	6,030	13.4	**Within 24 months**
(iii)	Other miscellaneous expenses relating to the construction.	2,220	4.9	
		16,500	**36.7**	
R&D activities:				
(i)	Pre-clinical trial on a nutraceutical product containing oil palm leaves standardised extract;	5,000	11.1	
(ii)	Two clinical trials for cream product containing Ficus microcarpa standardised extract which can exhibit skin lightening effect;	600	1.3	**Within 36 months**
(iii)	Third clinical trial for Hepar-P Capsule;	2,500	5.6	
(iv)	Clinical trial on a nutraceutical product containing oil palm leaves standardised extract; and	2,500	5.6	
(v)	Other R&D activities.	1,000	2.2	
		11,600	**25.8**	
Expansion of our retail market presence:				
(i)	Expansion of geographical footprint;	1,100	2.5	
(ii)	Brand presence in the NWPP's retail outlets;	1,500	3.3	**Within 36 months**
(iii)	Online retail space; and	1,400	3.2	
(iv)	Brand awareness campaigns.	1,000	2.2	
		5,000	**11.2**	
Working capital:				
(i)	Purchase of raw materials and packaging materials;	4,700	10.5	
(ii)	Payment of factory overheads; and	2,300	5.1	**Within 12 months**
(iii)	Other working capital expenses.	2,213	4.9	
		9,213	**20.5**	

Description		Amount RM'000	Percentage of total gross proceeds (%)	Estimated Timeframe for utilisation upon Listing
Estimated listing expenses:				
(i)	Professional fees;	1,300	2.9	**Immediate**
(ii)	Brokerage, underwriting and placement fees;	700	1.6	
(iii)	Estimated regulatory fees; and	230	0.5	
(iv)	Printing, advertising and other miscellaneous expenses relating to the Listing.	370	0.8	
		2,600	**5.8**	
Total gross proceeds		**44,913**	**100.0**	

3.7.1 Construction of a new GMP-compliant production facility

As part of our Group's business expansion plan, we intend to use RM16.50 million raised from the Public Issue to construct a new GMP-compliant production facility for the production of our Group's functional food and skincare products. The production facility will be situated on the piece of vacant land owned by us which is adjacent to our head office and current production facility in Sepang, Selangor.

The breakdown of the estimated total costs for the construction of the new production facility are summarised in the table below.

Details of estimated total costs	Note	RM'000
Construction of new GMP-compliant production facility	(i)	8,250
Purchase of machineries for the production of functional food and skincare products	(ii)	6,030
Other miscellaneous expenses	(iii)	2,220
Total		**16,500**

(i) We intend to use RM8.25 million of the IPO proceeds for the construction of the new GMP-compliant production facility. The estimated total costs for construction includes fees to professionals, piling works for Phase 2, building works and roofing works of the new production facility.

The construction of the new GMP-compliant facilities will be undertaken in two phases as set out below:

Phase 1: involves the construction of a double-storey building for use of office, laboratory, warehouse and production facility for the production of our functional food products. The total built-up of the double-storey production facility is approximately 12,636.87 sq. m.

In addition, the operations and functions carried out within the structures with the temporary building permit such as garages, electrical substation building, laboratories, guardhouse, canteen, store rooms, water tank, oil tank, warehouse and meeting room as set out in Section 6.21.1 will be shifted to the new production facility upon completion of Phase 1.

Phase 2: involves the construction of a separate production facility for the production of our skincare products. The total built-up of the double-storey production facility is approximately 3,024.82 sq. m.

We obtained approval to commence piling works on the land in June 2017. We commenced pilling works in August 2017 for Phase 1 which was completed in October 2017. The construction of the building for Phase 1 commenced in the first quarter of 2018, upon obtaining the approval of MPS for the building plan, and is expected to complete in the second quarter of 2018. We expect the construction for Phase 2 to commence in the second quarter of 2018 and to complete in the fourth quarter of 2018. We expect to commence production operations in the new GMP-compliant facility by the first quarter of 2019.

Upon completion of the new GMP-compliant production facility in Phase 1, our production capacity for functional food products is expected to increase from 0.69 million bottles and 0.69 million sachets to 3.43 million bottles and 3.43 million sachets. We will also commence production of our skincare products at our own production facility in Phase 2. Presently the production of skincare products is outsourced to a third party manufacturer.

The production facility will be situated on the vacant portion of the land owned by the Group currently housing the head office and existing production facility in Sepang, Selangor.

Our future plans for the construction of the new GMP-compliant production facility are further discussed in Section 6.23.1(i).

(ii) We intend to use RM6.03 million to purchase machineries required for the production of functional food and skincare products for the new GMP-compliant production facility. The details of the machineries to be purchased are set out below:

(a) Herbal extract procession machinery – we intend to use RM2.12 million for the purchase of herbal extraction procession machinery for the production of herbal extracts to be used in skincare and functional food products such as Continuous high temperature sterilisation machine, Spray dyer for herbal extract, Vacuum dyer, Herbal extraction system and Milling machine.

(b) Functional food machinery – we intend to use RM1.53 million for the purchase of functional food machinery for the production of functional food products in powder form. These include powder mixer, Fluidized bed granulator, Automatic powder filling machine, Automatic sachet filling machine, and Box packaging machine.

(c) Baking products procession machinery – we intend to use RM0.60 million for the purchase of baking products procession machinery for the production of functional food products such as Dough kneading machine, Baking oven, Packing machine and Powder mixing equipment.

(d) Skincare products machinery – we intend to use RM1.78 million for the purchase of skincare products machinery such as Mixing and emulsifying units, Liquid filling and capping machine, Ointment and cream filling machine and Box packing machine.

(iii) We have also allocated RM2.22 million for miscellaneous expenses to be incurred in relation to installation of water plumbing system, water supply system, piping system, sanitary system, electrical supply, firefighting system, sewerage reticulation, sewerage treatment plant, road and drainage system and street lighting for the new GMP-compliant production facility.

Additional funding, if required, will be met through internally generated funds and/or external borrowings. If the actual total costs are lower than budgeted, the surplus will be utilised for general working capital purposes.

3.7.2 R&D activities

We have earmarked RM11.60 million raised from the Public Issue to facilitate our R&D activities. We intend to use RM10.60 million for a pre-clinical trial and four clinical trials; and RM1.0 million for other R&D activities.

Clinical trials are a type of study performed to explore the safety and effectiveness of a product in human participants. As part of our R&D activities, we conduct pre-clinical and clinical trials on our products. Products with clinically confirmed health benefits help to lend further credence and increase the acceptances of our clinically proven products by consumers. We intend to use our IPO proceeds to conduct a pre-clinical trial and four clinical trials. The estimated costs for the pre-clinical and clinical trials are as follows:

Pre-clinical and clinical trials	Duration	RM'000
Pre-clinical trial on a nutraceutical product containing oil palm leaves standardised extract	October 2018 to September 2019	5,000
Two clinical trials for cream product containing Ficus microcarpa standardised extract which can exhibit skin lightening effect [(1)]	September 2019 to July 2020	600
Third clinical trial for Hepar-P Capsule	October 2019 to December 2020	2,500
Clinical trial on a nutraceutical product containing oil palm leaves standardised extract [(2)]	January 2020 to December 2020	2,500
Total		**10,600**

Notes:

(1) The trials will be conducted on two different formulations containing the Ficus microcarpa standardised extract. The trials were to be funded using the NKEA grant prior to the termination of the third project, namely an external anti-aging product with skin lightening effect, under the NKEA Agreement as disclosed under Section 6.8.8. We intend to fund the clinical trials using the IPO proceeds.

(2) The clinical trial on the nutraceutical product containing oil palm leaves standardised extract is dependent on the success of the pre-clinical trial. In the event the pre-clinical trial is not successful, the IPO proceeds allocated for the clinical trial will be utilised for working capital purposes

For our pre-clinical trial, the IPO proceeds will be used for test protocol development, pre-clinical supplies management and lab analysis and professional service fees to be paid to the CRO. For the clinical trials, the IPO proceeds will be used for clinical supplies management and lab management, professional service fees to be paid to the CRO, pre-qualification assessment, regulatory dossier, approval from ethics committee, site monitoring and management, preparation of investigational product and data management.

We have also allocated RM1.0 million of our IPO proceeds to undertake other R&D activities. The estimated costs for our R&D activities are as follows:

R&D activities	Duration	RM'000
Development of standardised extract of a herbal plant which has antioxidant properties and promotes general wellness of individuals	December 2016 to October 2018	350
Development of 10 freeze-dried vegetables and fruits snacks	November 2018 to November 2019	150

3. DETAILS OF OUR IPO *(cont'd)*

R&D activities	Duration	RM'000
Development of healthy protein snack	June 2018 to June 2019	50
Development of new Vege-softgel based product formulations	September 2018 to September 2020	150
Development of natural food colourants derived from local plants	October 2018 to September 2019	300
Total		**1,000**

The estimated costs for the R&D activities are mainly in relation to R&D staff cost, purchase of test equipment, purchase of materials to be used for R&D activities including raw materials, reagents, chemicals, and testing costs involved in formulation trial and development.

Additional funding, if required, will be met through internally generated funds and/or external borrowings. If the actual total costs are lower than budgeted, the surplus will be utilised for general working capital purposes.

Please refer to Section 6.8.7 for further details on our future R&D activities and Section 6.23.1(ii) for further details on the pre-clinical and clinical trials.

3.7.3 Expansion of our retail market presence

We intend to use RM5.0 million of the IPO proceeds for the expansion of our retail market presence. Our expansion plans include placing greater focus on improving the market presence for our House Brands.

The IPO proceeds used for the expansion of our retail market presence are mainly in relation to the cost to be incurred for advertisements via banners, flyers in local newspapers and buntings around the areas of coverage, setting up of an online store for our consumers to purchase our products, promotional campaigns in print media and social media advertisements.

Our strategies for the expansion of our retail market presence are as follows:

Expansion of retail market presence	RM'000
Expansion of geographical footprint	1,100
Brand presence in the NWPP's retail outlets	1,500
Online retail space	1,400
Brand awareness campaigns	1,000
Total	**5,000**

(i) Expansion of our geographical footprint: we intend to expand the retail market for our House Brand products by offering independent retail pharmacies exclusive distributorship through the NWPP. As at the LPD, we have 105 NWPP partners in Malaysia. We intend to increase the number of NWPP partners by 41 new NWPP partners in 2018 and additional 51 new NWPP partners in 2019. The estimated cost for the expansion of our geographical footprint is approximately RM1.10 million. Please refer to Section 6.11.2(i) for further details on the NWPP.

(ii) Brand presence in the NWPP's retail outlets: we intend to increase our brand presence in our NWPP's retail outlets, in order to build our reputation and recognition, and acquire new customers. Our strategies for increasing our brand presence include, securing prominent shelf space, dedicated display area, and co-organising health awareness campaigns. The estimated cost to increase our brand presence is approximately RM1.50 million.

(iii) Online retail space: we intend to increase our presence on the online retail space with our online store to reach consumers, which was implemented in June 2018. The estimated cost of RM1.40 million will be used for the maintenance of the operations for the online store and also for enhancing the user experience.

(iv) Brand awareness campaigns: We also intend to focus on creating brand awareness through print media (newspapers and magazine) and social media advertisements. The estimated cost for our brand awareness campaigns is approximately RM1.0 million.

Please refer Section 6.23.1(iii) for further details on our strategies for expansion of our retail market presence.

3.7.4 Working capital

The proceeds earmarked for working capital of RM9.21 million will be used to finance our Group's day-to-day operations to support our Group's operations. The proceeds will be utilised to fund our growth and increase in operational capacity as we expect our operational expenses to increase in tandem with the expected growth in our revenue.

Our general working capital requirements include, but are not limited to, daily operating expenses such as purchases of raw materials, factory overheads and other expenses such as marketing and administrative expenses.

The breakdown of the working capital is as follows:

Working capital requirements	**RM'000**
Purchase of raw materials and packaging materials	4,700
Payment of factory overheads[(1)]	2,300
Others[(2)]	2,213
Total	**9,213**

Notes:

(1) payment of factory overheads includes factory worker's salaries, upkeep of the plant and machineries, electricity and water bills and other consumable.

(2) others include marketing expenses, administrative staff salaries and other administrative expenses such as travelling expenses and staff amenities expenses.

3.7.5 Estimated listing expenses

Our listing expenses are estimated to be RM2.60 million, details of which are as follows:

Details of expenses for listing expenses	**RM'000**
Professional fees	1,300
Brokerage, underwriting and placement fees	700
Estimated regulatory fees	230
Printing, advertising and other miscellaneous expenses relating to our Listing	370
Total	**2,600**

Please refer to Section 3.9 for details of the brokerage, placement fee and underwriting fee.

If the actual listing expenses are higher than anticipated, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the surplus will be utilised for general working capital purposes.

Pending the eventual utilisation of the Public Issue proceeds for the above intended purposes, the funds will be placed in short-term deposits with licensed financial institutions or short term money market instruments.

3.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The financial impact and benefits from the utilisation of the proceeds from the Public Issue include the following:

(i) Enhancement of working capital

We will utilise RM9.21 million of the Public Issue proceeds for our working capital requirements, which includes the purchase of raw materials, operating expenses and marketing expenses. Our cash and cash equivalents will increase to approximately RM12.90 million after the Listing and use of proceeds based on our pro forma consolidated statements of financial position as at FPE 2017.

(ii) Increase in production capacity

Part of our proceeds is intended to be allocated towards the construction of a new GMP-compliant production facility and purchase of new machineries and equipment. Once our expansion is completed, we expect our production capacity for our functional food and skincare products to increase. The increased production capacity is expected to contribute positively towards our revenue and profits.

3.9 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEE

3.9.1 Underwriting commission

Our Underwriter has agreed to underwrite 16,000,000 Public Issue Shares made available for application by the Malaysian Public and the 15,000,000 Pink Form Shares made available to the Eligible Persons as set out in Section 3.3.1.

We will pay our Underwriter an underwriting commission at the rate of 1.5% of the total value of the underwritten Shares based on the IPO Price.

3.9.2 Brokerage fee

We will pay brokerage at the rate of 1.0% on the IPO Price in respect of all successful applications that bear the stamp of either Kenanga IB, the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

3.9.3 Placement fee

Our Placement Agent has agreed to place out 50,660,000 IPO Shares to be offered to identified investors. We are obliged to pay our Placement Agent a placement fee at the rate of between 0.5% to 1.0% of the value of Shares placed out to investors identified by our Promoters, Directors and our Placement Agent respectively at the IPO Price.

3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The following salient terms are summarised from the Underwriting Agreement.

Kenanga IB ("**Sole Underwriter**") may terminate, cancel or withdraw its obligations to underwrite the IPO Shares to be underwritten if any of the following occurs:

(i) any of the conditions set out in Clause 2.3 of the Underwriting Agreement is not satisfied by the last date and time for receipt of application and payment for the Public Issue in accordance with the Prospectus and the Application Form ("**Closing Date**"); or

(ii) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, which is not capable of remedy or if capable of remedy, is not remedied within the period stipulated by the Underwriter; or

(iii) there is withholding of information which is required to be disclosed by or to the Underwriter, pursuant to the Underwriting Agreement, which, in the Underwriter's opinion would have a material adverse effect on the business or operations of the Group, the success of the Listing, or the distribution or sale of the IPO Shares; or

(iv) there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group; or

(v) there shall have occurred, happened or come into effect any of the following circumstances:

(a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or foreign exchange controls or the occurrence of any combination of any of the foregoing;

(b) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter ;

(c) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism;

(d) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power;

(e) natural catastrophe including but not limited to earthquakes, floods, fire, storm, lightning, tempest, explosions, accident, epidemics or other acts of God;

(f) any government requisition or other occurrence of any nature whatsoever which is reasonably likely to have a material adverse effect or materially affect the success of the Listing;

(g) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more; and/or

(h) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the IPO Shares;

which, (in the opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Group, the success of the Listing, or the distribution or sale of the IPO Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

(vi) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or

(vii) the approval of Bursa Securities for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriter; or

(viii) the occurrence of one of the following events of force majeure:

(a) any material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously affects or will seriously affect the business of the Company and/or the companies within the Group; or

(b) any change in national or international monetary, financial, political or economic conditions or currency exchange rates or an occurrence as a result of an act or acts of God or in the event of national disorder, armed conflict or serious threat of the same, hostilities, embargo, severe economic dislocation, natural catastrophe, earthquake, typhoon, outbreak of war, outbreak of disease or the declaration of a state of national emergency which adversely affects (i) the business of the Company, or (ii) the success of the Listing and Public Issue; or

(c) the FTSE Bursa Malaysia Kuala Lumpur Composite Index has dropped 10% between its index level on the date of this agreement and the Closing Date (both dates inclusive); or

(d) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for three (3) consecutive Market Days.

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4. RISK FACTORS

You should carefully consider the risk factors (which may not be exhaustive) listed below, in addition to the other information in this Prospectus. Additional risks, whether known or unknown, may in the future have a material adverse effect on us or our Shares.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

4.1 RISKS RELATING TO OUR BUSINESS OPERATIONS AND THE INDUSTRY IN WHICH OUR GROUP OPERATES

4.1.1 We depend on our Executive Directors and key management and technical personnel for our continued success

We depend to a large extent on the abilities and capabilities of Executive Directors and our key management comprising amongst others our Managing Director and Chief Research Officer, Phang Nyie Lin for our Group's continued success. He plays an important role in pioneering all R&D activities for our Group since the incorporation of Nova Laboratories, including conceptualising ideas for new product developments and re-formulation of existing products. Phang Nyie Lin is also the registered pharmacist and the holder of the licences on behalf of our Group as set out in Section 6.19.1.

The key management and technical personnel within the R&D department provides support to Phang Nyie Lin to execute his ideas in new formulations and technologies.

We may not be able to compete effectively in the industry if we lose any of our Executive Directors and/ or key management and technical personnel without suitable and timely replacement.

The majority of our key management have been with us for around five years and the technical personnel have extensive knowledge and experience in their respective business operation. We strive to minimise the risk of loss of key management and technical personnel by having in place a succession plan as set out in Section 8.9. In addition to Phang Nyie Lin, other registered pharmacists within our Group are Phang Yeen Aun, our Executive Director, and Tan Kiat Wei, our Chief Production Officer.

We endeavour to retain and attract our key management and technical personnel by constantly reviewing our employees' remuneration packages and employees' benefits. Nonetheless, we cannot assure you that we will succeed in retaining our key management nor in ensuring a smooth transition should changes occur.

4.1.2 Our business may be adversely affected by product defects, product liability claims, product recalls or negative public perception regarding our products

During the renewal process of our Halal certification in 2014, a new regulation was imposed by JAKIM, whereby the Halal certificate for the raw materials used in the manufacturing of products must be obtained from the Halal certification authority of the respective country of the manufacturer of raw material. The new regulation was imposed in 2014 and pursuant to the new regulation, we had in the aforesaid year, recalled 16 of our products from the market as the Halal certificates for the affected raw materials were not obtained from the Halal certification authority of the country where these raw materials were manufactured. As such, they did not comply with the new regulation in relation to labelling as imposed by JAKIM. We then obtained all Halal certificates for the raw materials used in the manufacturing of the 16 products from the Halal certification authority of the respective country of manufacturer. We had on 28 August 2014 replaced the labels on the affected products in compliance with the new regulation. The losses incurred from the product recall due to JAKIM's new ruling was RM7,987.40.

Based on feedback from our customers, we had in July 2016, recalled one of our House Brand products, namely, Memogen Oral Powder due to the packaging of the product. The packaging was inadequate for protecting the product, which resulted in the hardening of the oral powder product due to moisture. We had subsequently in November 2016, improved the specifications for the packaging and the problem has since been resolved. The losses incurred from the recall of the Memogen Oral Powder, was RM3,371.21.

As such, we may need to dispose or recall our products if any of our raw materials, packaging materials and/ or products are contaminated, tampered, adulterated, damaged or mislabelled. This may cause significant losses due to destruction of inventories, cost of conducting a product recall and loss of sales resulting from the unavailability of the product.

In addition, if there is negative public perception regarding the products that we manufacture and sell and the safety and quality of our products, this may result in lower demand for our products. Negative public perception may also arise from regulatory investigations or product liability claims, regardless of whether any product liability claim is successful against us.

We may also be liable if the consumption or use of any of our products attracts product liability claims. A significant product liability judgment, involving us or our competitors, could also result in a loss of customer confidence in our products and materially impact consumer demand, which in turn could have a material adverse effect on our financial position, results of operations and prospects.

4.1.3 Our business is dependent on the successful development and commercialisation of new products

We depend on the successful development and commercialisation of new nutraceutical and/ or skincare products to generate new revenue stream in the future. The commercial success of future new products depends on a number of factors, including but not limited to the following:

(i) ability to secure capital for our product development on competitive terms;

(ii) approval of the product from the relevant regulatory authorities;

(iii) successful marketing and sale of our new products; and

(iv) acceptance by consumers of the benefits, efficacy and safety of our new products.

Failure in any of the above factors may impact our financial performance as the R&D expenses incurred may have to be written off or the sales of the newly developed products may be insufficient to cover our R&D and marketing expenses.

Our Group keeps abreast of the latest product developments and regulatory requirements to develop new products which are effective, safe and cost competitive to achieve commercial success. However, there is no assurance that we can achieve any of the above factors in a timely manner or efficiently and we may face significant delays or fail to successfully develop, obtain regulatory approval and commercialise new products. In such event, we may not be able to generate new revenue streams that can further drive our business.

4.1.4 We are exposed to risk of unsuccessful pre-clinical and clinical trials

As disclosed in Section 6.23.1(ii), we expect to begin the pre-clinical and clinical trials for our nutraceutical and skincare products.

The total cost for the pre-clinical and clinical trials is estimated at RM13.20 million. We intend to fund RM2.60 million for the second clinical trial for Hepar-P Capsule using our NKEA grant; while the remaining pre-clinical and clinical trials will be funded using our IPO proceeds of RM10.60 million. In the event the pre-clinical trial is not successful, the IPO proceeds allocated for the clinical trial will be utilised for other R&D activities.

There is no assurance that the pre-clinical and clinical trials will be successful. If the pre-clinical and clinical trials fail, it may affect our competitiveness and our ability to increase the sales of Hepar-P Capsule and to commercialise our Ficus Cream products. In such an event, we may be unable to recover the cost incurred for the pre-clinical and clinical trials.

We have been given a financial incentive to facilitate the second clinical trial for Hepar-P Capsule from 22 November 2011 to 31 December 2017, based on the terms and conditions of the agreement under the NKEA programme as set out in Section 6.8.8. We have, on 2 May 2018, entered into a second supplementary agreement with the Government for the extension of project timeline up to 31 December 2019.

In addition, under the agreement, we may be subject to certain clawback provisions in the event of termination of the NKEA programme by the Government. The Government may cease any claims for reimbursement of all expenses incurred and any balance incentive payable to Nova Laboratories under the NKEA programme. The Government may also claim against Nova Laboratories for all sums paid under the NKEA programme and for any losses and damages suffered as a result of the termination of the NKEA programme by the Government. In such event, our reputation and track record in R&D may be adversely affected. As such, we cannot assure you that our future plans and strategies for our pre-clinical and clinical trials for our nutraceutical and skincare products would be commercially successful.

4.1.5 Gestation period of the new GMP-compliant production facility

As disclosed in Section 6.23.1(i), we intend to construct a new GMP-compliant production facility for the production of our Group's functional food and skincare products on a piece of vacant land adjacent to our head office and current production facility. However, our ability to successfully implement our expansion plan for increasing production capacities is subject to the following risks and uncertainties:

(i) our ability to obtain the requisite approvals, licences and/ or permits for us to operate the new GMP-compliant production facility including GMP licence and notification to MIDA in connection with our manufacturing licences;

(ii) the risk of construction delays and delays in machinery and equipment procurement; and

(iii) our ability to timely recruit sufficient qualified staff to support the increase in our production capacity.

However, we may not be able to capture the expected growth in demand from our customers or to successfully commercialise additional production of functional food and skincare products.

In addition, our plan to increase our production capacities requires significant capital investment flow from the IPO proceeds and internally-generated funds. The actual cost of our expansion plan may exceed our estimated cost amounting to RM16.50 million, which could adversely affect our cash flow position.

4.1.6 Impact on future profit of the Group

Our net profit margin during the Financial Years Under Review were 53.7%, 55.8% and 55.9%, respectively. Our higher profit margins were mainly due to our lower depreciation costs and 100% tax exemption during the Financial Years Under Review. In FPE 2017, our net profit margin was 36.1% mainly due to higher administrative expenses and taxation, following the expiry of our tax exemption in FYE 2017.

However, our future profit and profit margins are expected to be adversely affected with the construction of our new GMP-compliant production facility due to increased operating expenses, increased depreciation costs with the new machinery, increased tax expenses with the expiry of our tax exemption as set out in Section 4.1.18 and time taken to commence operations in the new production facility.

Additionally, our overall GP and GP margin decreased in FPE 2017 by 7.0% and 4.5%, respectively, as compared to FPE 2016. The decrease in both GP and GP margin is mainly due to higher cost of sales which consists of higher cost of raw materials and direct labour costs for our House Brand and OEM segments.

As such, given that raw materials and direct labour are a major component of our costs of sales, any further increase in the costs will adversely affect our future profit and profit margins.

4.1.7 Disruption to business operations

The average lifespan of our machinery is 8 to 10 years and some of our machinery and equipment are above the average lifespan namely our tableting machines, tablet coating machine, capsule filling machine, softgel encapsulation machine and blister packing machine. In the event any of our machinery and equipment breakdown, our production facility may be interrupted. Such interruptions on machinery and equipment may cause production downtime and delay in the delivery of products to our customers. We may also incur additional cost to repair or replace the affected machinery and equipment and may not be able to address any such problems or obtain timely replacements.

Any disruption in the supply of utilities or any emergencies such as fire outbreaks, power outages, disruption of water supply, system malfunction, natural disasters and other causes may disrupt the manufacturing process and affect our production facility. This may disrupt our production processes which could adversely affect our production schedules.

Nonetheless, we have a technical team to conduct regular monitoring and maintenance of our machinery and equipment. We also maintain certain machineries and equipment as backup to enable us to continue our production in the event of any breakdown.

We have not experienced any material disruption to our business operations during the Financial Years Under Review and FPE 2017. However, we cannot assure you that there will be no disruptions in our production facility or major breakdown that will not materially affect our Group's business in future.

4.1.8 We cannot assure you that our insurance coverage is adequate for our operations

We have purchased 2 fire insurance policies amounting to a total of RM3.47 million that covers our current production facility buildings and ancillary buildings including the structures with the temporary building permit. We also have purchased a fire insurance policy amounting to RM0.87 million for equipment and facilities for our R&D laboratories, extraction tanks, emulsifier machine, equipment for extraction and pilot scale, and equipment and facilities for animal house. However, our insurance policies do not cover our production machinery and equipment. We cannot guarantee that the insurance coverage undertaken would be adequate to cover the losses, damages or liabilities, which we may incur in the course of our business operations.

Our Group has not purchased product liability and burglary insurance policies, amongst others, as part of our coverage. We may have to bear such losses, damages or liabilities if any risks are uninsured, not covered or where the quantum of insurance coverage is insufficient to cover such risks. Consequently, our business and financial condition may suffer a material adverse impact.

4.1.9 We are dependent on our major customers and NWPP partners

Three of our customers, Powerlife (M) Sdn Bhd, All Day Pharmacy and AM PM Pharmacy Sdn Bhd, contribute to a significant portion of our revenue. This is largely due to our established business relationship with Powerlife (M) Sdn Bhd, All Day Pharmacy and AM PM Pharmacy Sdn Bhd. Powerlife (M) Sdn Bhd has been our OEM customer since 2010 and AM PM Pharmacy Sdn Bhd has been our customer since 2003. As detailed in Section 10.2.1, All Day Pharmacy was a 50.6% subsidiary of Nutraphyll, a company previously controlled by the Promoters until August 2017. In addition, Phang Nyie Lin, Phang Yeen Nung and Phang Yeen Aun were also directors of All Day Pharmacy until their respective resignations. We have a contract manufacturing agreement with Powerlife (M) Sdn Bhd and NWPP agreements with AM PM Pharmacy Sdn Bhd and All Day Pharmacy, similar to other NWPP partners. For the Financial Years Under Review and FPE 2017, Powerlife (M) Sdn Bhd contributed 13.4%, 13.9%, 9.9% and 17.7% while AM PM Pharmacy Sdn Bhd contributed 7.3%, 8.5%, 10.4% and 2.5% respectively to our Group's total revenue. All Day Pharmacy contributed 10.3% and 14.0% to our Group's total revenue for FYE 2017 and FPE 2017 respectively.

Our NWPP partners are also significant contributors to our total revenue. The revenue contribution from our NWPP partners for the Financial Years Under Review and FPE 2017 were RM9.19 million, RM11.47 million, RM14.80 million and RM6.54 million respectively representing 71.0%, 80.8%, 84.3% and 76.7% of the total revenue from House Brand products and 40.2%, 47.3%, 60.3% and 52.4% of the total revenue during the period. The purchases by all of our customers are on as-needed basis; nevertheless our NWPP partners have to achieve a minimum monthly purchase of certain amounts to continue to be our NWPP partner. The number of NWPP partners as at the end of each Financial Year Under Review was 104, 120 and 89 partners, respectively. As at the LPD, we have 105 NWPP partners. The salient terms of the NWPP agreements are set out in Section 6.11.2.

There is no assurance that our NWPP partners will continue be in the programme or we can continue to secure new NWPP partners in the future. If we are unable to secure new NWPP partners or the loss of any of our Group's major customers, it may adversely impact our Group's operating results. Please refer to Section 6.16 for further information on our major customers.

In addition as set out in Section 6.23.1(iii), we intend to use approximately RM1.10 million of the IPO proceeds to expand our geographical footprint by increasing the number of NWPP partners. However, the success of achieving and implementing our business strategy relies on market conditions and our ability to secure new NWPP partners. There is no assurance that our business strategy will be successful or the implementation of our business strategy will improve our earnings.

We expect our continuous effort to deliver quality services will help to strengthen our business relationship with these major customers. We will also continue to leverage on our experience and track record in the nutraceutical industry which will help us to secure new customers moving forward.

4.1.10 We are dependent on our major suppliers

For the Financial Years Under Review and FPE 2017, our major suppliers, Shanghai Openchem Co. Ltd. and Dongguan Mingda Plastic Products Co. Ltd collectively accounted for 18.5%, 18.4%, 11.1% and 18.1%, of our Group's total purchases. As such, we are dependent on our major suppliers for the supply of raw materials and packaging materials.

If the supply of products from Shanghai Openchem Co. Ltd. and Dongguan Mingda Plastic Products Co. Ltd, are disrupted or cease or there are changes in our business relationship with them, this may affect our business operation. We may incur additional cost, time and resources to seek alternative supply of sources on terms that are commercially acceptable to us.

As to date, there have been no interruptions in the supply of raw materials and packaging materials to our Group. Please refer to Section 6.17 for further information on our major suppliers and their respective supply of raw materials and packaging materials.

4.1.11 We may be affected by foreign currency fluctuations

Our Group's revenue denominated in USD for the Financial Years Under Review and FPE 2017 are 9.3%, 12.9%, 5.4% and 3.9%, respectively. The direct material purchases of our Group denominated in RMB and USD are approximately 66.0%, 62.1%, 64.4% and 55.2% for the Financial Years Under Review and FPE 2017, respectively. All of our overseas purchases are paid in USD. Most of our sales to our foreign customers are denominated in USD. As such, we are exposed to foreign currency fluctuations against the RM. Any significant change in foreign currency exchange rates against the RM may affect our Group's financial results.

Any foreign currency fluctuations and depreciation of RM against foreign currencies may increase our cost of raw materials and packaging materials and may have an impact on the revenue and earnings of our Group. As such, the increase in raw materials and packaging materials prices may lead to an increase in the production costs that will impact the pricing of our products. As at the LPD, we do not have any hedging policy towards our foreign exchange risk.

We cannot assure you that the fluctuation in prices of the raw materials and packaging materials in relation to the foreign currency fluctuations will not affect the financial performance of our Group in the future.

4.1.12 We may be adversely affected if our approvals, licences and permits are revoked, suspended or not renewed

Our Group requires certain approvals, licences and permits from relevant regulatory authorities for our business operations. These approvals, licences and permits need to be reviewed on a periodic basis or reassessed by the relevant regulatory authorities. We may not be able to renew such licences with the authorities, particularly if any new terms or conditions which we may be unable to fulfil are imposed in future. Further, our licences from the authorities might even be revoked or suspended prior to the expiration. Further details of the approved licences and permits are set out in Section 6.19.1.

We intend to construct a new GMP-compliant production facility as set out in Section 6.23.1(i). The commencement of operation at our new GMP-compliant production facility is subject to us obtaining the requisite approvals, licences and/ or permits. We have also obtained a temporary building permit from MPS for the garages, electrical substation building, laboratories, guardhouse, canteen, store rooms, water tank, oil tank, warehouse and meeting room for a period of up to 31 December 2017. The temporary building permit is subject to annual renewal and we had on 12 June 2018 received an approval for the temporary building permit from MPS from 22 May 2018 to 31 December 2018.

Non-renewal or revocation of our Group's approvals, major licenses and permits may have an adverse impact on our operations, business and reputation, hence affecting our financial performance. We may also incur additional costs to comply with new or modified standards or conditions if there are any changes imposed by the relevant regulatory authorities on the rules and regulations, standards of compliance or conditions imposed. We have incurred approximately RM0.55 million for the piling works for the new production facility. In the event requisite approvals, licences and/ or permits for commencement of operation at the new production facility are not obtained, the total costs incurred for the new production facility will be written off which will impact the profit of the Group.

However, we seek to limit the risk of approvals, licences and permits being revoked by ensuring full compliance with the terms and conditions imposed by the authorities in the licences. As to date, we have not encountered any revocation, suspension, or non-renewal of our licences. We also prepare for the renewal of the licences in advance to avoid any disruption to our business operations.

4.1.13 Insufficiency of inventory and higher inventory cost

We need to maintain sufficient level of inventory to ensure smooth business operation. We manage our inventory based on demand forecast from some of our OEM customers as well as our internal forecast of sales for our nutraceutical and skincare products.

The shelf life for raw materials ranges between two to five years, and for finished products is three years. We may be subject to the risk of slow-moving inventory and higher inventory cost if we overestimate the demand for our products. We may also experience significant write-off of our inventories due to obsolescence. Consequently, if we fail to deliver on customer demand due to insufficient inventory, our sales will decline which may have a material impact on our financial performance.

Nonetheless, we strive to maintain a balance between our sales growth and maintaining an optimal inventory level to meet demands of our customers. However, we cannot assure you that we will be able to accurately predict the demand trends of our customers or industry.

4.1.14 Credit risk of our customers

We are dependent on the creditworthiness of our customers. If our customers are late in their payment or in more severe circumstances, fail to make any payment, this will adversely affect our financial performance. We would have to make allowance for doubtful debts, or incur debt-write-offs, which will affect the profitability of the business.

At present, the credit terms granted to our customers range from 30 to 60 days. Our trade receivables turnover period during the Financial Years Under Review and FPE 2017 were 161 days, 117 days, 123 days and 125 days, respectively. The turnover period was higher than the normal credit terms granted to our customers. In addition, our trade payables turnover period during the Financial Years Under Review and FPE 2017 were 66 days, 44 days, 19 days and 24 days, respectively. A delay in collection of payments owed to us by our customers may impact our operating cash flow and liquidity.

Our customers have different degrees of credit risk profiles which expose us to the risk of non-payment by them. For the Financial Years Under Review and FPE 2017, our allowance for doubtful debts and bad debt written off is approximately 3.5%, 2.3%, 0.1% and 0.2%, respectively of our Group's net profit. Please refer to Section 12 for further information on the Group's allowance for doubtful debts and bad debts written off.

4.1.15 Infringement of intellectual property rights

We package, advertise, distribute and sell our products under our House Brands as set out in Section 6.11. Protection of these brands and intellectual property rights is important in maintaining our distinctive corporate and market reputation. If third parties sell products that use counterfeit versions of our brands, consumers may confuse our products with products that they consider to be inferior and this may negatively affect our brand image. Please refer to Section 6.20 for further information on our trademarks and patents. We aim to file trademark and patent applications wherever possible and practical. Registration will help protect our trademarks and patents as third party users are prevented from using such trademarks or patents.

We have also developed proprietary information and technologies namely, our proprietary Phyllanthus niruri standardised extract used in our Hepar-P Capsule and Hepar-P Forte Caplet. Knowledge of such proprietary information and technologies is restricted to key personnel in our R&D team. In addition, the BPR for our production process as set out in Section 6.6.2(ii) can be referred to by all production staff under the supervision of the production supervisor.

We seek to protect our proprietary information by having confidentiality and non-disclosure clauses in agreements with our employees in addition to registering any patents as set out above. Nevertheless, we might not be able to protect our intellectual property rights and proprietary information and technologies against infringement or unauthorised third party copying, use or exploitation in jurisdictions where our rights have not been registered or otherwise protected. Failure to do so may adversely impact our business and financial performance.

4.1.16 We are subject to political, economic and regulatory risk

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries as disclosed in Section 6.15 where our products are sold could adversely affect the business prospects of our Group. These negative developments include, among others, changes in political leadership, risk of war and riots, changes in economic conditions, interest rates, method of taxation, fiscal and monetary policies of the Government such as foreign exchange control regulations, inflation, deflation, methods of taxation and tax policy (including customs, excise, duties and tariffs), unemployment trends and other matters that influence consumer confidence and spending.

Any slowdown in the global or local economy may also have an adverse impact on the demand for our products and services, which will in turn affect our Group's business and financial performance. We cannot assure you any adverse political, economic and regulatory changes which have not impacted our business in the past, will not materially affect our business in the future.

4.1.17 We operate in a highly competitive landscape

The nutraceutical and skincare products businesses are highly competitive with numerous products and brands competing for shelf space and sales. Competition is mainly on brand recognition and loyalty, product price and quality, consumer promotions as well as the ability to identify and fulfil the latest consumer preferences. As set out in the IMR Report, the nutraceutical industry is a fragmented industry with approximately 5,000 industry players. Our competitors may have greater financial resources, larger distribution networks, multiple product lines and/ or resources available to them.

We could lose market share due to competitive pressure or other factors which may necessitate us to increase our marketing expenses, lower the prices of our products and/ or use discounts or promotional campaigns more frequently. Such measures could adversely affect our margins which may result in poorer operating results and profitability.

We strive to increase the level of our competitiveness to keep abreast or stay ahead of competition. However, there can be no assurance that we are able to compete successfully against our competitors in the future and/ or maintain or add additional shelf space or sales for our products.

If we are unable to remain competitive in the future, this may adversely affect our business and financial performance. Nevertheless, we expect our competitive strengths, as set out in Section 6.4, to enable us to compete effectively within the nutraceutical industry and continue to grow our business.

4.1.18 Tax consideration

Our subsidiary, Nova Laboratories was granted the BioNexus status by Malaysian Bioeconomy Development in 2006, which allowed Nova Laboratories to enjoy tax exemption benefits statutory income on the on the qualifying activities for a period of 10 years from FYE 2008 to FYE 2017. The tax exemption has expired on 30 June 2017. In this regard, the statutory income of Nova Laboratories is subject to the statutory tax rate of 24.0% from FYE 2018.

Further to the above, on 1 November 2017, Malaysian Bioeconomy Development has confirmed that upon expiry of the tax exemption, Nova Laboratories is entitled to a concessionary tax rate of 20.0% on the statutory income generated from its qualifying activities for a period of 10 years. We had on 21 November 2017, made an application to Malaysian Bioeconomy Development for the implementation of the concessionary tax rate. As at the LPD, the application is under review by the Malaysian Bioeconomy Development. In the event the concessionary tax rate is not approved, Nova Laboratories will be subject to the normal tax rate, currently at 24.0% which will have an impact on the profit of the Group.

4.1.19 Personal data protection

Nova Laboratories was registered under the Personal Data Protection Act 2014 in August 2017, which was subsequent to the final date set for registration by the Personal Data Protection Commissioner in February 2014. We may be liable for offences under the Personal Data Protection Act 2014 arising from the late registration, and particularly for processing personal data while not registered. These offences may be compounded under the Personal Data Protection (Compounding of Offences) Regulations 2016. If convicted, the Group may be liable to a fine of up to RM500,000 or to imprisonment for a term up to 3 years, or both.

4.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

4.2.1 No prior market for our shares

Prior to our IPO, there has been no prior public market for our Shares. Hence, we cannot assure you that an active market for our Shares will develop, or if developed, we can sustain such a market.

We cannot assure you that a liquid market may develop for our Shares, shareholders are able to sell our Shares or at the price at which shareholders would be able to sell our Shares. Our share price could be lower than the IPO Price depending on many factors, including prevailing economic and financial conditions in Malaysia. We cannot assure you that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon or subsequent to its Listing.

The market price of our Shares may be volatile and fluctuate due to various factors, some of which are beyond our control. These include amongst others, changes in economic, political and regulatory conditions, stock market sentiments. Any changes in the market may have a material and adverse effect on the holders of our Shares.

4.2.2 Failure or delay or abortion in our Listing

Our Listing may be delayed or aborted due to certain events, including the following:

(i) our Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations;

(ii) we are unable to meet the public shareholding spread requirement of the Listing Requirements of having at least 25.0% of our issued share capital for which Listing is sought that must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing;

(iii) the revocation of approvals from relevant authorities prior to our Listing and/ or admission to the Official List for whatever reason other than the reasons specified in paragraph (iv) below;

(iv) if the SC issues a stop order pursuant to Section 245 of the CMSA prior to our Listing or if permission is not granted by Bursa Securities for our Listing before the expiration of six weeks from the date of issuance of this Prospectus or such longer period as may be specified by the SC pursuant to Section 243 of the CMSA; or

(v) the occurrence of any event or circumstance, such as market and economic conditions and/or any legal suit filed by any party beyond the control of our Group.

If any of the above occurs, you will not receive any of our IPO Shares and we will return in full (without interest or any share of revenue or benefit arising therefrom) all monies paid in respect of any application for our IPO Shares in compliance with Section 243(2) of the CMSA.

However, if our Listing is aborted and our IPO Shares have been issued and allotted to you, a return of monies to you may only be achieved by a cancellation of share capital in accordance with the Act.

In the event of a failure of our Listing, all monies paid in respect of any Application accepted from you will be returned in full without interest within 14 days, failing which, the provisions of sub-section 243(2) and 243(6) of the CMSA shall apply accordingly. Nevertheless, our Directors will endeavour to ensure compliance with the various requirements to ensure a successful Listing.

4.2.3 Share price volatility and trading

Economic, political conditions and growth potential of the various sectors of the economy contributes to the volatility of trading volumes on Bursa Securities and this adds risks to the volatility of the market price of our Shares. The market price of our Shares may fluctuate due to, amongst others, the following factors, some of which are beyond our control:

(i) variations in the liquidity of the market for our Shares;

(ii) success or failure of our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;

(iv) changes in conditions affecting the industry, the general economic conditions, stock market sentiments or other events or factors; or

(v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed on Bursa Securities.

Further, many of the risks described elsewhere in this Prospectus could adversely affect the market prices of our Shares. Accordingly, we cannot assure you that our Shares will not trade at a price lower than the IPO price.

Over the past few years, the Malaysian, regional and global equity have experienced significant price and volume volatility that have affected the share price of many companies. Share prices of many companies have experienced wide fluctuations that are unrelated to their operating performance. Although we are committed to ensure the sound management of our business, we cannot assure you that our Share price will not be subject to volatility due to market sentiments.

4.2.4 Uncertainty of dividends payments

Our Board recommends distributing a dividend of 30.0% of our annual audited profit after tax for FYE 2018 to shareholders of our Company. Whilst it is our intention to adopt a dividend distribution policy to allow our shareholders to participate in our Group's profits, our ability to declare dividends or make other distributions to our shareholders in the future years will also depend upon other various factors such as:

(i) our Group's cash flow requirement for operations and capital requirements including the solvency test as stipulated under section 112 of the Act in relation to dividends;

(ii) the availability of distributable reserves; or

(iii) general financial performance of the Group.

You should take note that the dividend payments are not guaranteed and the dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to modification at our Board's discretion.

In the event, our Board may decide at any time and for any reason not to pay dividends, or to pay dividends at lower level than anticipated by the shareholders, the market price of our Shares may be negatively affected and the value of the investment in our Shares may be reduced.

Additionally any payment of dividend in FYE 2019 and FYE 2020 will depend on the availability of distributable reserves after taking into consideration the Capital Reduction and Repayment exercise as set out in Section 5.2.2.

4.2.5 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

As disclosed in Section 8.1.1, our Promoters will collectively hold in aggregate 74.3% of our enlarged share capital upon Listing. As a result, they will be able to control the business direction and management of our Group. This includes the election of directors, the timing and payment of dividends as well as having voting control over our Group. As such, our Promoters will likely influence the outcome of certain matters requiring the vote of our shareholders except where they are required to abstain from voting either by law and/ or by the relevant guidelines or regulations. We cannot assure you that the interests of our Promoters will be aligned with those of our other shareholders.

4.2.6 Uncertainty of forward-looking statements

Certain statements in this Prospectus are based on historical data that may not be reflective of future results. Others statements are forward-looking in nature and are subject to uncertainties and contingencies. Although we believe that the expectations reflected in such forward looking statements are reasonable, we cannot assure you that that such expectation can materialise in future.

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5. INFORMATION ON OUR GROUP

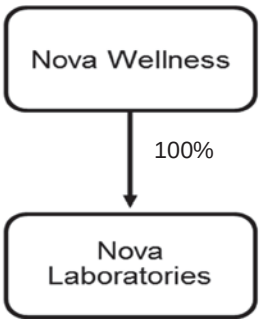
5.1 OUR COMPANY

We were incorporated in Malaysia under the Companies Act 1965 on 27 July 2016 as a private limited company under the name of Nova Wellness Group Sdn Bhd. The Company is also deemed registered under the Act as at 31 January 2017. We subsequently converted to a public limited company on 31 October 2017 to facilitate our Listing.

Our principal activity is in investment holding while our subsidiary, Nova Laboratories is principally involved in the development, production and sales of nutraceutical and skincare products; and OEM development and production of nutraceutical products.

5.2 OUR GROUP

Our Group was formed on 24 October 2017 pursuant to our acquisition of Nova Laboratories. An illustration of our Group structure is as follows:



5.2.1 Acquisition

Our Company had on 24 October 2017 entered into a share sale agreement with Phang Nyie Lin, Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung to acquire the entire issued share capital of Nova Laboratories comprising 1,462,956 ordinary shares for a purchase consideration of RM23,640,998. The purchase consideration was satisfied by way of issuance of 236,409,980 new Shares in our Company at an issue price of RM 0.10 per Share.

The purchase consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the adjusted NTA of Nova Laboratories of RM23,640,025 which was arrived at after taking into consideration the audited NTA of Nova Laboratories as at 30 June 2017 of RM15,160,025 and subsequent adjustment for the acquisition of the land for RM8,480,000 by Nova Laboratories from Tan Sok Mooi on 13 September 2017.

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The shareholders' shareholdings in our Company after the Acquisition are as follows:

Shareholders	No. of shares in Nova Laboratories	Equity interest in Nova Laboratories (%)	No. of Shares in Nova Wellness	Equity interest in our Company (%)
Phang Nyie Lin	100,000	6.84	16,159,746	6.84
Tan Sok Mooi	1,062,956	72.64	171,771,016[(1)]	72.64
Phang Yeen Nung	100,000	6.84	16,159,746	6.84
Phang Yeen Aun	100,000	6.84	16,159,746	6.84
Phang Yeen Hung	100,000	6.84	16,159,746	6.84
Total	**1,462,956**	**100.00**	**236,410,000**	**100.00**

Note:

(1) Including 20 subscriber's shares, which were transferred to Tan Sok Mooi on 27 October 2017.

The Acquisition was completed on 24 October 2017 and Nova Laboratories then became a wholly-owned subsidiary of our Company.

Following the completion of the Acquisition, our issued share capital increased from 20 Shares to 236,410,000 Shares.

5.2.2 Capital Reduction and Repayment

We had on 23 May 2018, implemented a capital reduction exercise pursuant to Section 116 of the Act to reduce 85,316,358 Shares held by our substantial shareholders on a pro rata basis, for a consideration of RM8,480,000, which will be distributed to our existing substantial shareholders by way of cash distribution to be paid in one or more tranches over a period of two years from the completion of the capital reduction. We intend to distribute RM4.24 million in FYE 2019 and RM4.24 million in FYE 2020 on a pro rata basis to our substantial shareholders. The total amount of cash distribution to each substantial shareholder is set out below. However, the exact timing of the distribution is subject to the availability of distributable reserves and adequate cash flow from operations. The capital repayment will be funded via internally generated funds and/or borrowings.

Substantial Shareholders	Upon Capital Reduction		Capital Repayment Amount	
	No. of Shares	%	RM	%[(1)]
Phang Nyie Lin	10,327,968	6.84	579,648	6.84
Tan Sok Mooi	109,781,770	72.64	6,161,408	72.64
Phang Yeen Nung	10,327,968	6.84	579,648	6.84
Phang Yeen Aun	10,327,968	6.84	579,648	6.84
Phang Yeen Hung	10,327,968	6.84	579,648	6.84
Total	**151,093,642**	**100.00**	**8,480,000**	**100.00**

Note:

(1) Based on the total capital repayment amount of RM8.48 million.

Following the completion of the capital reduction, our issued share capital decreased from 236,410,000 Shares to 151,093,642 Shares.

5.2.3 Share Transfer

Subsequent to the capital reduction, Tan Sok Mooi had on 31 May 2018, transferred 23,327,112 Shares on a pro rata basis to Phang Nyie Lin, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung for zero consideration.

The changes in shareholdings of our substantial shareholders pursuant to the capital reduction and repayment, and share transfer are illustrated below:

	No. of Shares in Nova Wellness[(1)]		Upon Capital Reduction and Repayment		Upon Share Transfer	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Phang Nyie Lin	16,159,746	6.84	10,327,968	6.84	16,159,746	10.70
Tan Sok Mooi	171,771,016	72.64	109,781,770	72.64	86,454,658	57.20
Phang Yeen Nung	16,159,746	6.84	10,327,968	6.84	16,159,746	10.70
Phang Yeen Aun	16,159,746	6.84	10,327,968	6.84	16,159,746	10.70
Phang Yeen Hung	16,159,746	6.84	10,327,968	6.84	16,159,746	10.70
Total	**236,410,000**	**100.00**	**151,093,642**	**100.00**	**151,093,642**	**100.00**

Note:

(1) Shareholders shareholding after the Acquisition.

5.2.4 Share Subdivision

Immediately following the completion of the capital reduction and share transfer, we undertook a subdivision of 151,093,642 existing Shares into 236,083,815 Shares on the basis of 25 Shares for every 16 existing Shares held.

The subdivision was completed on 1 June 2018.

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5.3 SHARE CAPITAL

Our issued share capital as at the LPD is RM15,161,000 comprising 236,083,815 Shares.

Details of the changes in the issued share capital of our Company since its incorporation up to the LPD are as follows:

Date of allotment/ subdivision/ capital reduction	No. of Shares allotted	Consideration	Cumulative issued share capital (RM)	Cumulative No. of Shares
27 July 2016	2	Cash	2.00	2
14 December 2016	20	Share Subdivision(1)	2.00	20
24 October 2017	236,409,980	Acquisition of Nova Laboratories	23,641,000.00	236,410,000
23 May 2018	(85,316,358)	Capital Reduction and Repayment	15,161,000.00	151,093,642
1 June 2018	84,990,173	Share Subdivision(2)	15,161,000.00	236,083,815

Notes:

(1) We undertook a subdivision of 2 existing Shares into 20 Shares on the basis of 10 Shares for every 1 existing Share held. The subdivision resulted in the issued share capital of our Company being increased from 2 Shares to 20 Shares. The subdivision was completed on 14 December 2016.

(2) We undertook a subdivision of 151,093,642 existing Shares into 236,083,815 Shares on the basis of 25 Shares for every 16 existing Shares held.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital in respect of the Shares in our Company. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the allotments as tabulated above.

As at the LPD, we are not involved in any winding-up, receivership or similar proceedings.

5.4 DETAILS OF OUR SUBSIDIARY

As at the LPD, Nova Laboratories is our only subsidiary.

Nova Laboratories was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 17 March 1989 under its present name. Nova Laboratories is also deemed registered under the Act as at 31 January 2017. Nova Laboratories commenced business in 1990. Nova Laboratories' principal place of business is located at Lot 708, Nova Avenue, 4th Mile, 43950 Sungai Pelek, Sepang, Selangor, Malaysia. Nova Laboratories is principally involved in the development, production and sales of nutraceutical and skincare products under our House Brand; and OEM development and production of nutraceutical products.

The issued share capital of Nova Laboratories is RM9,413,973.36 comprising 1,462,956 ordinary shares. Details of the changes in the issued share capital of Nova Laboratories since its incorporation up to the LPD are as follows:

Date of allotment/ subdivision	No. of ordinary shares allotted	Consideration	Cumulative no. of shares	Cumulative issued share capital (RM)
17 March 1989	2	Cash	2	2.00
11 August 1995	59,998	Cash	60,000	60,000.00
6 December 2000	240,000	Cash	300,000	300,000.00
26 February 2002	200,000	Satisfaction of the credit balance in the amount owing to a director accounts as at 30 June 2001	500,000	500,000.00
24 April 2002	150,000	Satisfaction of the credit balance in the amount owing to a director accounts as at 30 June 2001	650,000	650,000.00
12 June 2008	285,000	Satisfaction of the credit balance in the amount owing to a director accounts as at 30 June 2007	935,000	935,000.00
9 October 2017	527,956	Satisfaction of the purchase consideration for acquisition of a land[(1)]	1,462,956	9,413,973.36

Note:

(1) Nova Laboratories had, on 13 September 2017 entered into a sale and purchase agreement with Tan Sok Mooi to acquire a land held under GM 275, Lot 708, Mukim Sepang, Daerah Sepang, Negeri Selangor for RM8.48 million.

The purchase consideration was satisfied via allotment and issuance of 527,956 new ordinary shares in Nova Laboratories at RM16.06 per share after taking into consideration the audited NTA of RM15,160,025 and audited NTA per share of RM16.21 of Nova Laboratories as at 30 June 2017. The shares were allotted and issued on 9 October 2017.

As at the LPD, Nova Laboratories does not have any outstanding warrants, options, convertible securities or uncalled capital in respect of the Nova Laboratories' shares. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the allotments as tabulated above. As at the LPD, Nova Laboratories is not involved in any winding-up, receivership or similar proceedings.

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

5.5 LISTING SCHEME

We will undertake an IPO, details of which are set out in Section 3.3.

Upon completion of our IPO, our Company will be admitted to the Official List and our enlarged share capital of RM174,759,100 comprising 317,743,815 Shares shall be listed and quoted on the ACE Market.

6. BUSINESS OVERVIEW

6.1 HISTORY

Our history can be traced back to 1989 when our co-founder, Promoter, Managing Director and Chief Research Officer, Phang Nyie Lin, incorporated Nova Laboratories together with Tan Sok Mooi in 1989 to undertake the trading of animal health products. We commenced business in 1990.

In 1997, after having been introduced to Phyllanthus niruri by a local medical practitioner and seeing its potential medicinal value, Phang Nyie Lin decided to pursue a research on the efficacy of Phyllanthus niruri. Following our co-founder and Managing Director's passion in seeking a holistic approach to healthcare, we commenced a small scale R&D on Phyllanthus niruri, a species of herb that has been traditionally used for the treatment of liver diseases.

In 1998, we began our search for herbal supplement manufacturers and raw material suppliers, while preparing for the regulatory processes of getting approval for the production and sale of dietary supplements (i.e. GMP licensing and MAL registration of product with MOH). We continued our research on herbal products particularly on Phyllanthus niruri to develop our first product, Hepar-P Capsule as a liver tonic in 2000.

In 2002, MOH granted approval for the marketing and sales of our Hepar-P Capsule in Malaysia. At the time, the production of our Hepar-P Capsule under our House Brand, was outsourced to a third party OEM manufacturer in Malaysia based on product formulation developed by us. In the same year we ventured into the overseas market with the sale of an OEM product in Japan. At the time, the production of the OEM product was completed by using our small scale R&D laboratory for standardized extracts.

In 2004, we started our own production of dietary supplements and animal health products by setting up our GMP-compliant production facility in Sepang, Selangor. In the same year, we also set up our own research laboratory to conduct our R&D on Phyllanthus niruri, other natural botanical ingredients as well as other product formulations.

In 2005, we successfully developed Nova Zarthrimin SR 500mg Caplet, our own sustained-release glucosamine caplet. The product enables the slow and consistent release of glucosamine into the bloodstream throughout the day. We have been selling Nova Zarthrimin SR 500mg Caplet in Malaysia since 2007.

In 2006, we were awarded the BioNexus status by Malaysian Bioeconomy Development. With this BioNexus status, we were accorded 100.0% tax exemption on statutory income on the qualifying activities for a period of 10 years from FYE 2008 up to FYE 2017 under the Income Tax (Exemption) (No. 17) Order 2007. Subsequently, on 1 November 2017, Malaysian Bioeconomy Development has confirmed that upon expiry of the tax exemption, Nova Laboratories will be subject to a concessionary tax rate of 20.0% on the statutory income generated from its qualifying activities for a period of 10 years.

In 2007, we started producing our softgel-based dietary supplements. Softgel is an alternative oral dosage form made of gelatin or other materials such as seaweed extract that forms a shell enclosing a liquid fill. With the softgel formulation, we were able to offer a broader range of products such as Nova Fish Oil 600mg Softgel and Nova Natura-E 400iu Softgel. In the same year, we were also granted a patent by MyIPO for the herbal composition of Phyllanthus niruri standardised extract used in the formulations of our Hepar-P Capsule and Hepar-P Forte Caplet.

In 2008, our Hepar-P Capsule was approved by MOH for use in government hospitals. In the same year, we developed Actisof formulation that is widely applied in our softgel products. The Actisof formulation enhances the body's absorption of oil-based ingredients and is used in our fish oil, evening primrose oil and vitamin E product formulations.

6. BUSINESS OVERVIEW *(cont'd)*

In 2009, we were granted a patent by MyIPO for the stabilised composition of Phyllanthus niruri standardised extract used in the formulations of our Hepar-P Capsule and Hepar-P Forte Caplet. The patent covers the delivery of stabilised composition of Phyllanthus niruri standardised extract in capsule, tablet and powder dosage forms. During the same year, we published a book containing 15 monographs of standardised botanical extracts of Malaysian origin based on our research on natural botanical ingredients. This book serves as a reference for quality control of the 15 Malaysian botanical extracts for nutraceutical manufacturers, regulatory authorities, academicians and researchers.

In 2010, we launched the NWPP which offers independent retail pharmacies exclusive distributorship of our House Brand products. The exclusive distributorship is a marketing strategy for our Group to expand our presence in the local market. NWPP partners are given exclusive distribution rights in specific areas and bulk discounts for our House Brand products. As at the LPD, we have 105 partners under the NWPP.

In 2011, we were appointed as the anchor company under the NKEA programme to develop 'high-value herbal products' as part of the EPP1. The EPP1 is a project under NKEA to grow the local agriculture sector. Under this initiative, we were given a grant to carry out pre-clinical and clinical trials on our Hepar-P Capsule, and to develop anti-aging oral and skincare products. We completed the first clinical trial for our Hepar-P Capsule in 2015 and we expect to begin the second clinical trial in December 2017 with its expected completion in December 2019. The Company has appointed a local CRO to carry out the clinical trial, which includes planning and coordinating investigator, initiation of trial and trial monitoring. Further details on the clinical trials are set out in Section 6.8.5 and Section 6.23.1(ii).

In 2012, we started selling our skincare products which have been developed using natural ingredients from plants. Our skincare products are sold under the 'Novavis' and 'SP8' House Brand.

In 2013, we were granted a patent for the standardised extract from oil palm leaves comprising phenolic acids by the State Intellectual Property Office of the PRC.

In 2015, we ceased the manufacturing of animal health products and outsourced the manufacturing to an independent third party manufacturer. We continued to trade in these products until 2017. In January 2017, we ceased the trading of the animal health products to focus on the development and production of our House Brand and OEM products.

In 2016, we were granted a patent for the standardised extract from oil palm leaves comprising phenolic acids by MyIPO. In the same year, we developed Vege-softgel from seaweed extract as an alternative to gelatin softgels. The Vege-softgel is free from materials of animal origin and is suitable for vegetarians, vegans and groups with certain religious requirements. As at the LPD, we are undertaking stability studies of the Vege-softgel. The commercial production of Vege-softgel is expected to commence by the third quarter of 2018, subject to the successful completion of the stability studies.

As at the LPD, we have developed 144 product formulations with 88 products sold under five different House Brands, namely 'Nova', 'ActivMax', 'Sustinex', 'Novavis' and 'SP8' in both the local and overseas markets. We have received Halal certification from JAKIM for 37 of our House Brand products.

Under our OEM segment, as at the LPD, we have developed 88 product formulations with 74 products manufactured for our OEM customers under brands such as 'Powerlife', 'Eastern', 'ActiveLife', 'HSC', 'Nexus', 'COCO.LAB', and 'BELVEA'. We have received Halal certification from JAKIM for 12 of our OEM products.

6. BUSINESS OVERVIEW *(cont'd)*

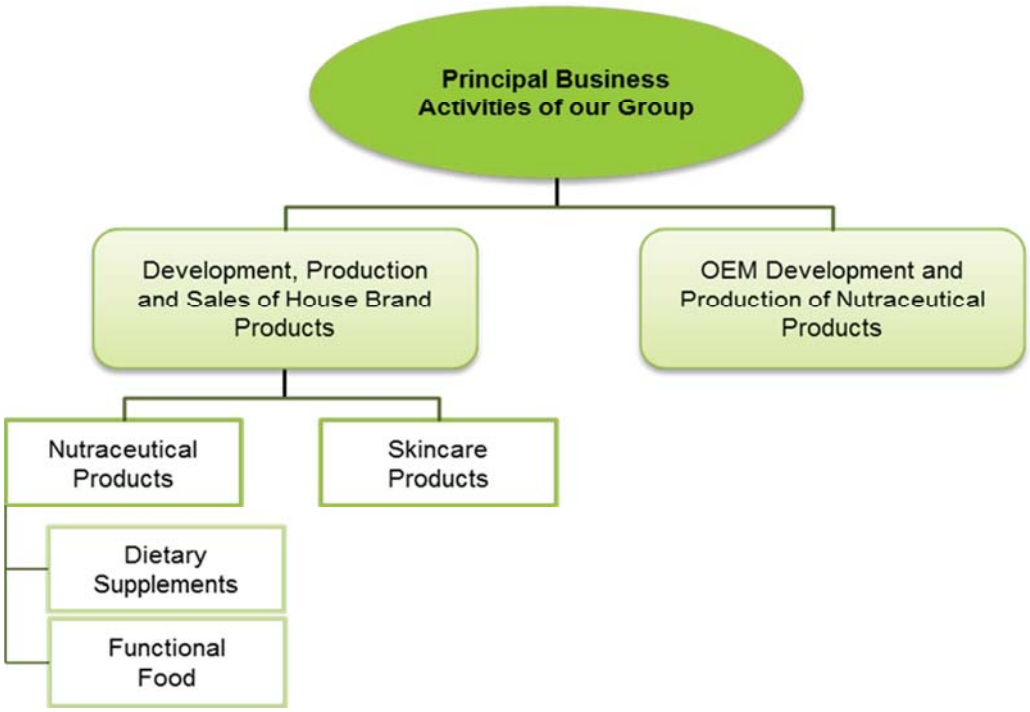
6.2 KEY ACHIEVEMENTS, MILESTONES AND AWARDS

Our Group's key achievements, milestones and awards are as follows:

Year	Key Achievements, Milestones and Awards
2006	Awarded the 'BioNexus Status' by Malaysian Bioeconomy Development
2007	Granted patent for herbal composition used in Hepar-P Capsule and Hepar-P Forte Caplet by MyIPO
2009	• Granted patent for stabilised composition used in Hepar-P Capsule and Hepar-P Forte Caplet by MyIPO • Published a book containing 15 monographs of standardised botanical extracts of Malaysian origin
2010	Launched the NWPP for independent retail pharmacies
2013	Granted patent for the standardised extract from oil palm leaves comprising phenolic acids by State Intellectual Property Office of the PRC
2015	• Completed first clinical trial on Hepar-P Capsule for treatment of non-alcoholic fatty liver disease • Awarded 'BioNexus Achievement Award' by Malaysian Bioeconomy Development for outstanding achievement in the bio-based industries
2016	Granted patent for the standardised extract from oil palm leaves comprising phenolic acids by MyIPO

6.3 OUR BUSINESS

6.3.1 Principal business activities



Our Group is in the nutraceutical industry and our principal activities are as follows:

(i) development, production, and sales of nutraceutical and skincare products under our House Brand; and

6. BUSINESS OVERVIEW *(cont'd)*

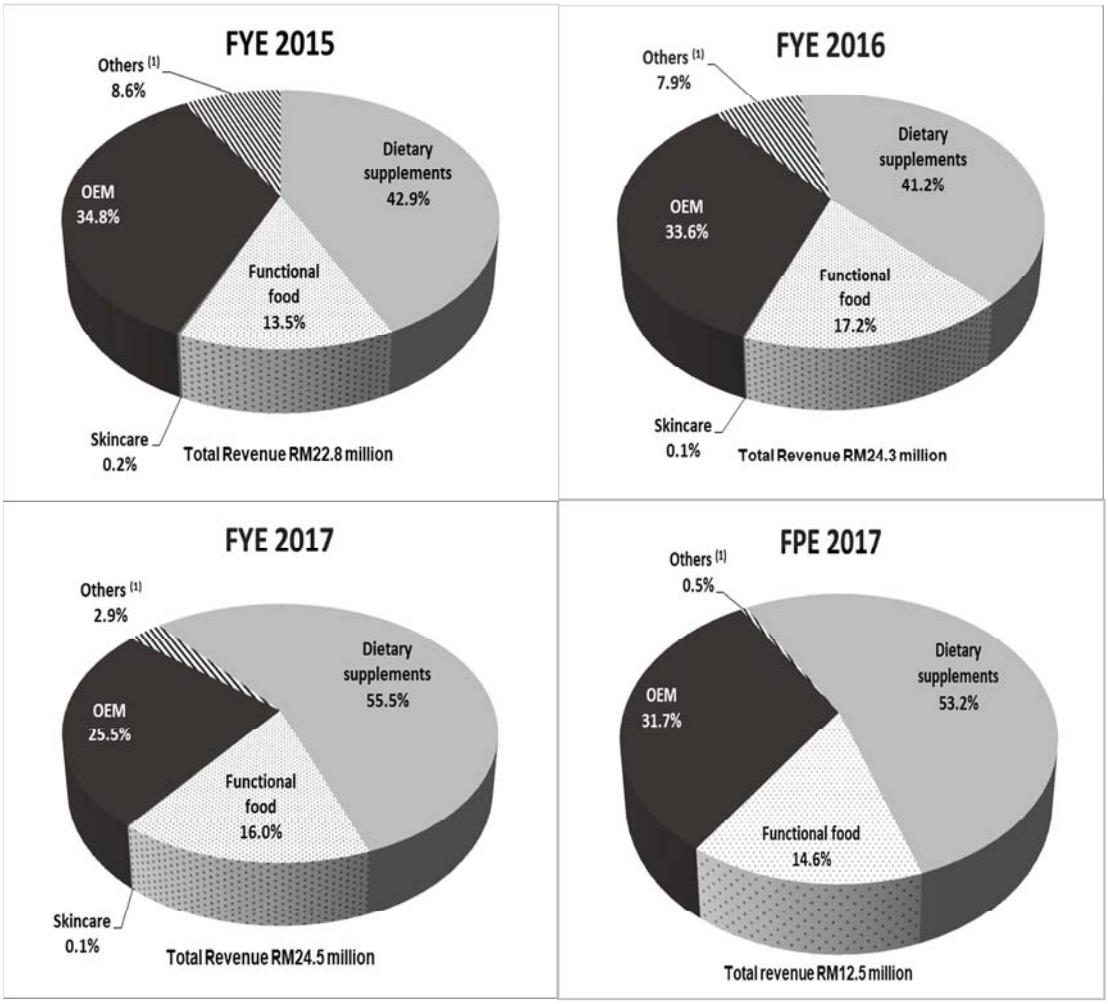
(ii) OEM services for the formulation development and manufacturing of dietary supplements and functional food products for both local and overseas customers.

Under our nutraceutical products, as at the LPD, we have 49 dietary supplements, 11 functional food products and 28 skincare products that are available for sale under our House Brands in both the local and overseas markets.

For our OEM services, as at the LPD, we have developed 88 product formulations; and manufacture 72 dietary supplements and two functional food products, of which five OEM products are manufactured for our overseas customers. We do not provide OEM services for skincare products.

6.3.2 Revenue contribution by business activities

The following graphs depict the revenue contribution of each business and product segments during the Financial Years Under Review and FPE 2017.



Note:

(1) Refers to the sale of animal health products which we have discontinued since 9 January 2017.

6.4 COMPETITIVE STRENGTHS

Our competitive strengths are important in sustaining our business and providing our Group with future growth opportunities.

6.4.1 In-house R&D

Our in-house R&D provides us the platform to expand our product range as well as to improve our existing products to meet market demand and our customers' requirements. As at the LPD, we have five members in our R&D team consisting of a registered pharmacist, two microbiologists, and two laboratory technicians. Our R&D team is headed by Phang Nyie Lin, who is also the Managing Director and Chief Research Officer of our Group.

We have developed 49 dietary supplements, 11 functional food products and 28 skincare products which are currently available for sale in both the local and overseas markets. We have two patents for Phyllanthus niruri standardised extract used in the formulations of our Hepar-P Capsule and Hepar-P Forte Caplet, and two patents for the standardised extract from oil palm leaves comprising phenolic acids. We have been producing and selling Hepar-P Capsule since 2002 and Hepar-P Forte Caplet since 2006. The two remaining patents for the standardised extract from oil palm leaves comprising phenolic acids are still at the development stage as explained in Section 6.8.6.

In addition, we have developed technologies for our softgel products which include Actisof formulation to enhance the absorption of oil-based ingredients and Vege-softgel formulation as an alternative to gelatin softgels. We have been producing and selling our softgel products that incorporate the Actisof formulation since 2008. We are in the midst of preparing for the commercial production of Vege-softgel which is expected to commence by the third quarter of 2018.

The ability to undertake in-house R&D activities enables our Group to respond faster to the changing customer preferences and new market developments. We leverage on our in-house R&D capabilities to increase our product range and compete with other market players.

6.4.2 Own production facility

We are able to develop and produce a range of nutraceutical products that are marketed under our House Brands and conform to the standards required by the relevant authorities which include GMP-compliance and Halal certification.

By having our own production facility, we are able to control the entire production process with minimal unplanned interruption to produce good quality, effective and safe products. Having our own production facility also provides us with the flexibility to cater for any increase in orders for existing products. Further details of our production process and facility are set out in Sections 6.6 and 6.7.

In addition, we have an internal QC team to conduct routine tests and physical inspection on raw materials, packaging materials and finished products which we adhere to accordance with the GMP. Further details of our QC are set out in Section 6.10

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6. BUSINESS OVERVIEW *(cont'd)*

6.4.3 Distribution network across Malaysia for House Brand products

Our House Brand products are sold in Malaysia and the overseas market. In Malaysia, we distribute our House Brand products via independent retail pharmacies. As at the LPD, there are 227 independent retail pharmacies in Malaysia that sell our House Brand products. The breakdown of the independent retail pharmacies selling our products in Malaysia by states is listed in the table below.

State	No. of Independent Retail Pharmacies	NWPP Partners
Johor	36	20
Kedah	4	2
Melaka	22	9
Negeri Sembilan	7	3
Pahang	15	7
Penang	14	11
Perak	25	9
Perlis	2	-
Terengganu	3	1
Sabah	2	1
Sarawak	21	8
Selangor	50	23
Kuala Lumpur	26	11
Total	**227**	**105**

As at the LPD, 105 of the independent retail pharmacies are also our NWPP partners. NWPP partners are given exclusive distribution rights in specific areas and bulk discounts for purchase of our House Brand products. They also showcase our products in 'bookshelf' display in their pharmacy outlets which can increase our corporate profile and strengthen the recognition of our House Brand in the market.

In addition, our NWPP partners provide us information on the latest market trends, consumers' preferences and feedback on our products. With their feedback, we can expand and add more suitable products to our existing range of products.

As at the LPD, in the overseas market, we have two non-exclusive agents that distribute our House Brand products in Indonesia and Thailand. In FYE 2017, the revenue from the sale of our House Brand products in Indonesia was RM5,333. During the financial period ended 31 December 2017, we did not generate any revenue for our House Brand products from the overseas market.

6.4.4 Wide range of nutraceutical and skincare products in our portfolio

As at the LPD, we have a wide range of products comprising 49 dietary supplements, 11 functional food products and 28 skincare products. All of our dietary supplements are approved with MAL registration numbers by the DCA.

Our range of products is developed to fulfil the needs of consumers of various demographic profiles and lifestyle such as children, women, health conscious individuals and the elderly. Our dietary supplements are formulated to increase the daily intake of nutrients that provide various health benefits such as improving blood circulation and enhancing the vitality for individuals.

Our functional food products are formulated with low glycemic index and balanced nutrients to fulfil consumers' daily nutritional needs and manage sugar level. Meanwhile, our skincare products are mainly developed using natural ingredients from plants which are suitable for those who seek natural skin care solutions.

6. BUSINESS OVERVIEW *(cont'd)*

6.4.5 Experienced management team

Our Group has an experienced management team that has collectively contributed to the growth and development of our Group. Our Group is led by our Managing Director and Chief Research Officer, Phang Nyie Lin who has approximately 20 years of work experience in the local nutraceutical industry. He is supported by a group of experienced key management personnel; each playing a vital role in their respective divisions. For example, Nicholas Cheong Peck Hiang, our Chief Business Officer has approximately 13 years of experience in sales and marketing; while Sangeetha A/P Thuraisingam, our Chief Quality Officer has approximately 11 years of experience in QA and regulatory affairs. The other key management personnel are also experienced particularly in dealing with production and R&D related functions. We expect the continuous effort of our experienced management team will provide the basis for the business growth of our Group moving forward.

6.5 OUR PRODUCTS AND SERVICES

6.5.1 Development, production and sale of nutraceutical and skincare products under our House Brands

The products under our House Brands fall under two main categories; nutraceutical products and skincare products.

6.5.1.1 Nutraceutical products

Under our House Brand nutraceutical products, we offer dietary supplements and functional food.

(i) Dietary supplements

Our range of dietary supplements

Our dietary supplements include vitamin, mineral and herbal supplements, which are formulated to increase the daily intake of nutrient(s) and provide various health benefits such as improving blood circulation and enhancing the vitality of individuals. Our dietary supplements are sold under the 'Nova' House Brand. As at the LPD, we have 49 dietary supplements of which 18 are herbal products and 31 are health supplements.

6. BUSINESS OVERVIEW *(cont'd)*

Our dietary supplements accounted for 42.9%, 41.2%, 55.5% and 53.2% of our total revenue generated in the Financial Years Under Review and FPE 2017 respectively. Our Hepar-P Capsule which contains Phyllanthus niruri standardised extract that is used as a liver tonic to improve liver health and is a key product of our Group. It accounted for 6.2%, 5.7%, 7.7% and 5.5% of our total revenue generated in Financial Years Under Review and FPE 2017 respectively.

(ii) Functional food products

Our range of functional food products

Our functional food products are developed with vitamins and other nutrients, and are formulated to have low glycemic index and balanced nutrients to fulfil consumers' daily nutritional needs and manage sugar level. Our functional food products are sold under two House Brand namely 'ActivMax' and 'Sustinex'. As at the LPD, we have 11 functional food products.

Our functional food products accounted for 13.5%, 17.2%, 16.0% and 14.6% of our total revenue generated in the Financial Years Under Review and FPE 2017 respectively.

Further details on our dietary supplements and functional food products are set out in Section 6.5.2 and 6.5.3.

6.5.1.2 Skincare products

Our range of skincare products

Our skincare products are mainly developed using natural ingredients from plants and are sold under the 'Novavis' and 'SP8' House Brand. The production of our skincare products is currently outsourced to Nutriskin Marketing Sdn Bhd based on product formulations developed by us. However, as set out in Section 6.23.1 we intend to commence the production of our skincare products, with the completion of our new production facility. As at the LPD, we have 28 skincare products.

Our skincare products accounted for 0.2%, 0.1%, 0.1% and 0.5% of our total revenue generated in the Financial Years Under Review and FPE 2017 respectively. Further details of our skincare products are set out in Section 6.5.2.

6.5.1.3 OEM Development and Production of Nutraceutical Products

We provide OEM services for the manufacturing of dietary supplements and functional food products for our customers. Our customers sell the OEM products under their own brands. Our OEM services include formulation of products, procurement of raw materials and packaging materials, production and final packaging of finished products. Our OEM customers have full product ownership of their OEM products including the product formulation.

Under our OEM services, we also provide customised formulations services for our OEM customers. Our R&D team works with our customer to develop customised product formulations to meet the specific needs and requirements of a customer. Such customised formulations can include improvement to existing products or development of a new product or concept.

Our manufacturing and packaging process allows our OEM customers to have flexibility in placing their orders with us. We are able to schedule flexible production runs to respond to customer's needs.

Thus, despite outsourcing some or all of their products' designing and manufacturing requirements, our OEM customers are able to monitor, protect and control their product ownership including product design, IP and brand name as stipulated under the OEM agreements between us and OEM customers. Our OEM customers are furnished with a certificate of analysis on the final product and source of raw materials used in the product to monitor the quality of the final product. Through the ownership of the MAL registration number registered with the NPRA which includes the product formulation and brand name, our OEM customers can protect and control their product. The IP for the products we manufacture for the OEM customers shall be owned by the OEM customers as specified in the OEM agreements.

Our OEM services accounted for 34.8%, 33.6%, 25.5% and 31.7% of our total revenue in Financial Years Under Review and FPE 2017 respectively. As at the LPD, we have seven local OEM customers and two OEM customers from Hong Kong and Singapore respectively. Further details of the products that we manufacture for our OEM customers are set out in Section 6.5.3.

6.5.2 House Brand Products

The following table sets out our House Brand products:

Type of Product	Category	Description	Brand/ Product Name	MAL Registration Number[(1)]/ NOT Number[(2)]
Dietary Supplement	Liver Health	To improve liver health and prevent liver injury	HEPAR-P Capsule	MAL20020663T
			HEPAR-P Forte Caplet	MAL06011828T
	Beauty and Skin Health	To reduce skin damage, prevent ageing of skin and manage menopause	Nova EPO 1000mg Softgel	MAL07031140X
			Nova Collagen Oral Powder	MAL06081262X
			Nova Soy Isoflavone 125mg Tablet	MAL06061406X
	Heart Health	To prevent heart-related conditions such as stroke and heart diseases	Nova Fish Oil 1200mg Softgel	MAL07031141X
			Nova Fish Oil 600mg Softgel	MAL07031142X

6. BUSINESS OVERVIEW *(cont'd)*

Type of Product	Category	Description	Brand/ Product Name	MAL Registration Number[(1)]/ NOT Number[(2)]
			Nova Q10 + E Softgel Lipiros Tablet	MAL07031154X MAL20122200T
			Nova C - 500 Tablet	MAL06030894XZ
			Nova Aqua Q10 + E Softgel	MAL07031139X
	Bone and Joint Health	To reduce inflammation, improve build up, and maintain healthy and flexible bones and joints	Zarthrimin SR 500mg Caplet	MAL07010951X
			Zarthrimin Oral Powder	MAL07021535X
			Nova Cal - 600 Plus	MAL06021225X
			Nova Cal 300D Chewable Tablet	MAL06071112X
			Nova Calmini Tablet	MAL17076019N
			Nova Proflex Tablet	MAL17096017T
	Nerve and Memory Health	To supplement the building blocks for nerve cells and improve memory	Neurotec Tablet	MAL08082476XZ
			Nova Neurogel DHA 250mg Softgel	MAL06071144X
			Nova Optimem Softgel	MAL15075033N
			Mecobamin Coated Tablet 500 mcg	MAL07050936X
			Nova Ginkgo 40mg Tablet	MAL04103333T
			Nova Children's Fish Oil Chewable Softgel Capsule	MAL08021552X
			Nova Memogen Oral Powder	MAL15015023N
	Weight Management	To support increased metabolism, fat burning and weight-loss	Slimex	MAL05041951T
	Blood Sugar Level Health	To help maintain blood sugar level and prevent complications caused by diabetes	Deebee Tablet	MAL14055058N
			Nova Diatec Capsule	MAL04103322T
			Nova DeeBee Ace Tablet	MAL17066004N
			Nova Mulberry Plus Tablet	MAL17086041T
	Eye Health	To help maintain healthy eyes and prevent age-related macular degeneration	Nova Rosbright Chewable Tablet	MAL10043761T
			Nova VisionGlo Softgel	MAL15070019T
	Essential Nutrients	To support the daily intake of nutrients and to promote healthy immune system	LifeFit Gold Tablet	MAL14085001N
			Phyto-9 Tablet	MAL07101364T
			Roselle + Flavonoids + Vitamin C Long Acting Tablet	MAL10100236X
			Nova Natura-E 400 iu Softgel	MAL06061408X
			Juvita Plus (Multivitamins + Roselle, Marigold and Bioflavonoids Chewable Tablet)	MAL11100016X
	Digestive Health	To provide cleansing support for intestinal tract and ensure internal system runs smooth	Nova Pro-10 Capsule	MAL16125045N
			Motirex Tablet	MAL04103393T

6. BUSINESS OVERVIEW *(cont'd)*

Type of Product	Category	Description	Brand/ Product Name	MAL Registration Number[1]/ NOT Number[2]
	Sleep and Relaxation	To promote healthy restful sleep by calming tension and relaxation	Nova Magnesium 100mg Tablet	MAL17046002N
			Nova NAC N-Acetyl-L-Cysteine 300mg Capsule	MAL17046003NZ
	Immunity Support	To provide support for body's natural defences	Black Cumin Oil 500mg Softgel	MAL08031456T
			Nova Royal Jelly Vegetable Hard Capsule	MAL15040059T
			Nova Bee Propolis Softgel	MAL15040061T
			Nova Vit-C Chewable Tablet	MAL06071120XZ
			Cordycep	MAL20032123T
			Nova Mas Cotek 250mg Tablet	MAL17086030T
			NovGlucan Capsule	MAL13055029N
	Men's Health	To provide support for men's health	Prostarin	MAL07082945T
			Nova Arginine 750 mg Tablet	MAL17046001N
Functional Food	Heart Health	To prevent heart-related conditions such as stroke and clogged arteries as well as to maintain healthy cholesterol level	Oat Beta-Glucan	- [3]
	Low glycemic index complete with balanced nutrition	Formulated with low glycemic index and balanced nutrient to fulfil our daily nutritional gaps and manage sugar level	ActivMax (Vanilla)	- [3]
			ActivMax (Chocolate)	- [3]
			ActivMax High Calcium (Vanilla)	- [3]
			ActivMax High Calcium (Coffee)	- [3]
			ActivMax Breakfast Cereal	- [3]
			ActivMax Vanilla Breakfast	- [3]
	Low glycemic index and high fibre health food	Formulated with low glycemic index and to deliver unique combination of soluble and insoluble fibre	Sustinex Fiber Smoothie	- [3]
			Sustinex Low GI 3in1 Coffee	- [3]
			Sustinex Organic Chia Seeds	- [3]
			ActivMax Weight Control Cereal	- [3]
Skincare	Skincare	For cleansing, moisturising, protecting and improving the condition of skin	Novavis Lipstick Beige	NOT120705321K
			Novavis Lipstick Bronzed Brown	NOT120705326K
			Novavis Lipstick Brown	NOT120705322K
			Novavis Lipstick Red	NOT120705317K
			Novavis Lipstick Dark Red	NOT120705318K
			Novavis Lipstick Dark Pink	NOT120705323K
			Novavis Lipstick Light Pink	NOT120705324K
			Novavis Lipstick Striking Pink	NOT120705319K

6. BUSINESS OVERVIEW *(cont'd)*

Type of Product	Category	Description	Brand/ Product Name	MAL Registration Number[(1)]/ NOT Number[(2)]
			Novavis Lipstick Striking Red	NOT120705325K
			Novavis Lipstick Orange Red	NOT120705320K
			Novavis SP8 Advanced Repair Serum	NOT120704296K
			Novavis SP8 Advanced Whitening Night Renewal Cream	NOT120704297K
			Novavis SP8 Deep Cleansing Facial Wash	NOT120704295K
			Novavis SP8 Deep Revitalizing After Shave	NOT150405060K
			Novavis SP8 Ficus WhitePro Sun Defense	NOT150405059K
			Novavis SP8 High Recharge After Sun	NOT150405061K
			Novavis SP8 Mild Foaming Facial Wash	NOT150405062K
			Novavis SP8 Ultimate Protection Day Cream	NOT120704299K
			Novavis SP8 Ultra White Moisturizing Toner	NOT120704298K
			MosOut Herbal Essence Spray	NOT161002260K
			MosOut Herbal Essence Ointment	NOT161003185K
			Novavis Borage Oil Body Balm	NOT161006084K
			Novavis Natural Moisturizer and UV Protector	NOT180204432K
			SP8 Baby Oat + Seaweed Body Wash & Shampoo	NOT170603042K
			SP8 Oat + Seaweed Daily Repair Shampoo & Conditioner	NOT170603040K
			SP8 Oat + Seaweed Face & Body Wash	NOT170603041K
			SP8 Oat + Seaweed Feminine Intimate Wash	NOT170603043K
			SP8 Oat Mild Cleansing Bar	NOT170603044K

Notes:

(1) Only applicable to dietary supplements.

(2) Notification ("**NOT**") number applicable only to skincare products.

(3) Approval from MOH and MAL registration is not required for functional food products as these products are considered as food products.

6. BUSINESS OVERVIEW *(cont'd)*

6.5.3 OEM Products

The following table sets out the type of OEM products produced by our Group:

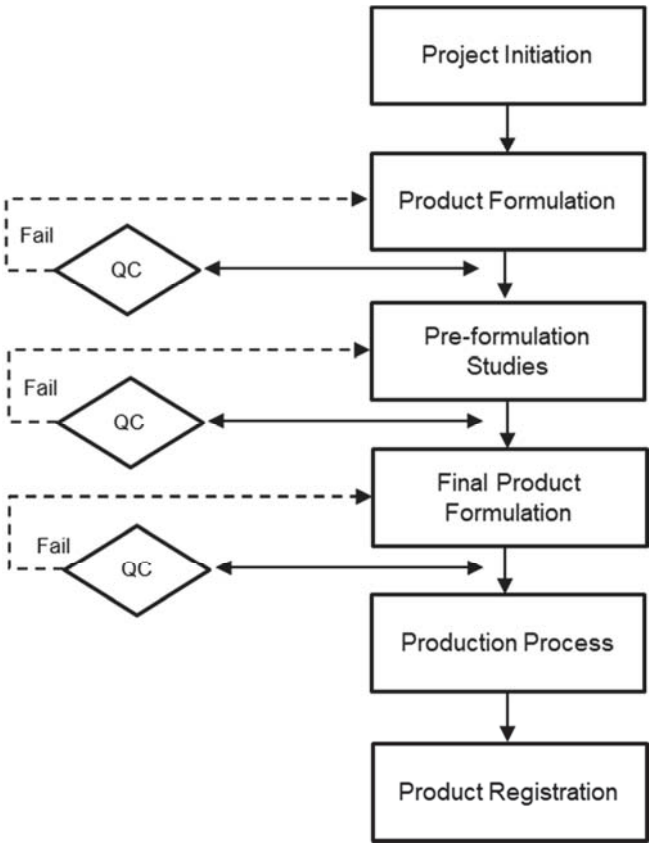
Type of Product	Category	Description
Dietary Supplement	Heart Health	To prevent heart-related conditions such as stroke and heart diseases
	Bone and Joint	To reduce inflammation, improve build up, and maintain healthy and flexible bones and joints
	Nerve and Memory Health	To supplement the building blocks for nerve cells and improve memory
	Traditional Chinese Medication	Herbal products for traditional Chinese medication practice
Functional Food	Low glycemic index complete with balanced nutrition	Formulated with low glycemic and balance nutrient to fulfil consumers' daily nutritional gaps and manage sugar level

6.6 PRODUCTION PROCESSES

6.6.1 Product development process flow

We undertake new product development when there is a market demand for the new products and when our OEM customers request for new product formulations.

The product development process flow is as follows:



6. BUSINESS OVERVIEW *(cont'd)*

Project Initiation

For our House Brand products segment, we carry out market research on consumers' needs and market trends for new product development or for improvement of an existing product. We also gather information on formulations and development requirements, technical information and source of potential ingredients, relevant regulatory requirements and registered products from NPRA's website.

For our OEM segment, customers provide the information or specifications for the product or formulation to our marketing team or Chief Research Officer. Our R&D team will verify the product formulation requirements such as the technical information and source of the ingredients; relevant regulatory requirements, and registered products from NPRA before initiating the project.

If our OEM customer requires a new formulation, we will go through a specification checklist with the customer to determine the type of finished product to be produced. The information in the checklist includes:

(i) Formulation: Our R&D team will develop the formulation based on the customer's specifications and the existing regulatory requirements. A few formulation prototypes will then be developed for the customer to select.

(ii) Packaging: This section focuses on our customer's packaging needs including selection of the bottle type, cap type, and label material to be used in packaging the finished product for the customer.

Develop Formulation

Based on the product specifications, our R&D team will select or source for suitable raw materials (i.e. active ingredients, binders, lubricants) to develop the product's formulation. At this stage, we begin working on the formulation prototype(s).

For new product development, we carry out product discovery as explained in Section 6.8.1.

Pre-Formulation Studies

At this stage, our R&D team will conduct the following pre-formulation studies to ensure that the new formulation meets the product specifications for:

(i) Appearance: to create the right shape and taste where applicable;

(ii) Disintegration test: for prediction of time for tablets, capsules and softgels to breakdown into smaller particles or granules;

(iii) Dissolution test: for prediction of time for complete release of the active ingredients from a dosage form;

(iv) Assay: to determine the content of an ingredient or finished product;

(v) Microbial limits test: to check for the level of microorganisms present in a raw material or finished product;

(vi) Heavy metal limits test: to check for the level of heavy metals present in a raw material or finished product;

(vii) Moisture content: for all products;

(viii) Uniformity of weight: for tablets, capsules and softgels; and

(ix) Stability test: to demonstrate short-term and long-term stability of finished product in terms of its active ingredients, microbial limits, heavy metal limits, disintegration time and dissolution time. Stability test is conducted to determine the shelf life of the finished product.

6. BUSINESS OVERVIEW *(cont'd)*

Final Product Formulation

In the event our customer or R&D team is not satisfied with the formulation prototypes, the formulation would then be revisited and reworked to meet specifications.

This product formulation process is repeated until we are able to meet the product specification and associated pricing.

Finished Product Registration

The final product formulation for dietary supplement has to be registered with the NPRA prior to commencing production while production of functional food products can commence immediately. The product registration with NPRA is made via the NPRA online product registration system.

As part of the product registration process for herbal products, submission of sample for laboratory testing is required by NPRA. NPRA then conducts testing for heavy metals limits test, microbial limits test, disintegration test, uniformity of weight and screening for adulteration for the samples submitted.

For dietary supplements, submission of sample for laboratory testing is not required unless requested by NPRA, upon screening of the product by NPRA.

Skincare products only require notification process with NPRA through the NPRA online notification system before selling the products in the local market.

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6. BUSINESS OVERVIEW *(cont'd)*

6.6.2 Production Process Flow

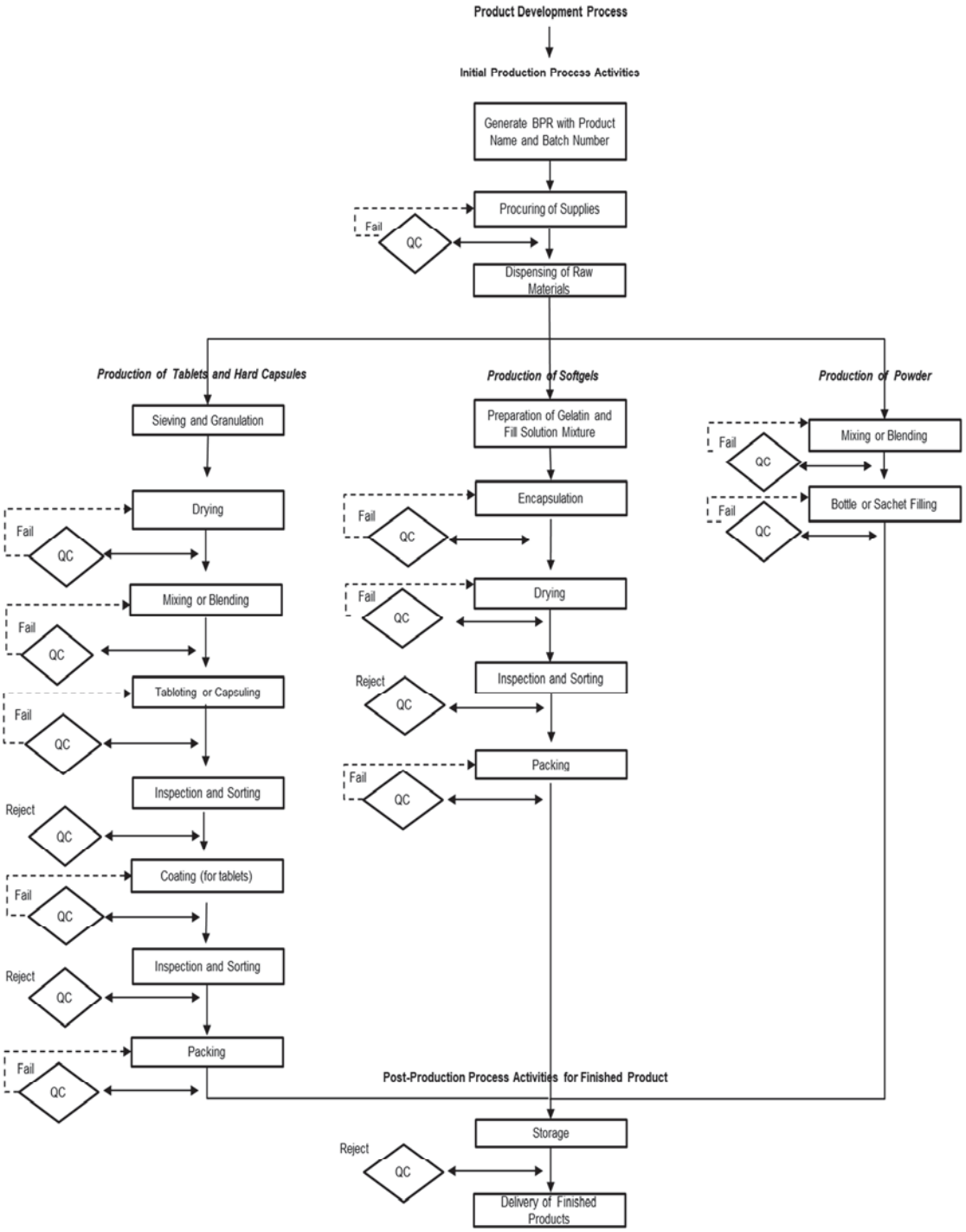
The production process for the following types of dosage forms is as follows:

(i) Tablets and hard capsules;

(ii) Softgels; and

(iii) Powder.

The following chart illustrates our production process:



6. BUSINESS OVERVIEW *(cont'd)*

(i) Product Development

Our product development process flow is set out in Section 6.6.1.

(ii) Initial Production Process Activities

Generate BPR with product name and batch number

BPR is a controlled document approved by the Chief Quality Officer. The BPR includes information on the product name, batch number, batch size, specification of finished product, the manufacturing formula, manufacturing process and packaging instruction for a particular product. A BPR enables all parties within the production value chain to refer to the same document throughout the production process and to document the actual data of the production into the BPR for traceability. The BPR can only be referred to under the supervision of the production supervisor and each party can only refer to their respective process of the BPR. In addition, all employees are bound under a Non-Disclosure Agreement signed with our Group.

We maintain a master copy of the BPR for each production batch size of a particular product. The BPR can be duplicated and used repeatedly. However, different production batches will have different batch numbers.

Procuring of supplies

Our purchasing department procures the raw materials and packaging materials that are required for production of a product from a list of local and overseas suppliers. Our warehouse department then stores and allocates the raw materials and packaging materials for the manufacturing of a product when required.

Our QC team performs tests or checks on the procured raw materials and packaging materials upon arrival to ensure that they are within the specifications and are suitable to be used for production. Examples of test performed may include microbial limits test and heavy metal limits test on raw materials as well as physical defect check on packaging materials. In the event that the raw materials and packaging materials procured are not within the specifications, a written quality complaint is filed with the suppliers and the affected materials are disposed or returned.

Dispensing of Raw Materials

Upon receiving the raw materials from our warehouse, our production operators are responsible for dispensing the raw materials according to the manufacturing formula stated in the BPR.

6. BUSINESS OVERVIEW *(cont'd)*

(iii) Production of tablets and hard capsules

The production processes of tablets and hard capsules are similar. For both dosage forms, the compounds are derived from powder and subsequently filled into different dosage forms as follows:

Different dosage forms produced by our Group

Tablets

Hard Capsules

The production process of tablets and hard capsules at our production facility

Sieving and Granulation

The dispensed raw materials in powder form are first sieved to break any lumps. The sieved raw materials are then transferred to a granulator, where the raw materials in powder form are granulated to form larger particles, commonly in spherical shape called granules.

The granulation of the raw materials improves their flow properties during the mixing or blending process. The large spherical shape of the granules prevents segregation of the contents, thus ensuring the mixing results are consistent.

Drying

The granules produced are then fed to a fluid bed dryer for drying to obtain optimum moisture content in the granules.

Mixing or Blending

The granules are then transferred to a mixer where the granules are mixed evenly to obtain a consistent mixture of granules.

6. BUSINESS OVERVIEW *(cont'd)*

Tableting or Capsuling

The mixture of granules is filled into a hard gelatin capsule using capsule filling machine, and then pressed and packed to form hard capsule.

Alternatively, the mixture of granules is fed into a tableting machine where the granules are compressed into tablet form.

Coating (for tablets)

The surface of the tablets are coated to mask the taste of bitter ingredients and to provide protection from exposure to light and moisture.

Inspection and Sorting

We inspect the coated tablets and capsules to ensure their appearances are according to specification. Cracked tablets or capsules are disposed.

Packing

The tablets and hard capsules are filled into bottles or blister packs. The packaging protects the products from exposure to light and moisture, and keeps them in good condition until they are consumed.

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6. BUSINESS OVERVIEW *(cont'd)*

(iv) Production of softgels

Preparation of Gelatin and Fill Solution Mixtures

In this step, two types of mixtures are prepared:

(i) Gelatin mixture: Gelatin powder is mixed with water and glycerine. The gelatin mixture is later heated and stirred inside a melting tank; and

(ii) Fill solution mixture: Active ingredients of the formulation for the fill solution are mixed in a mixer to obtain a consistent fill solution mixture. The fill solution mixture is prepared using the Actisof formulation. Details of our Actisof formulation is set out in Section 6.9.1.

Both mixtures are then transferred into storage tank for encapsulation.

Encapsulation

The gelatin mixture is pumped into a softgel encapsulation machine and two thin ribbons of gelatin are formed. These ribbons are then passed through a series of rollers and fed between two rotating die cylinders that determine the size and shape of the softgels, which form two halves of the capsule. The ribbons then converge to a fill injector where appropriate volume of fill solution mixture is measured and dispensed via a pump.

The filled capsule halves are then sealed together by heat and pressure, and then ejected from the softgel encapsulation machine. The softgels are then rotated in the rotary drums for 20 to 30 minutes to remove the oil from the surface of the softgel and to shape the softgel.

Drying

Following the encapsulation process, the softgels are transferred onto nylon trays and placed in a low-humidity drying room where the softgels are dried at 20 to 28 degree Celsius to remove excess moisture. The softgels are monitored by production operators and turned every 30 minutes to quicken the drying process.

Inspection and Sorting

We inspect the softgels to ensure their appearances are according to specification. Softgels that are out of shape are disposed.

6. BUSINESS OVERVIEW *(cont'd)*

Packing

The softgels are filled into bottles or blister packs. The packaging protects the products from exposure to light and moisture, and keeps them in good condition until they are consumed.

(v) Production of Powder

Mixing or Blending

The dispensed raw materials are mixed together in a double-cone mixer to obtain the final products in powder form. The raw materials are mixed thoroughly until the uniformity of the powder is achieved.

Bottle or Sachet Filling

The powder mix is filled into bottles or sachet bags using the filling machine.

(vi) Post-Production Process Activities for Finished Products

Packing Finished Product QC

All finished products are quarantined and samples of these products are tested by our QC team before the finished products are released and stored in our warehouse. Product batches that fail the QC test are disposed.

Storage

All finished products in our warehouse, are stored at 15 to 30 degree Celsius to maintain its quality.

Delivery of Finished Products

Our finished products are delivered to our OEM customers, independent retail pharmacies and agents.

6. BUSINESS OVERVIEW *(cont'd)*

6.7 PRODUCTION FACILITY

6.7.1 Production Facility and Team

Our production facility is currently located at Lot 708, Nova Avenue, 4th Mile, 43950 Sungai Pelek, Sepang, Selangor, Malaysia. The land area is approximately 22,257 sq. m. whilst its built-up production and administration floor area including our head office, warehouse, R&D facility and the structures as set out in Section 6.21.1 is approximately 4,496 sq. m. As at the LPD, our production team is led by our Group's Chief Production Officer, Tan Kiat Wei.

6.7.2 Production Capacity

The following table summarises our production capacity:

Dosage Form	Production Capacity/Year (based on one shift a day)
Tablet	92 million tablets
Hard Capsule	27 million capsules
Softgel	17 million softgels
Powder in Bottle	686,000 bottles
Powder in Sachet	686,000 sachets

Our machines and production line capacities are as follows:

Process	Machine	Production Capacity/ Yearly [(1)]	Actual Production Output	Utilisation Rate as at FYE 2017 (%)	Age[(2)] (years)	Audited NBV as at FYE 2017 (RM)	Audited NBV as at FPE 2017 (RM)
Granulation	Granulator 1	85,000 kg	-	-	4	44,241	39,136
	Granulator 2	33,000 kg			8	1,660	-
Mixer	Mixer 1	1 million kg	-	-	3	24,144	21,881
	Mixer 2	0.6 million kg			2	34,470	31,239
Tableting	Tableting machine 1	60 million tablets	14.0 million tablets	23.0	13	-[(3)]	-[(3)]
	Tableting machine 2	32 million tablets	6.50 million tablets	20.3	11	-[(3)]	-[(3)]
Coating	Tablet Coating Machine	30,000 kg	-	-	11	-[(3)]	-[(3)]
Capsulation	Capsule Filling Machine	27 million capsules	4.63 million capsules	17.1	11	-[(3)]	-[(3)]
Softgel Encapsulation	Softgel Encapsulation Machine	17 million softgels	12.17 million softgels	71.6	9	-[(3)]	-[(3)]
Blister Packing	Blister Packing Machine	1.50 million blisters	0.11 million blisters	7.4	8	-[(3)]	-[(3)]
Packaging	Tablet and Softgel Counting Machines and Powder Filling Machine	60 million pcs and 0.686 million bottles	-	-	6	9,268	6,698
Total						**113,783**	**98,952**

Notes:

(1) Based on eight hours shift over five working days per week in FYE 2017.

(2) The average life span of our machineries is 8 to 10 years.

(3) Assets had been fully depreciated as at FYE 2017, but are still in good working condition due to our regular maintenance to ensure compliance with GMP requirements.

The production capacity of the current production facility is based on the mixers' capacity which determines the maximum batch size of a product to be produced. With the current mixers, only one product batch can be processed at a time. We are not able to accommodate a bigger capacity mixer due to limited space available in the current facility.

Hence with the new GMP-compliant production facility as set out in Section 6.23.1(i), we intend to purchase additional mixers which are expected to increase the production capacity for our functional food products. In addition we will also be able to produce a wider range of functional food products as the new production facility will be able accommodate additional machinery as set out in Section 3.7.1(ii).

6.7.3 Warehouse facility and capacity

Our Group has approximately 983.38 sq. m. of warehousing space and 905.69 sq. m. of warehousing capacity. In accordance with the GMP requirements, our Group uses a 'First In First Out' system to ensure that raw materials are used before expiry. To maintain the quality of the products and to reduce the risk of contamination; raw materials, packaging materials and finished products are stored in separate warehouses.

The following table summarises our Group's warehouse capacity for FYE 2017:

Type	Capacity (pallet)	Pallet Dimension (feet)	Capacity (sq. ft.)	Capacity (sq. m.)	Utilised Quantity (pallet)	Utilised Space (sq. ft.)	Utilised Space (sq. m.)	Average Utilisation Rate (%)
Raw Materials	184	4x4	2,944	273.5	158	2,528	234.9	85.9
Packaging Materials	238	4x4	3,808	353.8	198	3,168	294.3	83.2
Finished Products	131	4x4	2,996	278.3	131	2,996	278.3	100[(1)]
Total	**553**	**-**	**9,748**	**905.6**	**487**	**8,692**	**807.5**	**89.2**

Note:

(1) We regularly monitor the warehouse space for finished products to ensure that there is sufficient capacity for our new production. In the event of insufficient warehouse space, we will utilise our properties in Pekan Sungai Gadut, Seremban, Negeri Sembilan which was intended as warehouse to use for storage in the southern region as disclosed in Section 6.21.1.

Our warehouse facility currently has a temporary building permit from MPS from 22 May 2018 to 31 December 2018. The temporary building permit is subject to annual renewal from MPS. The warehouse facility is insured with fire insurance cover which is also subject to annual renewal. Upon completion of our new GMP-compliant production facility, our warehouse will be shifted to the new production facility as set out in Section 6.23.1(i).

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6. BUSINESS OVERVIEW *(cont'd)*

6.8 RESEARCH AND DEVELOPMENT

We have our own in-house R&D team and facility that carries out our R&D activities. In addition, our Group collaborates with local universities and CROs to conduct pre-clinical and clinical trials. Our R&D activities are focused on developing new products and improving the existing products that are offered by our Group.

6.8.1 R&D Process

There are generally five steps involved in the R&D process namely product discovery, proof of concept, product development, product registration and commercialisation as follows:

(i) Product discovery – We carry out market research and surveys on consumers' needs and market trends for new product development or for improvement of an existing product. In addition, we also gather information on formulation and development requirements, technical information of potential new ingredients to be used in the formulation, source of suppliers, regulatory requirements, references and benchmark products from the NPRA's website.

We conduct experiments on new potential ingredients to gather the necessary technical information such as how the compounds in the ingredients are absorbed, distributed, metabolised and excreted, their optimal dosage, their safety profile, how they react to other compounds, their effectiveness, and their effects on different demographics.

(ii) Proof of concept – We carry out pre-clinical trials using animal models to study in detail the safety profile and the optimal dosage level of the proposed new products. At this stage, a decision is made as to whether to continue pursuing R&D on the proposed new product based on the safety profile. Some of our pre-clinical trials are outsourced to GLP accredited pre-clinical CRO in order for the studies to qualify for regulatory submission.

If a proposed new product has a substantial claim to its health benefits, our R&D team may proceed with clinical trials to determine the safety and efficacy of the proposed new product for human consumption. We engage a CRO to manage our clinical trials.

(iii) Product development - The product development process focuses on development and analysis works via manufacturing trial batches, comparison and review of all batch results. We develop test methods and perform validation to ensure that the formulation and process provide the desired finished products. The resulting products are put through stability tests to monitor their stability.

(iv) Product registration – New products developed by the R&D team are submitted for registration with the NPRA. Upon obtaining approval from the NPRA, the new products are then ready to be rolled out to the market.

(v) Commercialisation – The new products are then manufactured and sold in the market. Our business development team will monitor and assess the market acceptance of the new products launched as well as gather feedbacks from customers.

6. BUSINESS OVERVIEW *(cont'd)*

6.8.2 R&D Facilities and Team

Our R&D facility and laboratory is currently located at Lot 708, Nova Avenue, 4th Mile, 43950 Sungai Pelek, Sepang, Selangor, Malaysia. The R&D facility and laboratory is equipped with the required machineries and equipment to carry out our R&D activities. As at the LPD, our R&D team consists of five members and is led by our Managing Director and Chief Research Officer, Phang Nyie Lin.

6.8.3 R&D Expenditure

Our Group's R&D expenditure for the past three financial years up to FYE 2017 and for financial period ended 31 December 2017 is as follows:

	FYE 2015	FYE 2016	FYE 2017	FPE 2017
R&D Expenditure (RM'000)	1,256	705	695	271
R&D Expenditure as percentage of revenue (%)	5.5	2.9	2.8	2.2

During the FYE 2015, our Group completed the first clinical trial for the Hepar-P Capsule resulting in a higher percentage of R&D expenditure over the Group's revenue at 5.5%. The R&D expenditure as a percentage of our Group's revenue was approximately 2.9%, 2.8% and 2.2% for FYE 2016, FYE 2017 and the financial period ended 31 December 2017, respectively in the absence of clinical trial related expenses.

6.8.4 Past R&D Activities

The following table outlines the R&D activities which we have undertaken in the past three years up to FYE 2017:

R&D Description	Product Developed	Year of Commencement	Year of Completion
Improvement of Nova Natura-E 400iu Softgel	Nova Natura-E 400iu Softgel	2013	2014
Development of DeeBee Tablet used to prevent complication caused by diabetes	Deebee Tablet	2013	2014
Improvement of Nova Collagen Oral Powder	Nova Collagen Oral Powder	2014	2015
Development of the following ActivMax product series: Low glycemic index, complete and balanced Nutritional Drink ActivMax Breakfast Cereal ActivMax Weight Control Cereal	• ActivMax Breakfast Cereal • ActivMax Weight Control Cereal	2014	2015
Development of Vege-softgel prototypes from seaweed extract	Vege-softgel prototype	2015	2016
Development of 3 in 1 coffee with low glycemic index	Sustinex Low GI 3in1 Coffee	2015	2016
Development of mosquito repellent using citronella essential oil	• MosOut Herbal Essence Gel • MosOut Herbal Essence Ointment • MosOut Herbal Essence Spray	2016	2016

6. BUSINESS OVERVIEW *(cont'd)*

R&D Description	Product Developed	Year of Commencement	Year of Completion
Development of chocolate bars with low glycemic index	-	2016	2016
Development of Ficus microcarpa standardised extract[(1)]	-	2016	2016
Development of pH balanced cleanser bar, body wash and shampoo using natural sources	• SP8 Oat Mild Cleansing Bar • SP8 Baby Oat + Seaweed Body Wash & Shampoo	2016	2017
Development of natural UV protection cream and lotion using borage oil	Novavis Borage Oil Body Balm	2016	2017
Development of probiotics using 10 different probiotic strains	Nova Pro-10 Capsule	2016	2017
Development of healthy coconut spread	-	2016	2017
Development of Arginine tablet with high absorption profile	Nova Arginine 750mg Tablet	2016	2017
Development of DeeBee Ace Tablet used to prevent complication caused by diabetes	Nova DeeBee Ace Tablet	2016	2017
Development of Magnesium tablet	Nova Magnesium 100mg Tablet	2016	2017
Development of N-Acetyl-Cysteine Capsule	Nova NAC N-Acetyl-L-Cysteine 300mg Capsule	2016	2017
Development of low glycemic index bread [(2)]	-	2016	2017
Development of high absorption ubiquinol softgel using self-emulsification technology	-	2017	2018

Notes:

(1) We appointed a foreign based CRO to conduct pre-clinical studies for this R&D activity.

(2) We completed this R&D in December 2017 and developed a prototype for low glycemic index bread which is yet to be launched.

6.8.5 First Clinical Trial for Hepar-P Capsule

We have conducted the first clinical trial for Hepar-P Capsule to evaluate the effectiveness and safety of Phyllanthus niruri standardised extract contained in the product for the treatment of non-alcoholic fatty liver disease. We initiated the first clinical trial in November 2012 and commissioned a local CRO to manage, coordinate and monitor the progress of the clinical trial. We provided our expertise in the process of developing the protocol for the clinical trial as well as to manufacture and supply the investigational product namely, Hepar-P Capsule for use during the clinical trial.

For the clinical trial, 50 participants with their age ranging between 18 years old to 80 years old and diagnosed with fatty liver disease were selected (referred to as the "**Patients**"). The duration of the clinical trial was 48 weeks starting from January 2013, and was conducted at eight general hospitals around Malaysia namely, Hospital Sultanah Bahiyah (Kedah), Hospital Selayang (Selangor), Hospital Kuala Lumpur (Wilayah Persekutuan), Hospital Queen Elizabeth (Sabah), Hospital Tengku Ampuan Afzan (Pahang), Hospital Ampang (Selangor), Hospital Sultanah Aminah (Johor) and Hospital Raja Permaisuri Bainun (Perak).

Patients were divided into two groups where one group of Patients were given Hepar-P Capsule and another group of Patients were given placebo of Hepar-P Capsule containing no Phyllanthus niruri standardised extract. Their bloods and liver biopsies were taken to evaluate and examine changes in the selected liver indicators as well as histologic findings. The safety of the treatment was evaluated through adverse event reports, physical examinations and regular monitoring of blood parameters.

The first clinical trial was completed in January 2015. Our CRO has presented us the final report of the study. From the first clinical trial, Hepar-P Capsule was proven was proven safe for long term consumption with no adverse effects reported in patients. However, the efficacy could not be concluded as not all the patients consented to the liver biopsy at the end of the clinical trial. Only 6 patients out of the 50 patients consented to repeat the liver biopsy at the end of the clinical trial. The 6 patients showed improvement in liver enzymes. The major limitation of the first clinical trial is the relatively small sample size (50 patients) and the biopsy was not repeated for most of the patients after the completion of the treatment.

Hence a second trial will be administered to a larger group of participants of approximately 200 participants to further evaluate its effectiveness for liver health. As at the LPD, we are in the midst of site initiation and recruitment of participants by investigators for the second clinical trial. Further detail of our second clinical trial is set out in Section 6.23.1(ii).

6.8.6 Development of the Standardised Extract of Oil Palm Leaves

In 2009, we initiated the R&D involving Malaysian oil palm leaves. In 2009, we developed the standardised extract and conducted preliminary studies on the standardised extract for its antioxidant properties. Antioxidants are natural occurring compounds found in plants and known to promote better health and reduce the onset of chronic diseases. The standardised extract of oil palm leaves is rich in phenolic acids which is responsible for its antioxidant properties.

As set out in Section 6.2, we have been granted two patents for the oil palm leaves standardised extract in China and Malaysia in 2013 and 2016, respectively.

Further details on future plans for our nutraceutical product containing oil palm leaves standardised extract are set out in Section 6.23.1(ii).

6.8.7 Current and Future R&D Activities

The following table outlines the R&D activities which we are currently undertaking or will be undertaken by us in the future:

R&D Description	Commencement	Expected Completion
Development of standardised extract of a herbal plant which has antioxidant properties and promotes general wellness of individuals	December 2016	October 2018
Second clinical trial for Hepar-P Capsule [(1)]	December 2017	December 2019
Development of L-Theanine capsule	August 2017	December 2018
Development of healthy protein snack	June 2018	June 2019

6. BUSINESS OVERVIEW *(cont'd)*

R&D Description	Commencement	Expected Completion
Development of 10 freeze-dried vegetables and fruits snacks.	November 2018	November 2019
Development of natural food colourants derived from local plants	October 2018	September 2019
Pre-clinical trial for nutraceutical products containing oil palm leaves standardised extract	October 2018	September 2019
Development of new Vege-softgel based product formulations	September 2018	September 2020
Third clinical trial for Hepar-P Capsule	October 2019	December 2020
Two clinical trials for cream product containing Ficus microcarpa standardised extract which can exhibit skin lightening effect	September 2019	July 2020
Clinical trial for nutraceutical products containing oil palm leaves standardised extract	January 2020	December 2020

Note:

(1) We have appointed a local CRO to carry out the clinical trial, which includes planning and coordinating investigator, initiation of trial and trial monitoring.

6.8.8 Grant awarded to facilitate our R&D activities

The following table outlines the grant awarded to Nova Laboratories to facilitate our R&D activities:

Grant	NKEA Agriculture Scheme
Awarding Party	Government
Grant Period	22 November 2011 to 31 December 2017 [(1)(4)]
Description	To carry out clinical trials for the following: (i) Hepar-P Capsule as liver protection agent[(1)]; (ii) An oral anti-aging product with skin lightening effects[(2)]; and (iii) An external anti-aging product with skin lightening effect[(2) (3)] (collectively, the "**NKEA Project**")
Salient Terms	• There shall be no changes or substitutions for the collaborator, principal researcher or project leader • In consideration of the execution and completion of the NKEA Project and fulfilment of Nova Laboratories' obligations under the Agreement dated 22 November 2011 entered between the Government and Nova Laboratories ("**NKEA Agreement**"), the Government agrees to make available to Nova Laboratories the grant incentive for NKEA Project on a reimbursement basis as set out in the NKEA Agreement. • The amount of the incentive may be adjusted by the Government and the Government has the absolute discretion to review the application of the incentive or the aggregate amount to be paid to Nova Laboratories. • The validity of the NKEA Agreement is from 22 November 2011 until 31 December 2020[(4)]. • Intellectual Property: - Nova Laboratories shall prepare and file intellectual property application(s) wherever applicable with MyIPO or other intellectual property bodies within three months after submission of final milestone report(s). - The NKEA Project intellectual property shall be solely owned by Nova Laboratories. However, the Government may be entitled to use the NKEA Project intellectual property for its own purposes upon consultation with Nova Laboratories.

- Termination by Government:

  In the event Nova Laboratories without reasonable cause:
  - suspends the NKEA Project and fails to proceed regularly and diligently with the performance of its obligations under the NKEA Agreement;
  - fails to execute the NKEA Project in accordance with the NKEA Project proposal and persistently neglects to carry out its obligations in relation to the NKEA Project(5);
  - defaults in performing the duties under the NKEA Project and/ or the NKEA Agreement; or
  - breaches any of its obligations or fail to comply with any other terms and conditions of the NKEA Project and/ or the NKEA Agreement;

  then the Government shall give notice in writing ("**Notice of Default**") to Nova Laboratories specifying the relevant default and requiring Nova Laboratories to remedy such default within thirty (30) days from the receipt of the Notice of Default. If Nova Laboratories fails to remedy the relevant default within the thirty (30) days period, the Government may terminate the NKEA Agreement.

  Upon termination of the NKEA Agreement by the Government,

  Nova Laboratories:
  (i) will cease to claim for reimbursement under the Clause 5 of the NKEA Agreement ("**Incentive**") of all expenses incurred in carrying out the works under the project;
  (ii) will submit to the Government detailed reports of the cost of the works and other payments which have been submitted for reimbursement under the Incentive clause prior to termination for verification and approval by the Government; and
  (iii) may continue with implementation, development and operation of the project at Nova Laboratories' own cost and expense.

  The Government shall be entitled to:
  (i) cease the payment of the Incentive or balance payment of the Incentive;
  (ii) claim against Nova Laboratories for all sums paid to Nova Laboratories under the Incentive(5); and
  (iii) claim against Nova Laboratories for any losses and damages suffered as a result of the termination of the NKEA Agreement.

Notes:

(1) The grant period comes with an option to renew by Nova Laboratories giving written notice of renewal at least three months before project completion date and the Government to agree and negotiate the terms of such extension at least one month prior to the project completion date.

On 13 July 2017, we entered into a supplementary agreement with the Government for the extension of the grant period for clinical studies on Hepar-P Capsule as liver protection agent to 31 December 2017. We have on 2 May 2018 entered into a second supplementary agreement with the Government for the extension of project timeline to 31 December 2019.

(2) The Government had on 22 August 2016, confirmed that the grants for pre-clinical and clinical studies for oral and external anti-aging products with skin lightening effects has been terminated as at 4 August 2016.

(3) As set out in Section 3.7.2, we intend to fund this project via the IPO proceeds allocated for the two clinical trials for cream products containing Ficus microcarpa standardised extract which can exhibit skin lightening effect.

(4) The validity period refers to the expiry of the NKEA Agreement while the grant period refers to the period for completion of the Hepar-P Capsule as liver protection agent project.

(5) As at the LPD, there were no claims by the Government under the NKEA programme for the grants given for the terminated NKEA Project as disclosed in Note (2) above.

6. BUSINESS OVERVIEW *(cont'd)*

6.9 TECHNOLOGY USED OR TO BE USED

6.9.1 Actisof formulation for our softgel based products

Actisof formulation is a formulation that can improve the absorption rate of oil-based ingredients used in our softgel products. Softgel is a versatile dosage form used for the administration of oil-based ingredients such as vitamin E, tocotrienols, coenzyme Q10, fish oil, evening primrose oil and black cumin oil. The absorption of these oil-based ingredients is generally challenging due to poor water solubility of the ingredients.

Our Actisof formulation maximises the absorption of oil-based ingredients by increasing the surface area of the oil-based ingredient through emulsification. The advantage of our Actisof formulation is that it can be formulated as a pre-concentrate in a softgel which will spontaneously disperse to form emulsions when the softgel disintegrates in the stomach or small intestine. This formulation maximises the absorption and effectiveness of the oil-based ingredients, and allows the softgel to be consumed at any time.

Our Actisof formulation is used in the formulation of our softgel range of products such as Nova Natura-E 400iu Softgel, Nova Fish Oil 600mg Softgel and Black Cumin Oil 500mg Softgel.

6.9.2 Vege-softgel Formulation

Vege-softgel is a non-gelatin based softgel. Our Vege-softgel formulation is mainly derived from seaweed extract. This formulation enables us to satisfy the vegetarian and vegan requirements of consumers.

We intend to use our Vege-softgel formulation to replace our current bovine-based softgel products. The pilot production of our Vege-softgel products is expected to begin in the third quarter of 2018.

As at the LPD, we are undertaking stability studies of the Vege-softgel formulation. Subject to the successful completion of these stability studies, the commercial production of Vege-softel products is expected to commence by the third quarter of 2018. We also intend to file a patent application for our Vege-softgel formulation in 2018.

6.10 QUALITY CONTROL PROCEDURES

We have an internal QC team to conduct routine tests and physical inspection on raw materials, packaging materials and finished products. Our QC team consists of six members and is led by our Chief Quality Officer, Sangeetha A/P Thuraisingam. We adhere to the following QC procedures in accordance with the GMP standards:

6.10.1 Incoming Quality Control ("IQC")

The raw materials and packaging materials used in our production processes are checked by our QC team for quality compliance. The QC team sets out the required specifications for the raw materials and packaging materials to ensure that the supply conforms to the quality requirements before being used in our production.

Tests such as microbial limits tests, heavy metal limits test as well as physical defect check on packaging materials are then performed based on the specifications stated on the certificates of analysis. The certificate of analysis is provided by suppliers for the raw materials we purchase and sets out the specifications of the raw materials. Non-conforming raw materials and packaging materials are disposed or returned to suppliers.

6.10.2 In-Process Quality Control ("IPQC")

IPQC are the tests conducted throughout the production process to ensure that the products meet their specifications. IPQC is performed throughout the critical stages of the production process. For example, IPQC is carried out during the tablet compression process to ensure that the finished product meet the requirements for uniformity of weight, tablet hardness and friability. IPQC is also carried out during the powder mixing stage to ensure the uniformity of the mixture.

6.10.3 Finished Product Quality Control ("FPQC")

FPQC is the final step performed to ensure that the finished products complies to the finished products specifications. The finished products are put under a series of QC tests which include, heavy metal limits tests, moisture content and microbial limits tests. Upon the successful completion of the tests with the desired outcomes, the finished products are released for sale.

6.11 MODE OF MARKETING, DISTRIBUTION AND SALES

6.11.1 Modes of Distribution and Sales

We mainly generate sales through the following three channels:

(i) Independent Retail Pharmacies

As at the LPD, our House Brand products are sold directly to 227 independent retail pharmacies, of which 105 are NWPP partners. The purchases by all of our customers are on as-needed basis. Our NWPP partners have to achieve a minimum purchase of certain amounts for each month to maintain the NWPP agreement.

(ii) OEM Customers

As at the LPD, we manufacture for seven local OEM customers, which includes a nutraceutical manufacturer and two OEM customers from Hong Kong and Singapore respectively. Our OEM customers are made up of product owners, retailers, and distributors and the sales generated from OEM customers are from purchase orders on as-needed basis. Our OEM sales are generated through referrals from our customers or through direct enquiries. Our corporate website and our corporate information on NPRA's website also help us secure new customers.

(iii) Agents (for Overseas Markets)

We distribute some of our House Brand products through non-exclusive agents in Thailand and Indonesia. We do not have any contractual agreements with these agents. The purchases by all of our agents are on as-needed basis.

(iv) Others

As at the LPD, we are distributing our House Brand products to 77 clinics. We identify the clinics through referrals and direct enquiries from the clinics. We do not have any contractual agreements with the clinics. The purchases from these clinics are on as-needed basis.

The revenue contribution during the Financial Years Under Review and up to FPE 2017 from our three channels of distribution is set our below:

Mode of distribution and sales	FYE 2015 (%)	FYE 2016 (%)	FYE 2017 (%)	FPE 2017 (%)
Independent Retail Pharmacies (including NWPP partners)	48.0	52.9	66.0	63.0
OEM Customers	34.8	33.6	25.5	31.7
Others	8.6	5.6	5.6	5.3
Agents (for Overseas Markets)	-	-	*	-

Note:

* Negligible.

6.11.2 Marketing Strategies

Our business development and sales and marketing team consists of seven employees and is led by our Chief Business Officer, Nicholas Cheong Peck Hiang.

The marketing strategies initiated by our Group are as follows:

(i) NWPP

NWPP involves the offering of exclusive distributorship of our House Brand products under the NWPP to independent retail pharmacies. NWPP partners are given exclusive distribution rights in specific areas and discounts and incentives for our House Brand products via an NWPP agreement.

The salient terms of the NWPP agreements are as follows:

a. Validity: One year and terminated automatically if not renewed. The renewal is at our sole discretion and dependent on our customer's performance.

b. Exclusivity: The customer to be exclusive distributor for certain areas specified in each NWPP Agreement for specific products. We shall not sell specified products to other retailers in the specified areas.

c. Minimum purchase: To maintain the NWPP agreement, the customer has to achieve a minimum purchase of certain amounts for each month during the duration of the NWPP agreement.

d. Obligations: The customer shall sell the products at a recommended retail price during the duration of the NWPP agreement.

e. Confidentiality The customer shall keep confidential the NWPP agreement except where disclosure is required by a governmental body/ regulatory authority.

f. Termination: Our Group can terminate with prior written notice of at least three months where the customer fails to achieve the minimum purchase target or fails to perform its obligations under the NWPP agreement.

g. Product return: Products may only be returned where there is a quality deficiency and with prior authorisation from us. No cash refund is allowed and the return procedure shall be initiated within seven days of receipt of products.

6. BUSINESS OVERVIEW *(cont'd)*

We offer value-added services to our NWPP partners by providing continuous support such as training and education programmes to educate them on the health benefits of our products and providing them with updates on the latest market trends, and organising health awareness campaigns at our partners' premises.

By offering exclusive distributorship for our House Brand products, our NWPP partners can focus on the sale of our House Brand products within their respective areas. As at the LPD, we have 105 independent retail pharmacies under NWPP which showcase our products in 'bookshelf' display to increase our brand visibility.

The concept of 'bookshelf' display aims to provide consumers with a clear and organised visual presentation of our House Brand products. Furthermore, this marketing strategy also helps to elevate the profile of our House Brand products via a more strategic positioning in terms of retail shelf space.

Illustration of the 'bookshelf' display of our House Brand products located at one of our NWPP's partner outlets.

Our business development team carry out routine visits to our NWPP partners to seek feedback and address any problems encountered by them. Our NWPP partners are encouraged to provide their feedback on our products directly to our business development team. Such feedback will allow our Group to better understand the needs of our NWPP partners and consumers in order to improve our products and services.

The number of NWPP partners as at the end of each Financial Years Under Review was 104, 120 and 89 partners, respectively. The revenue contribution from our NWPP partners for the Financial Years Under Review and FPE 2017 were RM9.19 million, RM11.47 million, RM14.80 million and RM6.54 million respectively representing 71.0%, 80.8%, 84.3% and 76.7% of the total revenue from House Brand products and 40.2%, 47.3%, 60.3% and 52.4% of the total revenue during the period. As at the LPD, we have 105 NWPP partners.

(ii) Health Awareness Campaign

Our Group organises and participates in health awareness campaigns with our customers to promote the uses and health benefits of our House Brand products. These health awareness campaigns include topics on osteoporosis awareness, diabetes management and awareness, and heart health awareness.

6. BUSINESS OVERVIEW *(cont'd)*

We also offer free health screenings such as glucose tests, cholesterol tests, bone density tests, nerve tests and skin analyses during these campaigns. The health screenings are carried out by our pharmacists, nutritionists and product specialists.

There are three categories of events carried out in our health awareness campaigns:

(a) Homeparty – A gathering for consumers to have an open discussion on health topics and to provide continuous marketing awareness of our Group's brand and products.

(b) Awareness Day – A campaign to create public awareness on a specific health condition through education and health tests.

(c) Member's Day/ Open Day – A health campaign for the pharmacy's members to create health awareness on osteoporosis, diabetes and heart health.

In the past three years, we held the following health awareness campaigns which were co-organised with our NWPP partners and other customers.

Year	Event	Location
2015	Homeparty – Liver Awareness Campaign	Selangor
	Homeparty – Good Health for the New Year	Selangor
	Awareness Day – Osteoporosis Awareness – Know your Bone Density	Melaka, Selangor, Kuala Lumpur and Johor
	Member Day – Newway Pharmacy 5th Anniversary – Bone Density Test, Diabetic Nerve Test, Cholesterol Test.	Seremban, Negeri Sembilan
2016	Awareness Day – Osteoporosis Awareness Campaign	Johor, Melaka and Selangor
	Awareness Day (Mother's Day Event) – Osteoporosis Awareness	Melaka and Selangor
	Member Day - Osteoporosis and Diabetic Nerve Health Awareness	Johor, Melaka and Selangor
2017	Osteoporosis Awareness and Diabetic Nerve Complication Campaign	Kuala Lumpur
	Awareness Day – Osteoporosis Awareness Campaign	Johor, Melaka, Selangor and Negeri Sembilan
	Grand Opening Pharmacy - Osteoporosis Awareness	Selangor
	Member Day - Osteoporosis and Diabetic Nerve Health Awareness	Selangor
	Member Day – Osteoporosis Awareness Campaign	Johor

(iii) Product Promotions

We roll-out yearly promotions for selected House Brand products. These promotions include selected products that are packaged as twin-packs, triple-packs and bulk purchases. We sell these promotional products at a discounted price to encourage higher purchases by the NWPP partners aside from their regular monthly purchases. Through these promotions, we are able to increase our customer's stock-holding for these products, increase consumer purchases and improve product visibility on the shelves.

(iv) Corporate Website

We have a corporate website at http://www.nova.com.my which provides information on our Group, including our products and services. In addition, we have also established a website for Hepar-P Capsule at http://www.hepar-p.com.my.

6. BUSINESS OVERVIEW *(cont'd)*

The widespread use of the Internet as a source of information facilitates the access to information on our Group and product offerings from any part of the world, thus enhancing our potential market reach and exposure.

6.12 SEASONALITY

Generally, our Group's business is not subject to any cyclical or seasonal trend.

6.13 INTERRUPTION TO OUR BUSINESS IN THE PAST 12 MONTHS

We have not experienced any interruption to our business that had a significant effect on our operations in the past 12 months preceding the LPD.

6.14 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The breakdown of the major raw materials and packaging materials purchased by our Group during the Financial Years Under Review and FPE 2017 are as follows:

			Purchases							
			FYE 2015		FYE 2016		FYE 2017		FPE 2017	
Type of Supplies	**Description**	**Source by Country**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Raw Materials	Excipients[1]	China	868	19.0	537	9.7	517	10.9	505	20.8
		Malaysia	510	11.1	1,046	19.0	761	16.1	417	17.2
	Fish Oil	China	424	9.3	345	6.3	304	6.4	93	3.8
	Calcium Caseinate Food Grade	Malaysia	324	7.1	37	0.7	74	1.6	-	-
	Herbs	China	262	5.7	521	9.4	407	8.6	149	6.1
		Malaysia	-	-	19	0.3	6	0.1	-	-
		Taiwan	-	-	67	1.2	-	-	-	-
		India	-	-	56	1.0	65	1.4	-	-
		Thailand	-	-	8	0.3	-	-	-	-
		Philippines	-	-	-	-	13	0.3	-	-
	Vitamin	China	180	4.0	277	5.0	344	7.3	103	4.3
		Malaysia	6	0.1	63	1.1	77	1.6	-	-
		Others[2]	-	-	13	0.3	-	-	-	-
	Coenzyme Q10	China	58	1.3	151	2.7	74	1.6	70	2.9
	Isolated soy protein	China	146	3.2	110	2.0	107	2.3	65	2.7
		Malaysia	13	0.3	-	-	5	0.1	-	-
	Oat	Malaysia	193	4.2	150	2.7	197	4.2	70	2.9
	Chia seed	Malaysia	-	-	3	0.1	117	2.5	54	2.2
	Alpha Lipoic Acid	China	56	1.2	47	0.9	88	1.9	93	3.8

6. BUSINESS OVERVIEW *(cont'd)*

			Purchases							
			FYE 2015		FYE 2016		FYE 2017		FPE 2017	
Type of Supplies	**Description**	**Source by Country**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
	Lecithin	China	11	0.2	11	0.2	73	1.5	-	-
		Malaysia	1	-	-	-	-	-	-	-
	Astaxanthin	China	46	1.0	30	0.5	15	0.3	11	0.5
	Other raw materials[3]	-	666	14.7	710	12.8	583	12.3	331	13.7
Packaging Materials	HDPE bottles	China	157	3.5	277	5.0	122	2.6	71	2.9
		Malaysia	69	1.5	62	1.1	-	-	32	1.3
	Cap	China	46	1.0	132	2.4	111	2.3	108	4.5
		Malaysia	3	-	-	-	-	-	3	-
	Other packaging materials [4]	-	531	11.6	846	15.3	667	14.1	250	10.4
Total			**4,570**	**100.0**	**5,518**	**100.0**	**4,727**	**100.0**	**2,425**	**100.0**

Notes:

(1) Excipients are inactive ingredients that are used in product formulations to provide stability to the product. Our purchases include, amongst others, high oleic sunflower oil powder, gelatin, hylon, coffee powder, sodium caseinate, ethanol, wheat, maltitol, isomaltulose, fructose, polyvinylpyrrolidone, microcrystalline cellulose, vanilla powder and gum arabic.

(2) Includes India and United States of America.

(3) Includes purchases of, amongst others, hydoxypropyl methylcellulose, coenzyme and red yeast rice powder.

(4) Includes purchases of, amongst others, induction seal and bottle glass.

Although the raw materials we consume are readily and easily available with no material price fluctuation or volatility experienced by us in the past, we have sourced from the same major suppliers based in China during the Financial Years Under Review and FPE 2017. Hence, our Group is exposed to the risk of dependency on our major suppliers and foreign currency fluctuations as disclosed in Section 4.1.10 and Section 4.1.11.

All our suppliers are selected based on criteria such as the reliability of their supplies, price competitiveness and product quality. We are constantly sourcing for more suppliers who are able to provide us with competitive pricing, timely delivery and high-quality products. For the past three years, we have not faced any difficulty in the sourcing of our supplies.

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6.15 PRINCIPAL MARKETS FOR PRODUCTS AND SERVICES

The principal market for our products is Malaysia. The breakdown of our revenue by our principal markets during the Financial Years Under Review and FPE 2017 are as follows:

	FYE 2015		FYE 2016		FYE 2017		FPE 2017	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	20,718	90.7	21,131	87.1	23,225	94.6	12,005	96.1
Overseas								
- Cambodia	351	1.5	-	-	-	-	-	-
- Hong Kong	306	1.3	1,636	6.7	526	2.2	383	3.1
- Pakistan	425	1.9	733	3.0	128	0.5	-	-
- Indonesia	-	-	-	-	5	-	-	-
- Vietnam	442	1.9	586	2.4	422	1.7	-	-
- Singapore	137	0.6	-	-	235	1.0	98	0.8
- Japan	468	2.1	184	0.8	-	-	-	-
Total overseas market	2,129	9.3	3,139	12.9	1,316	5.4	-	-
Total Revenue	**22,847**	**100.0**	**24,270**	**100.0**	**24,541**	**100.0**	**12,486**	**100.0**

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6. BUSINESS OVERVIEW *(cont'd)*

6.16 MAJOR CUSTOMERS

Our top five customers for the Financial Years Under Review and FPE 2017 are as follows:

Rank	Customers	Length of Business Relationship as at the LPD (years)	Revenue	
			RM '000	%
	FPE 2017			
1.	Powerlife (M) Sdn Bhd	8	2,211	17.7
2.	All Day Pharmacy	2	1,752	14.0
3.	Eastern Healthcare (M) Sdn Bhd	16	978	7.8
4.	Gold Smart Trading Limited	9	383	3.1
5.	Farmasi Kim Chuan	6	341	2.7
		Total	**5,662**	**45.3**
	FYE 2017			
1.	AM PM Pharmacy Sdn Bhd	15	2,555	10.4
2.	All Day Pharmacy[(2)]	2	2,516	10.3
3.	Powerlife (M) Sdn Bhd[(1)]	8	2,420	9.9
4.	Eastern Healthcare (M) Sdn Bhd	16	1,763	7.2
5.	Sunlight Pharmacy (KK) Sdn Bhd	10	757	3.1
		Total	**10,011**	**40.9**
	FYE 2016			
1.	Powerlife (M) Sdn Bhd[(1)]	8	3,369	13.9
2.	Eastern Healthcare (M) Sdn Bhd	16	2,103	8.7
3.	AM PM Pharmacy Sdn Bhd	15	2,062	8.5
4.	Gold Smart Trading Limited	9	1,636	6.7
5.	Farmasi Elcarim Sdn Bhd	11	1,170	4.8
		Total	**10,340**	**42.6**
	FYE 2015			
1.	Powerlife (M) Sdn Bhd[(1)]	8	3,069	13.4
2.	AM PM Pharmacy Sdn Bhd	15	1,660	7.3
3.	Eastern Healthcare (M) Sdn Bhd	16	1,628	7.1
4.	Farmasi Elcarim Sdn Bhd	11	1,012	4.4
5.	Vision Biotech Sdn Bhd[(3)]	16	688	3.0
		Total	**8,057**	**35.2**

Notes:

(1) The salient terms of our contract manufacturing agreement dated 28 December 2017 with Powerlife (M) Sdn Bhd are as follows:

(a) The agreement is valid for five (5) years and is automatically renewed and shall continue to be in force unless terminated by either party;

6. BUSINESS OVERVIEW *(cont'd)*

(b) Pursuant to the terms of the agreement, Nova Laboratories shall, in respect of each product stipulated under the agreement, ensure the safety and quality of the products, ensure the products comply with GMP requirements, and ensure that the products meet the specifications as agreed in the agreement. Nova Laboratories may only make reasonable changes and modifications to the products with approvals from NPRA and Powerlife (M) Sdn Bhd;

(c) The product formulations as stipulated in the agreement belongs to Powerlife (M) Sdn Bhd and Nova Laboratories shall not use said formulations for its own use or offer the same to any third party; and

(d) Powerlife (M) Sdn Bhd shall not during the term of the agreement appoint any other person, firm or company as its contract manufacturer for the products stipulated without the prior written consent of Nova Laboratories.

(2) As set out in Section 10.2.2, All Day Pharmacy was a related party, pursuant to the shareholding of Nutraphyll in All Day Pharmacy and the directorship of Phang Nyie Lin, Phang Yeen Nung and Phang Yeen Aun in All Day Pharmacy. Nutraphyll was previously controlled by our Promoters through their shareholdings and directorships in Nutraphyll until August 2017. Nutraphyll had on 17 August 2017 disposed all of its equity in All Day Pharmacy to a non-related party. Phang Nyie Lin and Phang Yeen Nung have resigned as directors of All Day Pharmacy on 14 June 2017 while Phang Yeen Aun resigned as a director of All Day Pharmacy on 20 January 2017.

(3) As set out in Section 10.2.2, Vision Biotech, which is principally involved in the trading of all kinds of premix and animal health products, was a related party, due to our Group's involvement in the development and production of animal health products and pursuant to the shareholding of Phang Nyie Lin and Phang Yeen Aun in Vision Biotech. Phang Nyie Lin and Phang Yeen Aun are also the non-executive directors in Vision Biotech. They are not involved in the day-to-day operations and management of Vision Biotech. However, since 9 January 2017, we have ceased the trading of these animal health products.

We have a diverse customer base consisting of OEM customers, which includes a nutraceutical manufacturer, clinics and independent retail pharmacies.

Powerlife (M) Sdn Bhd is a retailer of pharmaceutical, medical and orthopaedic goods and the owner of 'Powerlife' branded dietary supplements. We manufacture certain products on an exclusive basis under the 'Powerlife' brand for Powerlife (M) Sdn Bhd.

Gold Smart Trading Limited is a trading company based in Hong Kong. We manufacture certain products on an exclusive basis under the 'Infinitus' brand for Gold Smart Trading Limited.

Eastern Healthcare (M) Sdn Bhd is a company that offers healthcare consultation services and healthcare products, and the owner of 'Eastern' branded dietary supplements. We manufacture certain products on an exclusive basis under the 'Eastern' brand for Eastern Healthcare (M) Sdn Bhd.

All Day Pharmacy, AM PM Pharmacy Sdn Bhd and Sunlight Pharmacy (KK) Sdn Bhd are retail chain pharmacies under our NWPP.

Farmasi Kim Chuan and Farmasi Elcarim Sdn Bhd are independent retail pharmacies under our NWPP.

Vision Biotech Sdn Bhd is principally involved in the trading of all kinds of premix and animal health products.

As at the LPD, we are only dependent on three of our major customers which are Powerlife (M) Sdn Bhd, All Day Pharmacy and AM PM Pharmacy Sdn Bhd. Please refer to Section 4.1.9 for further details on our dependency on major customers.

6. BUSINESS OVERVIEW *(cont'd)*

6.17 MAJOR SUPPLIERS

Our top five suppliers for the Financial Years Under Review and FPE 2017 are as follows:

Rank	Suppliers	Length of Business Relationship as at the LPD (years)	Purchases	
			RM '000	%
	FPE 2017			
1.	Shanghai Openchem Co. Ltd.	6	238	9.8
2.	Dongguan Mingda Plastics Products Co. Ltd.	7	200	8.3
3.	Dosic Import & Export Co. Ltd.	1	190	7.8
4.	Hangzhou Greensky Biological Tech Co. Ltd.	9	173	7.1
5.	Shaanxi Guanjie Technology Co. Ltd.	2	100	4.1
		Total	**901**	**37.1**
	FYE 2017			
1.	Huatai Biopharm Inc.	7	328	6.9
2.	Dongguan Mingda Plastic Products Co. Ltd.	7	300	6.3
3.	Sinobright Pharmaceutical Co. Ltd.	6	298	6.3
4.	Nexus Wise Sdn Bhd	5	239	5.1
5.	Shanghai Openchem Co. Ltd.	6	227	4.8
		Total	**1,392**	**29.4**
	FYE 2016			
1.	Dongguan Mingda Plastic Products Co. Ltd.	7	564	10.2
2.	Shanghai Openchem Co. Ltd.	6	454	8.2
3.	Osmosis Nutrition Sdn Bhd	3	397	7.2
4.	Sinobright Pharmaceutical Co. Ltd.	6	316	5.7
5.	Shandong Tianjiao Biotech Co. Ltd.	3	277	5.0
		Total	**2,008**	**36.3**
	FYE 2015			
1.	Shanghai Openchem Co. Ltd.	6	472	10.3
2.	Dongguan Mingda Plastic Products Co. Ltd.	7	373	8.2
3.	Nexus Wise Sdn Bhd	5	335	7.3
4.	Biova LLC	5	286	6.3
5.	Sinobright Pharmaceutical Co. Ltd.	6	272	6.0
		Total	**1,738**	**38.1**

6. BUSINESS OVERVIEW *(cont'd)*

Dongguan Mingda Plastic Products Co. Ltd. is based in China and manufactures packaging materials for medicinal purpose. Among the packaging materials which we purchase from Dongguan Mingda Plastic Products Co. Ltd. are HDPE bottles, caps, cap seals and induction seals.

Shanghai Openchem Co. Ltd., is based in China and is a trader of raw materials. Among the raw materials which we source from Shanghai Openchem Co. Ltd. are polysorbate (Tween 80), microcrystalline cellulose, glucosamine and high oleic sunflower oil powder.

Dosic Import & Export Co., Ltd is based in China and is a trader of raw materials. Among the raw materials which we source from Dosic Import & Export Co., Ltd are evening primrose oil, and high oleic sunflower oil powder.

Hangzhou Greensky Biological Tech Co., Ltd. is based in China and is a manufacturer and supplier of raw materials. Among the raw materials which we source from Hangzhou Greensky Biological Tech Co., Ltd are rutin powder, marigold extract powder and quercetin powder.

Shaanxi Guanjie Technology Co., Ltd. is based in China and is a supplier of raw materials. Among the raw materials which we source from Shaanxi Guanjie Technology Co., Ltd are turmeric extract powder, L-theanine, grape seed extract powder, soy bean extract powder and astaxanthin powder.

Huatai Biopharm Inc. is based in China and is a manufacturer and supplier of raw materials. Among the raw materials which we source from Huatai Biopharm Inc. are fish oil and arachidonic acid oil.

Sinobright Pharmaceutical Co. Ltd. is based in China and is a supplier of raw materials. Among the raw materials which we source from Sinobright Pharmaceutical Co. Ltd are N-acetylcysteine, vitamin E acetate oil, maltitol powder, lecithin, and isomaltulose.

Shandong Tianjiao Biotech Co. Ltd. is based in China and is a manufacturer and supplier of raw materials. Among the raw material which we source from Shandong Tianjiao Biotech Co. Ltd is high oleic sunflower oil powder.

Nexus Wise Sdn Bhd is based in Malaysia and is a distributor of raw materials. Among the raw materials which we source from Nexus Wise Sdn Bhd are chia seed, oat bran powder, wheat fibre and magnesium oxide.

Biova LLC is based in the United States of America and is a distributor of raw materials. Among the raw material which we source from Biova LLC is eggshell membrane powder.

Osmosis Nutrition Sdn Bhd is based in Malaysia and is a contract manufacturer and distributor of veterinary products. Among the products which we contract manufactured with Osmosis Nutrition Sdn Bhd are Nova SB 30% Water Soluble Powder, Trimeton 24% Water Soluble Powder, and Novacoc 24% Water Soluble Powder.

In addition to our major suppliers, we also have a supplier base of approximately 300 suppliers locally and overseas from whom we have sourced various raw materials over the years.

As at the LPD, we are only dependent on Dongguan Mingda Plastic Products Co. Ltd. and Shanghai Openchem Co. LTD., as all of the other suppliers contributed less than 10% of our total purchases during the Financial Years Under Review and FPE 2017. Please refer to Section 4.1.10 for further details on our dependency on major suppliers.

6.18 DEPENDENCY ON CONTRACTS, ARRANGEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

Save for the major licences, trademarks and patents as disclosed in Sections 6.19 and 6.20, our Group is not dependent on any contracts, arrangement or any matters that could materially affect our business as at the LPD.

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6.19 APPROVALS, MAJOR LICENCES, PERMITS AND REGISTRATIONS

6.19.1 Major licences, permits and registrations

As at the LPD, we hold the following major licences, permits and registrations for our business operations:

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
Nova Laboratories	Ministry of International Trade and Industry of Malaysia ("**MITI**")/ Malaysian Industrial Development Authority	9 December 2004	No requirement to be renewed. Valid until revoked under the Industrial Co-ordination Act 1975	Manufacturing Licence pursuant to the Industrial Co-ordination Act 1975 for the place of manufacturing at Lot 708, Persiaran Nova, Batu 4, Sungai pelek, 43950 Sepang, Selangor to manufacture the following products: (i) Standardised extract of phyllanthus niruri and their formulations thereof' (ii) Veterinary pharmaceuticals (iii) Standardized herbal extracts and their formulations thereof, and non-herbal pharmaceuticals (Licence No.: A 014299) (Serial No.: A 022752)	• The address stated in the licence must be approved by the state government and Department of Environment. • MITI must be informed of the sale of shares in the company. • The company is required to train Malaysian citizens accordingly to facilitate the transfer of expertise and technology to all levels of employees. • The company must undertake its projects in accordance with the rules and regulations in Malaysia.	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
Nova Laboratories	Malaysian Bioeconomy Development	29 November 2006	- (1)	Award of BioNexus status to Nova Laboratories(2) (Certificate No.: BNX-100031)	• The award of the BioNexus status is personal to the BioNexus status company, and cannot be assigned, pledged or otherwise transferred, in whole or in part, to any other entity. • Pursuant to a letter dated 2 October 2007 issued by Malaysian Bioeconomy Development, Nova Laboratories must only conduct the following qualifying activities: (i) Development, manufacturing and marketing of phytopharmaceuticals derived from indigenous botanical sources; (ii) Development, manufacturing and marketing of health supplements with novel and unique delivery technologies; (iii) Development, manufacturing and marketing of animal health products with novel and unique delivery technologies; and (iv) Services provided for the R&D of herbal and other pharmaceutical products and related processes which are patentable (approved additional activity).	Complied
Nova Laboratories	Pharmaceutical Services, MOH	20 October 2017	31 December 2018	Annual Certificate of Body Corporate for the purposes of running the storage business, retailing, dispensing and compounding of poisons, dangerous drugs or therapeutic substances (Certificate No.: 0224/ 2017)	None.	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
Nova Laboratories	MPS	10 December 2017	31 December 2018	Business licence as a grinding and packaging factory and an advertisement board without glow at the premises situated at Nova Laboratories, Lot 708, Nova Avenue, 4th Mile, Sungai Pelek 43950 Sepang, Selangor (Licence Serial No.: 24883)	None.	Complied
Nova Laboratories	Lembaga Kemajuan Ikan Malaysia ("**LKIM**")	9 January 2018	January 2019	Licence for trading, import, export and processing of fish (Licence Serial No.: B004376)	• The licensee (Nova Laboratories) shall: (i) Comply with fish grading methods as required by LKIM; (ii) Wrap the fish in a container designated by LKIM; (iii) Made or raise any information required by the authority orally or in writing; (iv) Is required to comply with the sales methods and fish processing as stipulated by LKIM; (v) Use weighing scales approved by LKIM or Ministry of Domestic Trade, Co-operatives and Consumerism; (vi) Comply with requests and reasonable instructions from LKIM's employees or authorized officers under the Malaysian Fisheries Development Authority Act 1971; (vii) Be responsible for all actions related to the employee's activities permitted in its licence; (viii) Comply with good handling practices as stipulated in Schedule, Rules 8 and 9 under the Kaedah-Kaedah Pemasaran Ikan 2013;	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
					(ix) Not trade, process, export or import unsafe fish consumed by human without the written permission of LKIM. • Holders of the licence of Import and Export of live fishes are prohibited to import and export live fishes unless authorized by the Department of Fisheries of Malaysia. • Transaction or processing can only be carried out at the place as specified in this licence. • This licence may be revoked if any of the terms and conditions of this licence or the provisions of the Fisheries Development Authority of Malaysia Act 1971, or any rules made thereunder are violated or not complied with, or found guilty of offences related to the written law. • LKIM is entitled to amend or add the terms and conditions of this licence.	
Nova Laboratories	MPS	4 January 2018	31 December 2018	Approval for signboard at the premises situated at Nova Laboratories, 48A, Jalan Besar Sungai Pelek 43950 Sepang, Selangor	This licence may be cancelled or suspended before 31 December if Nova Laboratories violates any of the terms stipulated.	Complied
Nova Laboratories	DCA	27 September 2017	31 December 2018	Manufacturer's Licence for the manufacturing of products set out in Note (3) at Nova Laboratories, Lot 708, Nova Avenue, 4th Mile, Sungai Pelek 43950 Sepang, Selangor and to sell by wholesale or to supply the said products (3) (Licence No.: MALLP20180161A)	• Every licence shall be personal to the licencee, Nova Laboratories and shall not be transferable to another person. • Nova Laboratories is allowed to manufacture non-sterile products only namely, tablets, capsules, powders and softgels of the registered products as approved by the DCA.	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
Nova Laboratories	Ministry of Domestic Trade, Co-operatives and Consumerism ("**MTDCC**")	6 June 2018	5 June 2019	Approval for the purchase of up to 9,100 litres of diesel at any time and to store the diesel at Nova Laboratories with the business address of Nova Laboratories Sdn Bhd, Lot 708 Nova Avenue, 4th Mile, Sungai Pelek, Sepang pursuant to Regulation 9(2) of the Control of Supplies Regulations 1974 (Serial No. PUTRAJAYA000911)	• This permit is not transferable. • Nova Laboratories is not allowed to store diesel at any other location other than at Nova Laboratories. • Nova Laboratories should not be in possession or control of more than 9,100 litres of diesel. • The diesel is only for Nova Laboratories own use and not for sale. • Nova Laboratories is required to keep proof of purchase of the diesel for the purpose of examination. • Skid tank for the storage of diesel must be labelled. • This permit is valid for the period of renewal issued and renewal has to be made one month before the expiry. • Nova Laboratories is subject to Supply Control Act 1961 and subsidiary legislation thereafter. • If Nova Laboratories is no longer using the diesel, it shall notify the same to the MDTCC • This permit may be revoked immediately if Nova Laboratories provides any false information or breaches any of the condition above.	Complied
Nova Laboratories	Personal Data Protection Commissioner	30 August 2017	29 August 2019	Registration for Personal Data Protection(4)	None.	Complied
Phang Nyie Lin (5)	Pharmaceutical Services, MOH	31 October 2017 (Effective date: 1 January 2017)	31 December 2018	Annual Certificate of Pharmacist (Certificate No.: 007766/ 2018)	None.	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
Phang Nyie Lin [(5)]	Selangor State Health Department, MOH	8 November 2017 (Effective date: 1 January 2018)	31 December 2018	Pharmacist's Poisons License (Type A License) granted to Pharmacist with the business address of Nova Laboratories, Lot 708, Nova Avenue, 4th Mile, Sungai Pelek, 43950 Sepang to import, store and deal generally in all poisons by wholesale only (Certificate Registration No.: BA0182/ 2018)	• Every such licence shall be subject to such terms and conditions, not inconsistent with the Poisons Act 1952 or of any regulations made thereunder, as the Licensing Officer may in his discretion impose, subject however in all cases to appeal to the Minister. • The Licensing Officer may, in his discretion, refuse to issue any such licence or may cancel any such licence previously issued. • This licence shall be personal and shall not in any case be transferable to another person and no licence shall authorize the sale of any poison by any person other than the person named therein or otherwise than under his personal supervision, provided that the Licensing Officer, if he sees fit, may amend on a licence the address of the premises at which the person licensed carries on the business or profession in respect of which he is licensed.	Complied
Nova Laboratories	MTDCC	2 February 2018	1 February 2019	Approval for the purchase of up to 1,000 kilogramme of sugar at any time and to store the sugar at Nova Laboratories with the business address of 48A, Jalan Besar, 43950 Sungai Pelek, Sepang pursuant to Regulation 9(2) of the Control of Supplies Regulations 1974 (Serial No. B011567)	• This permit is not transferable. • Nova Laboratories is not allowed to store sugar at any other location other than at Nova Laboratories. • Nova Laboratories should not be in possession or control of more than 1,000 kilogramme of sugar. • The sugar is only for Nova Laboratories own use and not for sale. • Nova Laboratories is required to keep proof of purchase of the sugar for the purpose of examination. • Skid tank for the storage of sugar must be labelled.	Complied

6. BUSINESS OVERVIEW *(cont'd)*

Licence Holder	Issuer / Authority	Date of Issuance	Date of Expiry	Type of Licence/ Permit/ Registration	Salient Conditions	Status of Compliance
					• This permit is valid for the period of renewal issued and renewal has to be made one month before the expiry. • Nova Laboratories is subject to Supply Control Act 1961 and subsidiary legislation thereafter. • If Nova Laboratories is no longer using the sugar, it shall notify the same to the MDTCC • This permit may be revoked immediately if Nova Laboratories provides any false information or breaches any of the condition above.	
Phang Nyie Lin (6)	MOH	16 August 2017	13 September 2020	Certificate of Food Premise Registration to Phang Nyie Lin to carry out business under the name of Nova Laboratories, Lot 708, Nova Avenue, 4th Mile, Sungai Pelek 43950 Sepang, Selangor Type of business: P1 – food premise involved in food manufacturing (Certificate Registration No.: B09P1140915-019153)	This licence is not transferable.	Complied

Notes:

(1) There is no expiry date for the BioNexus status as confirmed pursuant to a letter dated 1 November 2017 issued by Malaysian Bioeconomy Development.

(2) Pursuant to a letter dated 24 December 2008 issued by Malaysian Bioeconomy Development, the BioNexus status granted to Nova Laboratories enables Nova Laboratories to enjoy 100% tax exemption of the statutory income for a period of 10 years commencing from FYE 2008 to FYE 2017. Subsequently, Malaysian Bioeconomy Development has via its letter dated 1 November 2017, confirmed that, Nova Laboratories is further entitled to a concessionary tax rate of 20% on taxable income generated from its qualifying activities for a period of 10 years upon the expiry of the tax exemption in 2017. We had on 21 November 2017, made an application to Malaysian Bioeconomy Development for the implementation of the concessionary tax rate and as at the LPD the application is under the review of Malaysian Bioeconomy Development.

6. BUSINESS OVERVIEW *(cont'd)*

(3) Includes dietary supplements and skincare products set out in Section 6.5.2 and 6.5.3 and products which we have registered with NPRA but yet to manufacture such as 3E Tocotrienols Plus Softgel, ActiveLife Cordycep Gold Capsule, ActiveLife for Women Capsule, ALA-SR 300mg Tablet, ALBAMUNE 250 mg, Aqua - Q10 plus Vitamin E Tablet, Argylax Oral Granules, Betrimm Tablet, Bio-Eury Capsule, Black Garlic Softgel, CENTRESS Chewable Tablet 25 mg, Coenzyme Q10 25 mg capsule, DONG QUAI COMP, e-Life Gold, EPOSOF 500 mg Softgel, GASTRICOM, Juvita Multivitamins plus Calcium Chewable Tablet (For Children), LifeFit CalMin, LifeFit-LP Softgel, Maxwell Cardiluva Softgel, Natura-E 200iu softgel, Nova Cal – 600, Nova Cal 600-D, Nova Cal-300 C + D Effervescent Tablet, Nova Enzymes Tablet, Nova Gingeric Softgel, Nova L-Theanine 200mg Capsule, Nova ProFlex Tablet, Nova SpiruPlus Tablet, Nova Toco-E Softgel, Nova Ubiquinol Plus Softgel, OREGAN Sacha Inchi Oil 500mg Softgel, Phyto 8, PowerLIFE Vitamin C With Rutin Sustained Release Tablet, Q-Copene Softgel, Red Yeast Rice Plus Grape Seed Extract Capsule, ROS-C Chewable Tablet, THC Omega-3 Fish Oil Capsule, Tri-Lo Tablet, TURMERINE, Vitalon Oral Powder, XINOL, Zingirex 250 mg, NOVAVIS Anti-Hairloss Conditioning Shampoo, Novavis Aqueous Cream with Vitamin E, NOVAVIS Baby Extra Gentle (Soft) Body and Hair Cleanser, Novavis Emulsifying Ointment with EPO, NOVAVIS Extra Gentle (Soft) Body and Hair Cleanser, NOVAVIS Gentle Face and Body Wash.

(4) The registration was in August 2017, which was subsequent to the final date set for registration by the Personal Data Protection Commissioner in February 2014. Please refer to Section 4.1.19 on the risk arising from the late registration.

(5) Phang Nyie Lin is the registered pharmacist and the holder of Poisons License (Type A License) for Nova Laboratories.

(6) Licence is issued to Phang Nyie Lin in his capacity as our Managing Director on behalf of Nova Laboratories as these licences can only be issued to an individual. There is no financial arrangement with Phang Nyie Lin for the use of the license registered under his name.

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6. BUSINESS OVERVIEW *(cont'd)*

6.19.2 Halal certificates

Nova Laboratories has also obtained Halal certificates for the following products:

Type of Product	Certificate No.	Issuer/ Authority	Date of Issuance	Date of Expiry	Salient Conditions
• HSC Omega-3 Fish Oil Softgel[1]	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 April 2017	31 March 2019	None
• Nova Collagen Powder; • Nova Fish Oil 1200mg Softgel; and • Nova Fish Oil 600mg Softgel	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 April 2017	31 March 2019	None
• Activmax Complete Nutritional Drink (Chocolate Flavor); • Activmax Complete Nutritional Drink (Vanilla Flavor); • Activmax Breakfast Drink; • Activmax Cereal Breakfast; • Activmax High Calcium - Complete Nutritional Drink (Coffee); • Activmax High Calcium - Complete Nutritional Drink (Vanilla); and • Activmax Weight Control Cereal Drink	Standard No.: MS1500:2009 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 February 2018	31 January 2020	None
• Nova Oat Beta Glucan	Standard No.: MS1500:2009 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 June 2017	31 May 2019	None
• Cordycep; • Diatec; • Gingko 40mg; • Hepar-P; • Hepar-P Forte Caplet; Slimex; and • Zarthrimin SR Caplet 500mg	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 August 2016[2]	30 July 2018	None
• Powerlife Bio-A COQ10 100mg Softgel;[1] • Powerlife Bosweflex Complex Tablet[1]; and • Powerlife Ginkgo Turmeric Complex Tablet[1]	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 October 2016	30 September 2018	None

6. BUSINESS OVERVIEW *(cont'd)*

Type of Product	Certificate No.	Issuer/ Authority	Date of Issuance	Date of Expiry	Salient Conditions
• Belvea Begin Formula[(1)]; • Belvea Pregnancy & Breastfeeding Formula[(1)]; and • Black Cumin Oil 500mg Softgel	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 March 2018	28 February 2020	None
• Energy Drink V1009[(1)]; and • Epic Premix WB1006[(1)]	Standard No.: MS1500:2009 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 July 2017	30 June 2019	None
• Nova Aqua-Q 10+E Softgel; • Natura-E 400IU Softgel; • Nova Q-10+E Softgel; • Nova-EPO 1000mg Softgel; and • Prostarin	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 November 2017	31 October 2019	None
• Activ Omega-3 Softgel[(1)]	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	1 April 2017	31 March 2019	None
• Activelife ALA Plus Capsule[(1)]; and • Red Yeast Rice Plus Capsule[(1)]	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	16 June 2017	15 June 2019	None
• Lipiros Tablet and • Neurotec Tablet	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	16 July 2017	15 July 2019	None
• Nova – C 500 Tablet; • Nova Optimem Softgel; • Nova Roselle+Flavonoid+C Long Acting Tablet; • Nova Soy Isoflavone 125mg Tablet; • Nova Visionglo Softgel; • Nova Vit-C Chewable Tablet; • Novavon Oral Granules; and • Zarthrimin Oral Powder 1.5g/4.0g	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	16 June 2017	15 June 2019	None
• Lifefit Gold Tablet; • Nova Cal-300 D Chewable Tablet; and • Nova Cal-600 Plus Tablet	Standard No.: MS2424:2012 Reference No.: JAKIM/ (S)/ (22.00)/ 492/ 2/ 1137-12/ 2013	JAKIM	16 July 2017	15 July 2019	None

6. BUSINESS OVERVIEW *(cont'd)*

Type of Product	Certificate No.	Issuer/ Authority	Date of Issuance	Date of Expiry	Salient Conditions
• Virgin Coconut Oil Softgel With Super Vitamin E Tocotrienols & Natural Lycopene [(1)]	Standard No.: MS1500:2009 Reference No.: JAKIM / (S) / (22.00) / 492 / 2 / 1033-05 / 2008	JAKIM	1 May 2017	30 April 2019	None

Notes:

(1) OEM product.

(2) Application for renewal of this halal certificate has been submitted on 1 June 2018.

6.20 PATENTS, TRADEMARKS, BRAND NAMES AND TECHNICAL ASSISTANCE AGREEMENTS

Trademarks

As at the LPD, our Group, via Nova Laboratories, is the proprietary owner of the following trademarks registered under the Trade Marks Act 1976:

Trademark	Registration No.	Registration Date/ (Expiry Date)	Country of Registration	Authority/ Regulatory Guidelines	Description
Nova	2011010112	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Pharmaceutical, veterinary and sanitary preparations; medical products (included in this class); dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
Nova	2011010123	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 16 – Paper, cardboard and goods made from these materials, not included in other classes; printed matter and publications; wrapping and packaging materials of paper and/ or plastic film; books, manuals, pamphlets, newsletters, albums, newspapers, magazines and periodicals; tickets, vouchers, coupons; identity cards; labels and tags; posters, postcards, calendars, diaries, photographs, gift cards and greeting cards; teaching and instructional materials; stationery, artists' materials, writing instruments; book binding material; adhesives for stationery or household purposes; office requisites (except furniture); plastic materials for packaging (not included in other classes).

6. BUSINESS OVERVIEW *(cont'd)*

Trademark	Registration No.	Registration Date/ (Expiry Date)	Country of Registration	Authority/ Regulatory Guidelines	Description
indulgen	2011010121	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 3 – Soaps; essential oils; bath and shower preparations (non-medicated); skin care preparations [non-medicated); oils, creams and lotions for the skin [non-medicated); sun-tanning and sun protection preparations (cosmetic); cosmetics; make-up and make-up removing preparations; petroleum jelly (for cosmetic use); lip care preparations (non-medicated); talcum powder; cotton wool, cotton sticks (for cosmetic use); cosmetic pads, tissues or wipes, cleansing pads, tissues or wipes, pre-moistened with cosmetic preparations; beauty masks, facial packs (cosmetic).
indulgen	2011010122	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 16 – Paper, cardboard and goods made from these materials, not included in other classes; printed matter and publications; wrapping and packaging materials of paper and/ or plastic film; books, manuals, pamphlets, newsletters, albums, newspapers, magazines and periodicals; tickets, vouchers, coupons; identity cards; labels and tags; posters, postcards, calendars, diaries, photographs, gift cards and greeting cards; teaching and instructional materials; stationery, artists' materials, writing instruments; book binding material; adhesives for stationery or household purposes; office requisites (except furniture); plastic materials for packaging (not included in other classes).
Nova ... improving health	2011010113	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Pharmaceutical, veterinary and sanitary preparations; medical products (included in this class); dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

6. BUSINESS OVERVIEW *(cont'd)*

Trademark	Registration No.	Registration Date/ (Expiry Date)	Country of Registration	Authority/ Regulatory Guidelines	Description
Nova ... improving health	2011010114	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 16 – Paper, cardboard and goods made from these materials, not included in other classes; printed matter and publications; wrapping and packaging materials of paper and/ or plastic film; books, manuals, pamphlets, newsletters, albums, newspapers, magazines and periodicals; tickets, vouchers, coupons; identity cards; labels and tags; posters, postcards, calendars, diaries, photographs, gift cards and greeting cards; teaching and instructional materials; stationery, artists' materials, writing instruments; book binding material; adhesives for stationery or household purposes; office requisites (except furniture); plastic materials for packaging (not included in other classes).
PalmActif	2011010116	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Pharmaceutical preparation, dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; disinfectants; preparations for destroying vermin; fungicides, herbicides.
Nova LifeFit Actif	2011010118	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Dietary supplements.
Palm Leaf Whitening Agent	2011010117	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 3 – Soaps; essential oils; bath and shower preparations (non-medicated); skin care preparations (non-medicated); oils, creams and lotions for the skin (non-medicated); sun-tanning and sun protection preparations (cosmetic); cosmetics; make-up and makeup removing preparations; petroleum jelly (for cosmetic use); lip care preparations (non-medicated); talcum powder; cotton wool, cotton sticks (for cosmetic use); cosmetic pads, tissues or wipes, cleansing pads, tissues or wipes, pre moistened with cosmetic preparations; beauty masks, facial packs (cosmetic).

6. BUSINESS OVERVIEW *(cont'd)*

Trademark	Registration No.	Registration Date/ (Expiry Date)	Country of Registration	Authority/ Regulatory Guidelines	Description
FicusActif Whitening Agent	2011010115	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 3 – Soaps; essential oils; bath and shower preparations (non-medicated); skin care preparations (non-medicated); oils, creams and lotions for the skin (non-medicated); sun-tanning and sun protection preparations (cosmetic); cosmetics; make-up and makeup removing preparations; petroleum jelly (for cosmetic use); lip care preparations (non-medicated); talcum powder; cotton wool, cotton sticks (for cosmetic use); cosmetic pads, tissues or wipes, cleansing pads, tissues or wipes, pre-moistened with cosmetic preparations; beauty masks, facial packs (cosmetic).
ACTISOF Improved Absorption	2011010120	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Pharmaceutical preparations, dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; disinfectants; preparations for destroying vermin; fungicides, herbicides.
ActivPro	2011010119	1 June 2011/ (1 June 2021)	Malaysia	MyIPO	Class 5 – Pharmaceutical preparation, dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; disinfectants; preparations for destroying vermin; fungicides, herbicides.
Nova VitaShop	2016059002	17 June 2016/ (17 May 2026)	Malaysia	MyIPO	Class 35 – Retailing services in relation to medicines, pharmaceutical goods and services and all other goods commonly sold in pharmacies
Nova VitaShoppe	2016059004	17 June 2016/ (17 May 2026)	Malaysia	MyIPO	Class 35 – Retailing services in relation to medicines, pharmaceutical goods and services and all other goods commonly sold in pharmacies.

6. BUSINESS OVERVIEW *(cont'd)*

We have also filed with MyIPO the following trademark registration applications under the Trade Marks Act 1976 and Trade Marks Regulations 1977:

Trademark	Applicant	Date of Filing	Application No.	Description	Status as at the LPD
ActivMax	Nova Laboratories	17 May 2016	2016059016	Class 5 - Pharmaceutical preparation, dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; disinfectants; preparations for destroying vermin; fungicides, herbicides.	Conditional acceptance(1)
SP8 SKIN NATURALS	Nova Laboratories	13 October 2017	2017070062	Class 3 – Soaps; essential oils; bath and shower preparations (non-medicated); skin care preparations (non-medicated); oils, creams and lotions for the skin (non-medicated); sun-tanning and sun protection preparations (cosmetic); cosmetics; make-up and makeup removing preparations; petroleum jelly (for cosmetic use); lip care preparations (non-medicated); talcum powder; cotton wool, cotton sticks (for cosmetic use); cosmetic pads, tissues or wipes, cleansing pads, tissues or wipes, pre-moistened with cosmetic preparations; beauty masks, facial packs (cosmetic).	Pending registration.
SUSTİNEX	Nova Laboratories	13 October 2017	2017070059	Class 5 – Pharmaceutical preparation, dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; disinfectants; preparations for destroying vermin; fungicides, herbicides.	Pending registration.

Note:

(1) MyIPO had on 21 March 2018 given a conditional acceptance to the trademark registration application for 'Activmax' under the following conditions:

(a) the 'NOVA' housemark to be inserted into the trademark registration application;

(b) there should be a disclaimer to the exclusive use of the word 'ActivMax; and

(c) specification of goods to be amended to 'Dietetic substances adapted for medical use included in Class 05'.

6. BUSINESS OVERVIEW *(cont'd)*

Patents

As at the LPD, our Group is the proprietary owner of the following patents:

Patent/Title of Invention	Registered Owner/ Applicant	Grant Date/ (Expiry Date)	Country of Registration	Patent Application No./ Grant No.
A Herbal Composition [(1)]	Nova Laboratories	30 March 2007/ (17 December 2022)	Malaysia	Patent Application No.: PI 20024726 Grant No.: MY-128938-A
A Stabilised Composition [(1)]	Nova Laboratories	31 December 2009/ (17 December 2022)	Malaysia	Patent Application No.: PI 20024725 Grant no.: MY-140399-A
Extract from Oil Palm Leaves comprising Phenolic Acids	Nova Laboratories	15 July 2016/ (6 March 2028)	Malaysia	Patent Application No.: PI 20080538 Grant No.: MY-157650-A
Extract from Oil Palm Leaves comprising Phenolic Acids	Nova Laboratories	6 November 2013/ (12 February 2029)	China	Patent Application No.: ZL 2009 8 0116017.0 Publication No. : CN102123720A

Note:

(1) The patents are for the herbal composition and stabilised composition of Phyllanthus niruri standardised extract, which are used in the formulation of our Hepar-P Capsule and Hepar-P Forte Caplet.

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6. BUSINESS OVERVIEW *(cont'd)*

6.21 MATERIAL PROPERTY, PLANT, MACHINERY AND EQUIPMENT

6.21.1 Properties

As at the LPD, we own the following properties:

Registered owner	Location	Description and Existing Use	Date of CF/ CCC	Land area/ Built-up area	Tenure	Carrying Amount as at FPE 2017 (RM)
Nova Laboratories	Lot 708, Nova Avenue, 4th Mile, 43950 Sungai Pelek, Sepang, Selangor, Malaysia.	Industrial land with the following buildings erected thereon: (i) two blocks of detached buildings which consist of a double-storey office building, production facilities and a warehouse [(1)]; (ii) two garages[(2)]; (iii) an electrical substation building[(2)]; (iv) two double-storey laboratories[(2)]; (v) a guardhouse[(2)]; (vi) a single-storey canteen[(2)]; (vii) six single-storey store rooms[(2)]; (viii) a water tank[(2)]; (ix) an oil tank[(2)]; (x) a single-storey warehouse[(2)]; (xi) a production facility[(2)]; and (xii) a single-storey meeting room[(2)]. Existing use: Head office, warehouse, R&D facility and production facility. [(3)]	21 April 2006 (CF)[(1)] and 22 May 2018 (temporary building permit)[(2)]	22,257 sq. m./ 4,496 sq. m.	Freehold	RM10,617,958
Nova Laboratories	Lot 11195, Pekan Sungai Gadut, Daerah Seremban, Negeri Sembilan [(5)]	Industrial land with unoccupied semi-detached factory. Existing use: Vacant [(4)]	10 July 1990	485 sq. m./ 183.47 sq. m.	Freehold	155,498
Nova Laboratories	Lot 21874, Pekan Sungai Gadut, Daerah Seremban, Negeri Sembilan[(5)]	Industrial land with unoccupied semi-detached factory Existing use: Vacant [(4)]	10 July 1990	266 sq. m./ 183.47 sq. m.	Freehold	85,283

6. BUSINESS OVERVIEW *(cont'd)*

Notes:

(1) We have obtained CF for the double-storey building, warehouse and production facilities on 21 April 2006.

(2) We had on 12 June 2018 obtained a temporary building permit from MPS for these structures up to 31 December 2018. The annual renewal of the temporary building permit is to be submitted three (3) months before the expiry of the temporary building permit. We applied for a temporary building permit only as we intend to shift the operations and functions carried out within the structures to the new production facility upon completion. These structures are insured with fire insurance cover which is also subject to annual renewal.

(3) We are also undertaking the expansion of our production facility which is expected to be completed by November 2018. Further details of the expansion of production facility are set out in Section 6.23.1(i).

(4) As set out in Section 6.7.3, in the event of insufficient warehouse space, we intend to use the property for storage in the southern region. However the property may be disposed, if such disposal is deemed to be in the best interest of our Group and after taking into consideration the requirements of our Group and property market conditions at the time of disposal.

(5) The property was originally registered in the name of Nova Laboratories. In February 2014, the property was registered into the name of Phang Yeen Aun, who held the property in trust. The purpose of the transfer to Phang Yeen Aun was to facilitate a sale of the property on behalf of Nova Laboratories. However, the sale did not take place and the property was subsequently re-registered into the name of Nova Laboratories in August 2016.

Save for the Real Property Gains Tax ("**RPGT**") filing which was filed on 17 November 2017 instead of the statutory deadline of 12 November 2017 for the acquisition of the land on 13 September 2017, to the best knowledge of our Board, we are in compliance with all regulatory requirements in respect of our properties as at the LPD.

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6. BUSINESS OVERVIEW *(cont'd)*

6.22 GOVERNING LAWS AND REGULATIONS INCLUDING ENVIRONMENTAL CONCERNS

Our Group's business operations are subject to the following governing laws and regulations:

(i) Food Act 1983 and Food Regulations 1985 for protection of the public against health hazards and fraud in the preparation, sale and use of foods and for matters incidental there to or connected therewith;

(ii) Control of Drugs and Cosmetics Regulations 1984 which states that all prescription medicines, over-the-counter drugs including dietary supplements, traditional medicines and cosmetics are required to be registered with DCA before they can be manufactured, imported, sold or supplied;

(iii) Drug Registration Guidance Document issued by the Director of Pharmaceutical Services under Regulation 29 of the Control of Drugs and Cosmetics Regulation 1984 which sets out that products must meet the evaluation standards listed in the Drug Registration Guidance Document in order to be registered, including GMP compliance;

(iv) Medicines (Advertisement and Sale) Act 1956 which was introduced to control the advertisement relating to medical matters and to regulate the sale of substances recommended as a medicine, which includes dietary supplements;

(v) Halal certification issued by JAKIM which sets out the criteria to be met for products to be certified as Halal; and

(vi) Intellectual property protection provided by MyIPO for protection to inventors, including nutraceutical manufacturers, on registered trademarks and patents.

As at the LPD, our Group has complied with all regulatory and environmental requirements which may materially affect our Group's operations and/ or utilisation of assets. In addition, there are no environmental proceedings or investigations to which we are or might become a party to.

6.23 FUTURE PLANS AND STRATEGIES

6.23.1 Future Plans and Strategies

The following are the future plans and strategies of our Group, which we intend to implement within three years from the Listing.

(i) Construction of a New GMP-Compliant Production Facility

As part of our efforts to increase our production capacity, we intend to construct a new GMP-compliant production facility for the production of our Group's functional food and skincare products. The production facility will be situated on the piece of vacant land owned by us which is adjacent to our head office and current production facility in Sepang, Selangor.

The construction of the new GMP-compliant facility will be undertaken in two phases as set out below:

Phase 1: involves the construction of a double-storey building for use of office, laboratory, warehouse and production facility for the production of our functional food products. The total build-up of the double-storey production facility is approximately 12,636.87 sq. m.

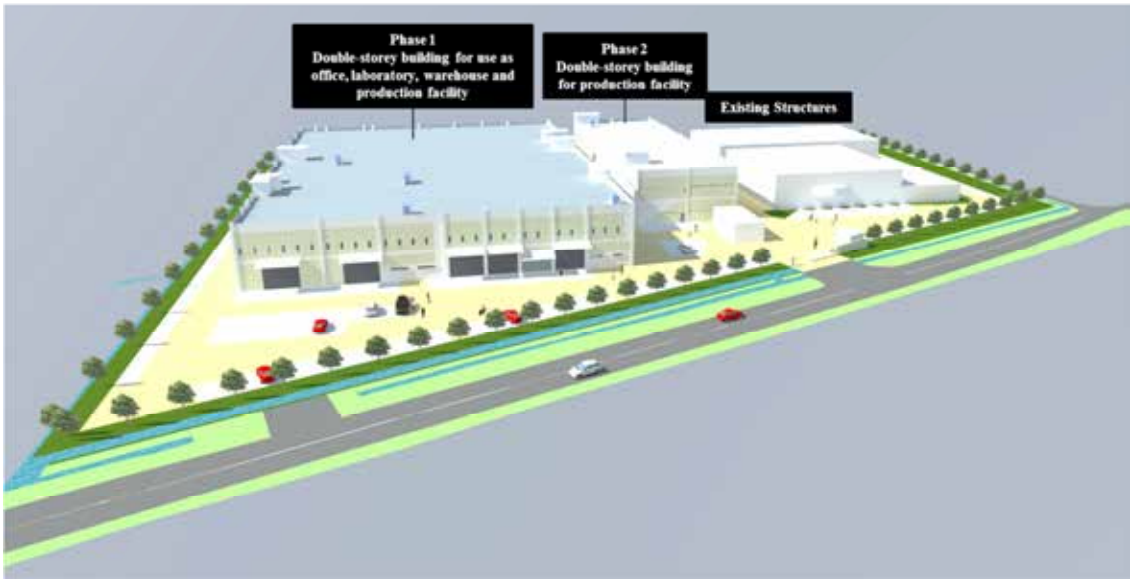
In addition, the operations and functions carried out within the structures with the temporary building permit such as garages, electrical substation building, laboratories, guardhouse, canteen, store rooms, water tank, oil tank, warehouse and meeting room as set out in Section 6.21.1 will be shifted to the new production facility upon completion of Phase 1.

Phase 2: involves the construction of a double-storey production facility for the production of our skincare products. The total build-up of the double-storey production facility is approximately 3,024.82 sq. m.

The construction of the building for Phase 1 commenced in the first quarter of 2018, upon obtaining the approval from MPS for the building plan, and is expected to complete in the second quarter of 2018. We expect the construction for Phase 2 to commence in the second quarter of 2018 and to complete in the fourth quarter of 2018. The construction of the new GMP-compliant production facility is expected to be completed by November 2018. Subject to the receipt of all requisite approvals including the GMP licence and notification to MIDA in connection with our manufacturing licence, our Group expects to commence production operations by the first quarter of 2019.

Please refer to the diagram below for further details on layout of our new GMP-compliant production facility and the details on the Phase 1 and Phase 2 construction.

Diagram: Layout of the new GMP-compliant production facility



The following table outlines the tentative timeline for the completion of the construction of our new GMP-compliant production facility:

Milestone	Description
August 2017	Commencement of pilling works
November 2018	Expected completion of construction
December 2018	Expected completion of interior renovation
February 2019	Expected receipt of all relevant approvals[(1)]
March 2019	Expected commencement of production operations

6. BUSINESS OVERVIEW *(cont'd)*

Note:

(1) The relevant approvals refer to GMP licence, notification to MIDA in connection with our manufacturing licence and CCC for the new production facility. We will apply for the GMP licence and CCC in December 2018 and expect approvals by February 2019.

We obtained approval to commence piling works on the land in June 2017. We commenced the piling works on the land in August 2017 which was completed in October 2017. As at the LPD, we have incurred approximately RM2.38 million for the construction of the GMP-compliant facility which consists of piling works, purchase of construction materials, consultant fees and application fee for the construction.

The estimated total cost to be incurred for the new GMP-compliant production facility is approximately RM16.50 million, which includes the cost of construction (including cost of furnishing and fitting) and the cost of purchase of the production machinery and equipment. The funds required for the construction of the new GMP-compliant production facility will be financed using both the IPO proceeds and internally-generated funds. The details on the use of proceeds from the IPO are set out in Section 3.7.

The new GMP-compliant production facility will be used for the production of functional food and skincare products, while the existing production facility will be used for the production of dietary supplements only. There is no impact on the production capacity of our dietary supplements with the construction of the new production facility.

We also intend to use our IPO proceeds to purchase machineries for the production of functional food and skincare products at the new production facility as set out in Section 3.7.1. The machineries used for the production of functional food products and skincare products are different. The machineries and equipment at the current production facility will be used for the production of dietary supplement products.

Upon completion of the new GMP-compliant production facility, our production capacity for functional food is expected to increase from 0.69 million bottles and 0.69 million sachets to 3.43 million bottles and 3.43 million sachets.

We will also commence production of our skincare products at the new production facility. Presently the production of skincare products is outsourced to a third party manufacturer. The setting up of our in-house production facility for our skincare products will provide us flexibility for better production planning to focus on products with higher demand or to increase the range of skincare products. As at the LPD, we have 28 skincare products. The commencement of our own production coupled with the future strategies for the expansion of our retail market presence as set out in Section 6.23.1(iii), is expected to contribute positively to the sales of our skincare products in the future.

In addition, the operations and functions carried out within the structures with the temporary building permit such as garages, electrical substation building, laboratories, guardhouse, canteen, store rooms, water tank, oil tank, warehouse and meeting room as set out in Section 6.21.1 will be shifted to the new production facility upon its completion. Currently these structures only have a temporary building permit from MPS valid from 22 May 2018 to 31 December 2018. The temporary building permit is subject to annual renewal from MPS. The shifting to the new production facility will reduce any risk of non-renewal of the temporary building permit. The cost of shifting to the new production facility is estimated at RM280,000 which will be funded via internally-generated funds.

6. BUSINESS OVERVIEW *(cont'd)*

(ii) R&D activities

As part of our R&D activities, we conduct pre-clinical and clinical trials on our nutraceutical and skincare products. Products with clinically confirmed health benefits are expected to lend further credence and increase the acceptance of our clinically proven products by consumers. We intend to have more clinically proven products under our portfolio in the future by undertaking the following clinical trials on selected products during the period from 2017 to 2020. The funds required for conducting these planned clinical trials will be financed using a combination of NKEA grants, IPO proceeds and internally-generated funds. We intend to use RM10.60 million of our IPO proceeds to conduct the planned pre-clinical and clinical trials.

(a) Second clinical trial for Hepar-P Capsule as liver protection agent;

In January 2015, we completed the first clinical trial for our Hepar-P Capsule to evaluate the effectiveness and safety of Phyllanthus niruri standardised extract contained in our Hepar-P Capsule for the treatment of non-alcoholic fatty liver disease. Further details on the first clinical trial are set out in Section 6.8.5.

We initiated the second clinical trial for Hepar-P Capsule in December 2017 and are expected to complete in December 2019. The second clinical trial is to allow for a specific claim on the effectiveness of Hepar-P Capsule for the improvement of liver health. The second trial involves patients with non-alcoholic fatty liver as well and will be administered to a larger group of participants of approximately 200 participants to further evaluate its effectiveness for liver health.

The clinical trial will be a 12-month trial involving participants with elevated liver enzymes level due to drug induced liver injury. We have finalised the clinical trial protocol, which includes the study details such as type of patient, methodology, trial size and investigators involved. Currently, the second clinical trial is in the stage of site initiation and recruitment of participants by investigators for the trial. The sites for the clinical trial will be Hospital Pulau Pinang, Hospital Selayang, Hospital Ampang, and Hospital Sultanah Bahiyah, Alor Setar. We have in May 2018, obtained the approval from the Medical Research and Ethics Committee for conducting the clinical trial at the sites. We have in June 2018 obtained the regulatory approval from NPRA for the preparation of investigational products (Hepar-P Capsule and Placebo) for the clinical trial.

The cost required to conduct the second clinical trial is estimated to be approximately RM2.60 million. The amount will be used for clinical supplies management and lab management, professional service fees to be paid to the CRO, pre-qualification assessment, regulatory dossier, approval from ethics committee, site monitoring and management, preparation of investigational product and data management. We have appointed a local CRO on 18 October 2017 to conduct the trial. We intend to fund the second clinical trial using our NKEA grant.

In the first clinical trial completed in 2015, Hepar-P Capsule was proven to be safe for long-term consumption. If the second clinical trial is successful and Hepar-P Capsule is clinically proven to be effective for the improvement of liver health, we expect the sales of our Hepar-P Capsule to increase.

(b) Third clinical trial for Hepar-P Capsule as liver protection agent;

We expect to begin the third clinical trial for Hepar-P Capsule in October 2019 and to complete in December 2020. The third clinical trial involves patients with drug induced liver injury. The third clinical trial will be administered to a larger group of participants of approximately 300 participants to further evaluate the product's effectiveness. The third clinical trial will be a 6-month trial involving participants with elevated liver enzymes level. If the trial is successful and Hepar-P Capsule is clinically proven to be effective, the third clinical trial will allow for more empirical data to be obtained to further promote and strengthen the product positioning as a liver protection agent.

6. BUSINESS OVERVIEW *(cont'd)*

The cost required to conduct the third clinical trial is estimated to be approximately RM2.50 million. The amount will be used for clinical supplies management and lab management, professional service fees to be paid to the CRO, pre-qualification assessment, regulatory dossier, approval from ethics committee, site monitoring and management, preparation of investigational product and data management. We expect to appoint a local CRO to conduct the trial. We intend to fund the third clinical trial using the IPO proceeds.

The second and third clinical trials are two independent trials as they are conducted on different groups of patients. Both clinical trials for Hepar-P Capsule are to allow a specific claim on the effectiveness of Hepar-P Capsule for the improvement of liver health and further evaluate the product's effectiveness.

(c) Clinical trials on Ficus Cream products for skin lightening; and

We have completed the pre-clinical trial on Ficus microcarpa standardised extract contained in Ficus Cream products in 2016. We intend to undertake two clinical trials for Ficus Cream products in September 2019 and to complete both by July 2020. The clinical trials are to evaluate the effectiveness and safety of Ficus Cream for skin lightening and to explore other anti-ageing properties. The trials will be conducted on two different formulations containing the Ficus microcarpa standardised extract. Each clinical trial will be an 8-week trial and will involve a group of approximately 50 participants.

If the trials are successful and Ficus Cream products are clinically proven to be effective and safe for skin lightening, we expect to strengthen the products positioning as a skin lightening agent.

The cost required to conduct the clinical trials is estimated to be approximately RM0.60 million. The amount will be used for clinical supplies management and lab management, professional service fees to be paid to the CRO, pre-qualification assessment, regulatory dossier, approval from ethics committee, site monitoring and management, preparation of investigational product and data management. We expect to appoint a local CRO to conduct the trial. We intend to fund the clinical trials using the IPO proceeds.

(d) Pre-clinical and clinical trials on a nutraceutical product containing oil palm leaves standardised extract.

We expect to begin a pre-clinical trial for a nutraceutical product containing oil palm leaves standardised extract in October 2018 and to complete in September 2019. The pre-clinical trial is to determine the safe dosage for human use and to assess the product's safety profile. We expect to conduct the pre-clinical trial with a CRO based in India. The foreign-based CRO is engaged because of the experience of the CRO, their ability and the cost incurred to conduct all the studies under the pre-clinical trial. The cost required to conduct the pre-clinical trial is estimated to be approximately RM5.0 million. The amount will be used for test protocol development, pre-clinical supplies management, lab analysis and professional service fees to be paid to the CRO.

The clinical trial on the nutraceutical product is dependent on the success of the pre-clinical trial. Upon successful completion of the pre-clinical trial, we will conduct a clinical trial for the nutraceutical product in January 2020 and to complete in December 2020. The clinical trial is to evaluate its effectiveness and safety for heart health. The clinical trial will be a 6-month trial involving approximately 80 to 100 participants to evaluate its effectiveness and safety for heart health. If the trial is successful and the nutraceutical product containing oil palm leaves standardised extract is clinically proven to be effective and safe for heart health, we expect to strengthen the product positioning in terms of heart health.

The cost required to conduct the clinical trial is estimated to be approximately RM2.50 million. The amount will be used for clinical supplies management and lab management, professional service fees to be paid to the CRO, pre-qualification assessment, regulatory dossier, approval from ethics committee, site monitoring and management, preparation of investigational product and data management. We expect to appoint a local CRO to conduct the trial.

In addition to the pre-clinical and clinical trials, we also have other R&D activities that we intend to undertake in the future. We intend to use RM1.0 million of our IPO proceeds to carry out some of the R&D activities as set out in Section 6.8.7. The estimated costs for the R&D activities is mainly in relation to R&D staff cost, purchase of test equipment, purchase of materials to be used for R&D activities including raw materials, chemicals and testing costs involved in formulation trial and development.

We engage foreign-based CROs for conducting pre-clinical trials while the clinical trials are conducted in Malaysia. Our clinical trials are administered in accordance with the Malaysian guideline for Good Clinical Practice published by the National Committee for Clinical Research ("**CRC Malaysia**"). In addition, given that the principal market for our products is Malaysia we ensure that our products satisfy the requirements of the NPRA, where applicable. For the clinical trials we will appoint local CROs that adhere to and are familiar with the Good Clinical Practice and are experienced in handling clinical trials. However, our clinical trials are not regulated and/or reviewed by the U.S. Food and Drug Administration or other international entities and hence may not conform to their respective standards. As such, our clinical trials may not be accorded with the U.S. Food and Drug Administration or international recognition.

(iii) Expansion of Our Retail Market Presence

With the increasing demand for nutraceutical products in the market, we intend to place greater focus in our efforts to market our House Brands to improve our retail market presence. Our strategies for the expansion of our retail market presence are as follows:

(a) expansion of our geographical footprint;

(b) brand presence in the NWPP's retail outlets;

(c) online retail space; and

(d) brand awareness campaigns.

The funds required for the expansion of our Group's retail market presence will be financed using both the IPO proceeds and internally-generated funds. We intend to use RM5.0 million of our IPO proceeds for the expansion of our retail market presence. We expect to implement our expansion strategies for our retail market presence within 36 months from the date of our Listing. Please refer to Section 3.7.3 on the use of proceeds for expansion of our retail market presence.

6. BUSINESS OVERVIEW *(cont'd)*

(a) Expansion of our geographical footprint

Part of our marketing strategy for our expansion includes offering independent retail pharmacies exclusive distributorship of our House Brand products through the NWPP. As at the LPD, we have 105 NWPP partners. We intend to increase the number of NWPP partners by 41 new NWPP partners in 2018 and another 51 new NWPP partners in 2019 as follows:

		No. of Targeted New NWPP Partners	
States		**2018**	**2019**
1	Selangor	4	4
2	Negeri Sembilan	3	3
3	Melaka	3	6
4	Johor	5	6
5	Pahang	3	4
6	Perak	3	4
7	Pulau Pinang	4	6
8	Kedah	3	5
9	Putrajaya	2	2
10	Kuala Lumpur	4	4
11	Perlis	2	2
12	Sarawak	5	5
	Total	**41**	**51**

Our expansion strategy involves our business development team to make frequent visits to new areas of coverage and to initiate discussions and negotiation with independent retail pharmacies. The estimated cost for the expansion of our geographical footprint is approximately RM1.10 million and includes trade discounts and advertisements via banners, flyers in local newspapers and buntings around the areas of coverage.

(b) Brand presence in NWPP's retail outlets

We intend to increase our brand presence in our NWPP's retail outlets, in order to build our reputation and recognition, and acquire new customers. The estimated cost to increase our brand presence is approximately RM1.50 million. We plan to increase our brand presence through the following strategies:

- active engagement with our NWPP partners by our business development team for collaborative efforts in driving the sales and marketing of our House Brand products;
- securing prominent shelf space, dedicated display area, lightbox signboards for our House Brand products in retail stores;
- setting up a 'Nova Experience Area' in retail stores via designated sampling areas; and
- co-organising health awareness campaigns.

(c) Online retail space

As part of our future plans, we intend to increase our presence in the online retail space by setting an online store to reach consumers. An online store allows our consumers an alternative to physical stores to purchase our products conveniently. Additionally with our own online store, we also expect to reach a younger group of consumers who are comfortable with technology. We have in June 2018 implemented an online store which we will continue to enhance to improve user experience. We intend to use RM1.40 million from our IPO proceeds to maintain and enhance our online presence.

(d) Brand awareness campaigns

We also intend to focus on creating brand awareness through promotional campaigns in print media (newspapers and magazine) and social media advertisements to create awareness of our products in the local and regional markets. The estimated cost for our brand awareness campaigns is approximately RM1.0 million.

6.23.2 Prospect of our Group

The prospect of our Group is favourable given the following factors:

- positive outlook of the Malaysian nutraceutical industry;
- competitive strengths; and
- future plans to provide sustainable growth.

(i) Positive outlook of the Malaysian nutraceutical industry

The nutraceutical industry in Malaysia stood at RM98.77 billion in 2017 and has a forecast CAGR of 2.5% from 2018 to 2022. The industry size (revenue) of the nutraceutical industry is projected to reach RM111.51 billion in 2022.

The nutraceutical industry is divided into two segments namely functional food and beverages and dietary supplements. The functional food and beverages segment (for imported and locally manufactured products) accounted for an estimated RM93.50 billion or 94.7% of the size of the nutraceutical industry in Malaysia for 2017, while the dietary supplements segment (for imported and locally manufactured products) accounted for an estimated RM5.27 billion or 5.3% of the size of the nutraceutical industry in Malaysia for 2017.

In particular, the dietary supplements manufacturing industry in Malaysia was valued at RM1.25 billion in 2017. The base year growth was 9.5 percent and the forecast CAGR of the industry is 9.7% from 2018 to 2022. The Malaysian dietary supplement manufacturing industry is projected to reach RM1.98 billion by 2022. The local dietary supplements manufacturing industry is at its growth stage and likely to experience strong growth of between 9.0% to 10.5% from 2018 to 2022.

Sustainable demand for nutraceutical products is expected to come from factors such as Malaysia's ageing population, availability of health-related information leading to increase in consumer awareness and demand for preventive healthcare, increasing prevalence of chronic lifestyle diseases, increase in the population's disposable income, increasing financial burden arising from increasing health expenditure and the growing demand for Halal-certified nutraceutical products. On the supply side, strong government support and an increased regulatory pressure to spur consumer confidence in purchasing nutraceutical products are expected to boost the growth of the manufacture and sales of nutraceutical products.

(Source: IMR Report)

(ii) Competitive Strengths

Our competitive strengths are important in sustaining our business and providing our Group with future growth opportunities. We will continue to maintain and further strengthen our key competitive strengths as described in Section 6.4.

6. BUSINESS OVERVIEW *(cont'd)*

(iii) Future Plans to Provide Sustainable Growth

According to the IMR Report, our Group's market share stood at 1.6% of the dietary supplements manufacturing industry in Malaysia in 2017. We intend to increase our market share by implementing the future plans and strategies in Section 6.23.1.
Our Group's future plans and strategies will provide a platform to expand our business. These future plans include:

- Construction of a new GMP-compliant production facility which will increase our production capacity;
- R&D activities; and
- Expansion of our retail market presence.

Based on the positive outlook of the Malaysian nutraceutical industry as detailed in Section 6.23.2 (i), we are optimistic of our Group's continued success. Together with our competitive strengths and future plans and strategies, we will leverage on the favourable trends within the nutraceutical industry to grow and expand our business.

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Protégé ASSOCIATES
BRAND | CHANNEL | MARKET

The Board of Directors
Nova Wellness Group Berhad
No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur

1 June 2018

Dear Sirs/Madams,

Executive Summary of the Strategic Analysis of the Nutraceutical Industry in Malaysia

This Executive Summary of the 'Strategic Analysis of the Nutraceutical Industry in Malaysia' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the prospectus of Nova Wellness Group Berhad ("Nova Wellness") in relation to the listing of, and quotation for the entire issued capital of Nova Wellness on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 18 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etcs. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

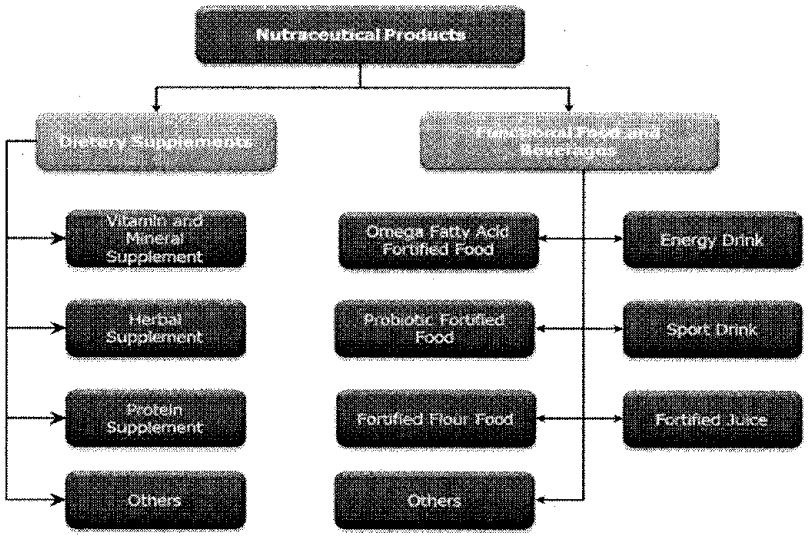
Yours sincerely,

SEOW CHEOW SENG
Managing Director

1.0 The Nutraceutical Industry in Malaysia

Nutraceutical are products manufactured for human consumption to provide extra health benefits such as preventing of diseases such as cardiovascular disease and kidney disease, alleviating side effect of drug treatment as well as strengthening resistance against diseases such as flu and fever. Nutraceutical products available in Malaysia are segmented into the two main groups – dietary supplements and functional food and beverages as depicted in the following figure.

Figure 1: Types of Nutraceutical Products in Malaysia



Note: Nova Wellness through its subsidiary is involved in all the segments save for the energy drink, sport drink and fortified juice segments.

Source: Protégé Associates

Dietary Supplements

Dietary supplements are consumed in addition to a daily meals to increase the daily intake of desired nutrient(s). They are dispensed in various dosage forms such as tablet, softgel capsule, powder and liquid. The types of dietary supplements generally available are vitamins and minerals, herbal and protein supplements.

Vitamin and mineral supplements contain organic and/or chemical compounds such as vitamin B12, vitamin C, vitamin D, calcium, potassium and zinc. Herbal supplements contain plant extracts such as Echinacea, chamomile, garlic and ginkgo extracts. They are generally consumed in high-doses to cure or prevent illness and chronic diseases.

Protein supplements are sport nutrition, weight management, and lifestyle products (i.e. collagen products and breast-enhancement products), which contain protein that can be found in various sources such as whey, soy, meat, fish and chicken. Protein supplements are generally consumed as part of a workout diet for building muscles, and as a vegan diet that offers an alternative source of protein to achieve daily protein intake requirements, as well as for aesthetic purposes.

Other types of dietary supplements are omega-3 or fatty acids such as fish oil supplements, probiotics, glucosamine and CoQ10 supplements.

Functional Food and Beverages

Functional food and beverages are similar to conventional food and beverages but are either fortified and enriched with nutrients or enhanced through new production technology and then marketed to have physiological benefits and/or to reduce the risk of chronic disease beyond the basic nutritional value contained. They are consumed as part of a person's regular diet.

The types of functional food that are available for purchase and consumption include omega fatty acid food, probiotic food, packaged wheat flour food and others. Omega fatty acids are fats derived from food sources such as salmon, tuna, sunflower oil and nut. Omega fatty acids are essential in building healthy cells for maintaining brain and nerve function. Examples of omega fatty acids food are chia seeds and flaxseed nuts and powders. Meanwhile, probiotics are live microbial food ingredients that improve intestinal immune tolerance and bowel habits. Examples of probiotic food are yogurt, cultured dairy products and fermented food. Fortified flour food are wheat, oats, rice and quinoa that are ground into flour and fortified with nutrients to make bread, pasta, noodle or ready-to-eat breakfast cereals.

The types of functional beverages that are available to consumers include energy drinks, sport drinks and fortified juices. Energy drinks are beverages that contain mostly caffeine, calories and sugars. These drinks provide sustenance and improve performance, concentration and endurance. Sports drinks are generally flavoured beverages infused with sodium, potassium, calcium, magnesium and/or vitamins, to be consumed before or during exercise to prevent dehydration and provide energy and electrolytes. Lastly, fortified juices are fruit and vegetable beverages with added nutrients and active ingredients.

Other examples of functional food and beverages that are available are eggs with increased omega-3 content that are achieved by altered chicken feed, iodised salt products, and ready-to-eat packaged broth products.

1.1 Historical Market Performance and Growth Forecast

Protégé Associates has provided the historical performance and growth forecast of the nutraceutical industry in Malaysia based on the primary and secondary research as well as analytical works conducted.

The nutraceutical industry in Malaysia was valued at RM98.77 billion in 2017. The base year growth was 2.6 percent and the forecast CAGR for the industry from 2018 to 2022 is 2.5 percent. The Malaysian nutraceutical industry is projected to reach RM111.51 billion by 2022.

Figure 2: Industry Size (Revenue) and Growth Forecast for the Nutraceutical Industry in Malaysia, 2016-2022

Year	Industry Size (Revenue) (RM billion)	Growth Rate (%)
2016	96.31	-
2017	98.77	2.6
2018*	101.08	2.3

Year	Industry Size (Revenue) (RM billion)	Growth Rate (%)
2019*	103.51	2.4
2020*	105.97	2.4
2021*	108.69	2.6
2022*	111.51	2.6

CAGR (2018-2022) (base year of 2017): 2.5 percent
*Note: * denotes forecast*

Source: Protégé Associates

The nutraceutical industry is divided into two segments namely functional food and beverages and dietary supplements. The functional food and beverages segment (for imported and locally manufactured products) accounted for an estimated RM93.50 billion or 94.7 percent of the size of the nutraceutical industry in Malaysia for 2017, while the dietary supplements segment (for imported and locally manufactured products) accounted for an estimated RM5.27 billion or 5.3 percent of the size of the nutraceutical industry in Malaysia for 2017.

The markets for the functional food and beverages segment (include dairy, confectionery, soft drinks, bakery and baby food markets) are very large, highly competitive and many new products are launched each year. The functional food and beverages segment sold in the Malaysian market are mainly locally produced products and imported products from neighbouring countries. The imported products from countries such as Australia, USA and Europe are generally lesser in volume and are of higher prices. Meanwhile, the dietary supplements segment is mainly dominated by imported products and some locally produced products.

Given that Nova Wellness is involved in the manufacturing of dietary supplements, Protégé Associates has provided the market size and growth forecast for the dietary supplements manufacturing industry in Malaysia as depicted in the following figure.

Figure 3: Industry Size (Revenue) and Growth Forecast for Dietary Supplements Manufacturing Industry in Malaysia, 2016-2022

Year	Industry Size (Revenue) (RM billion)	Growth Rate (%)
2016	1.15	-
2017	1.25	8.5
2018*	1.36	9.0
2019*	1.48	9.2
2020*	1.63	10.0
2021*	1.80	10.5
2022*	1.98	10.0

CAGR (2018-2022) (base year of 2017): 9.7 percent
*Note: * denotes forecast*

Source: Protégé Associates

The dietary supplements manufacturing industry in Malaysia was valued at RM1.25 billion in 2017. The base year growth was 8.5 percent and the forecast CAGR of the industry is 9.7 percent from 2018 to 2022. The Malaysian dietary supplement manufacturing industry is projected to reach RM1.98 billion by 2022. The local dietary supplements manufacturing industry is at its growth stage and likely to experience strong growth between 9.0 to 10.5 percent from 2018 to 2022.

Sustainable demand for nutraceutical products is expected to come from a growing health-conscious consumer base and an ageing population. The availability of abundant health-related information via various media outlets has aided in fuelling consumer demand for preventive healthcare. The growing prevalence of chronic lifestyle diseases and concerns over obesity in Malaysia has led to a greater awareness of the importance of staying healthy. Furthermore, rising healthcare expenditures have driven consumers to purchase relatively inexpensive nutraceutical products to help prevent or alleviate common health complications.

In addition, the rising level of per capita disposable income in Malaysia has also boosted more discretionary spending by consumers leading to higher potential demand for nutraceutical products. Besides that, as a Muslim majority country, there is also an increasing demand for halal-certified nutraceutical products as a religious observance for Muslims. The safety, quality and efficacy of nutraceutical products have been a subject of public concern which may dampen consumers' confidence and business sentiment. However, consumers are not likely to completely turn away from nutraceutical products as many will just be more careful and purchase from industry players that have a better track record for safety, quality and efficacy.

On the supply side, strong government support and an increased regulatory pressure to boost consumer confidence in purchasing nutraceutical products are expected to boost the growth of the manufacture and sales of nutraceutical products.

1.2 Competitive Analysis

The nutraceutical industry in Malaysia is fragmented with approximately 5,000 nutraceutical industry players that are involved in manufacturing and/or importing nutraceutical products. Out of these industry players, around 600 players are estimated to be involved in manufacturing and/or importing dietary supplements.

The level of competition that is faced by industry players varies across product segments. Nutraceutical manufacturers compete on product quality, safety and efficacy, pricing, branding and supply chain.

Quality, safety and efficacy

The quality and effectiveness of dietary supplements have become more important due to incidences of tainted, ineffective and harmful products that have resulted in product recalls, warning letters from the authorities and public outcries over the past years. Due to the publicity of such events, consumers are becoming more knowledgeable about dietary supplements which allow them to pay closer attention to where and how these dietary supplements are produced and the ingredients used. Although these may raise the quality control and compliance costs for manufacturers, industry players that commit to producing safer dietary supplements are expected to experience higher demand for their products than those that do not.

Price

Industry players also compete and differentiate themselves in terms of pricing. Due to the discretionary nature of nutraceutical products, the price elasticity of demand can be high for those with minimal product differentiation particularly for widely available vitamins and mineral supplements such as vitamin C and multivitamins. However, manufacturers with products that have strong brand recognition stand to command premium pricing for their products. This is particularly true for herbal supplements and sport nutrition products where perceived quality and brand name are usually considered more important than price for consumers.

Supply chain agreements

Industry players also compete to obtain favourable contracts with wholesalers and retailers. Due to the limited amount of shelf space devoted to nutraceutical products at retail channels, it is difficult for smaller and new manufacturers to obtain shelf space at the retail chain outlets. For example, it is beneficial for manufacturers to obtain contract with retail pharmacies to distribute their products. Some manufacturers may choose to obtain long-term distribution agreement with wholesalers that have a wide network of consumers. Industry players with strong supply chain agreements have a positive competitive advantage.

1.2.1 Comparable Market Players

Nova Wellness through its subsidiary is a participant of the nutraceutical industry in Malaysia with involvement in the following business activities:

- Development, production, and sales of nutraceutical and skincare products under its house brands namely 'Nova', 'ActivMax', 'Sustinex', 'Novavis' and 'SP8'; and
- Original equipment manufacturer ("OEM") development and production of nutraceutical products.

For the purpose of this report, Protégé Associates has used the following criteria when selecting industry players for comparison with Nova Wellness:

- Registered annual revenue of between RM15.0 million to RM60.0 million;
- Involved in the manufacturing and distribution of dietary supplements; and
- Has its own manufacturing facility.

After taking into consideration the above criteria, Protégé Associates has selected three industry players namely Bioalpha Holdings Berhad ("Bioalpha"), Herbal Science Sdn Bhd ("Herbal Science"), Biofact Life Sdn Bhd ("BioFact Life").

Figure 4: Comparison between Nova Wellness and Selected Nutraceutical Industry Players in Malaysia

Indicator	Nova Wellness	Bioalpha	Herbal Science	BioFact Life
Information from Financial Year Ended	30/06/2017	31/12/2017	31/12/2016	31/03/2017
Revenue (RM'000)	24,541	55,917	25,619	16,915
Gross Profit (RM'000)	17,584	22,032	11,951	5,141

Indicator	Nova Wellness	Bioalpha	Herbal Science	BioFact Life
Profit after Tax (RM'000)	13,763	7,477	684	1,658
Gross Profit Margin (%)	71.7	39.5	46.6	30.4

Notes:

1) *The financial figures of Nova Wellness highlighted are the financial figures of its wholly-owned subsidiary, Nova Laboratories Sdn Bhd.*
2) *The above figures only provide an indication and are not considered directly comparable due to the following reasons:*
   (a) Not all companies have the same financial year end;
   (b) The financial figures used may be at the group level; and
   (c) Not all companies carry out activities which are completely similar to each other or in the same geographical area.
3) *The list of comparable nutraceutical players is not exhaustive.*
4) *Gross profit margin = Gross profit/Revenue.*

Source: Nova Wellness, annual report of Bioalpha and Companies Commission of Malaysia

1.2.1 Market Share Analysis

For the financial year ended 30 June 2017, Nova Wellness generated RM23.8 million in revenue from the sales of nutraceutical products, which is less than 1 percent market share of the nutraceutical industry in Malaysia. This is calculated based on Nova Wellness' revenue of RM23.8 million from the sales of nutraceutical products in the financial year ended 30 June 2017 against the estimated market size (revenue) of the nutraceutical industry in Malaysia of RM98.77 billion in 2017.

Nova Wellness generated RM19.8 million in revenue from the sales of dietary supplements in the financial year ended 30 June 2017, which is equivalent to a 1.6 percent market share of the dietary supplements manufacturing industry in Malaysia in 2017. This market share is calculated based on Nova Wellness' revenue of RM19.8 million generated from the sales of dietary supplements against the estimated total market size (revenue) of the dietary supplements manufacturing industry of RM1.25 billion in 2017.

1.3 Demand and Supply Conditions

1.3.1 Demand Conditions

An Ageing Population

The demographic in Malaysia is shifting, as depicted by the decreasing younger population and increasing older population. Malaysia's percentage of young population (below 14 years old) in the country has decreased from 24.5 percent in 2016 to 24.1 percent in 2017 while its older population (above 65 years old) has increased from 6.0 percent in 2016 to 6.2 percent in 2017. The average age of the population in Malaysia has increased over the years. The median in 2017 was 28.3 years (2016: 28.1) and this is projected to increase to 38.3 years by 2020.

Malaysia is expected to become home to an ageing population when the population of Malaysians aged 65 and above reaches 7.2 percent of total population by 2020. By 2040, the population of Malaysians aged 65 and above is projected to reach 14.5 percent of total population (6.0 million). An ageing population is expected to lead to an increasing likelihood of age-related diseases such as macular degeneration, arthritis, joint pain, heart diseases and digestive problems.

With an increased awareness of the likelihood of these age-related diseases, Malaysians are expected to increase their demand for nutraceutical products (e.g. multivitamins that contain anti-aging antioxidants) to complement their health regimen in order to prevent and/or delay the onset of these health problems. This creates a demand for nutraceutical products and fosters the growth of nutraceutical industry in Malaysia.

Availability of Health-related Information Leading to Increase in Consumer Awareness and Demand for Preventive Healthcare

The availability of abundant health-related information via various media outlets has aided in fuelling consumer demand for preventive healthcare. There are a variety of media outlets such as magazines, television ("TV") shows and online forums where consumers can access health-related information.

This barrage of information creates a strong awareness and provides knowledge on healthcare topics, including preventive healthcare. Consumers are able to seek out and understand information about how health products can benefit them, and this may likely lead to greater demand for nutraceutical products. In addition, recommendations from friends and family also influence consumers in taking nutraceutical products to achieve good health. The availability of health-related information can therefore drive consumer awareness on preventive healthcare and influence an uptick in consumers' purchases of nutraceutical products.

Increasing Prevalence of Chronic Lifestyle Diseases

The sedentary lifestyles of people today, with lack of regular exercises, unhealthy diet, smoking and excessive consumption of alcohol have resulted in increasing prevalence of chronic lifestyle diseases in Malaysia. These chronic lifestyle diseases (also known as non-communicable diseases) include diabetes, hypertension (high blood pressure), hypercholesterolemia (excess cholesterol in the blood) and respiratory diseases (i.e. asthma). With the increasing incidence of chronic lifestyle diseases, people are increasingly looking for preventive care in their diet.

This increasing prevalence of chronic lifestyle diseases and concerns over obesity could heighten the Malaysian population's awareness in preventive healthcare in their diet as an approach to reduce the risk and delay the onset of chronic lifestyle diseases. For instance, fish oil supplements and fortified oat meal help to promote heart health and protein supplements for weight management focus on tackling obesity. Preventive healthcare in terms of consumption of nutraceutical products create demand for nutraceutical products and foster the growth of the nutraceutical industry in Malaysia.

Increase in Population's Disposable Income

Malaysia is experiencing an improved standard of living as seen in the increase in per capita disposable income over the years. The increase in disposable income within a nation leads to the growing affluence of its population, and results in more discretionary income. As discretionary income continues to strengthen, more consumers are in better position to trade

up to premium nutraceutical products and purchase greater variety of dietary supplements, functional food and beverages, subsequently lifting the industry revenue. The gross national disposable income is expected to rise in both the short and long term, thus presenting a growth opportunity for the nutraceutical industry in Malaysia.

Increasing Financial Burden Arising from Increasing Health Expenditure

Malaysia experienced a rapid increase in health expenditure over the last ten years driven by the increasing awareness of health and the availability of more disposable income. The increase in health spending corresponds to the ageing population, the use of newer and costlier medical technologies and consumer expectation of better quality health services. As a result, Malaysia faces increasing inflationary pressure on the costs of medical treatments. Thus, more people are now turning to preventive healthcare approaches as an affordable alternative to traditional healthcare.

The consumption of nutraceutical products offers a cheaper solution in the form of preventive healthcare for those who are financially burdened from the increasing health expenditure on healthcare services offered by healthcare providers. This can drive demand for nutraceutical products and consequently further drive the growth of nutraceutical industry

Growing Demand for Halal-certified Nutraceutical Products

There is a general growing interest among Muslims concerning the Halal status of products consumed by them as mirrored by growing consumer knowledge pertaining to ingredients used in products, and product awareness that have been wide spread through social media network. As a religious observance for Muslim, the demand for Halal-certified nutraceutical products in Malaysia is expected to remain robust and this can provide the impetus for further growth in the nutraceutical industry in Malaysia.

Public Concern over the Safety, Quality and Efficacy of Nutraceutical Products

Public concern over safety, quality and efficacy of nutraceutical products may dampen consumers' confidence, and thus may hinder the growth of nutraceutical industry. However, consumers are not likely to completely stay away from nutraceutical products as many will just likely be more careful and purchase from manufacturers that have a better track record for safety, quality and efficacy.

1.3.2 Supply Conditions

Strong Government Support

The Malaysian Government introduced various initiatives under the Entry Point Project ("EPP") 1 of Agriculture New Key Economic Area ("NKEA") to support and promote the local nutraceutical industry. These initiatives cover raw material cultivation and farming, R&D and the manufacturing of nutraceutical products. The EPP 1 aims to improve product quality and marketing efforts of dietary supplements (including herbal supplements) to tap into the global demand for 'high-value herbal products' (which are herbal supplements with scientifically backed claims).

Increased Regulatory Pressure to Spur Consumer Confidence in Purchasing Nutraceutical Products

In response to growing public concerns over the safety, quality and efficacy of nutraceutical products, there is an increased regulatory pressure to spur consumer confidence in purchasing nutraceutical products.

The increased oversight and tightening of laws and regulations may benefit the nutraceutical industry by encouraging companies to focus on improving product quality and safety, while also prohibiting the participation of companies with unscrupulous manufacturing practices. Among laws and regulations currently in place to regulate the Malaysian nutraceutical industry include the Food Act 1983 and Food Regulations 1985, Control of Drugs and Cosmetics Regulations 1984 and the Medicines (Advertisement and Sale) Act 1956.

1.4 Market Outlook and Future Prospect

The nutraceutical industry in Malaysia stood at RM98.77 billion in 2017 and has a forecast CAGR of 2.5 percent from 2018 to 2022. The industry size (revenue) of the nutraceutical industry is projected to reach RM111.51 billion in 2022.

In particular, the dietary supplements manufacturing industry in Malaysia was valued at RM1.25 billion in 2017. The base year growth was 9.7 percent and the forecast CAGR of the industry is 9.7 percent from 2018 to 2022. The Malaysian dietary supplement manufacturing industry is projected to reach RM1.98 billion by 2022. The local dietary supplements manufacturing industry is at its growth stage and likely to experience strong growth of between 9.0 to 10.5 percent from 2018 to 2022.

Sustainable demand for nutraceutical products is expected to come from factors such as Malaysia's ageing population, availability of health-related information leading to increase in consumer awareness and demand for preventive healthcare, increasing prevalence of chronic lifestyle diseases, increase in the population's disposable income, increasing financial burden arising from increasing health expenditure and the growing demand for Halal-certified nutraceutical products. On the supply side, strong government support and an increased regulatory pressure to spur consumer confidence in purchasing nutraceutical products are expected to boost the growth of the manufacture and sales of nutraceutical products.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Promoters and substantial shareholders' shareholdings

The following table sets forth the shareholdings of our Promoters and substantial shareholders before and after our IPO:

		Before the IPO[1]				After the IPO[2]			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Phang Nyie Lin	Malaysian	25,249,603	10.70	210,834,212[3]	89.30	25,249,603	7.95	210,834,212[3]	66.35
Tan Sok Mooi	Malaysian	135,085,403	57.20	-	-	135,085,403	42.50	-	-
Phang Yeen Nung	Malaysian	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Phang Yeen Aun	Malaysian	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Phang Yeen Hung	Malaysian	25,249,603	10.70	-	-	25,249,603	7.95	-	-

Notes:

(1) Based on the issued share capital of 236,083,815 Shares after the completion of the Acquisition Capital Restructuring and Share Transfer.

(2) Based on the enlarged share capital of 317,743,815 Shares after the IPO.

(3) Deemed interest pursuant to Section 8 of the Act through the shareholdings of Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung in the Company.

Except as set out above, we are not aware of any other person(s) who directly or indirectly, jointly or severally, exercise control over us. As at the LPD, our Promoters and substantial shareholders have the same voting rights with the other shareholders of our Group.

Save for the capital repayment of RM8.48 million to be distributed to our existing substantial shareholders over a period of two years as set out in Section 5.2.2, dividend paid as set out in Section 11.9 and the remuneration and benefits to be paid or proposed to be paid for services rendered to our Group in their capacity as Directors or key management, there are no other amount or benefits that has been paid or intended to be paid or given to any of our Promoter or substantial shareholder, within the two years preceding the date of this Prospectus.

8.1.2 Profiles of Promoters and substantial shareholders

All our Promoters are substantial shareholders of the Company. Their profiles are as follows:

(i) Phang Nyie Lin

Phang Nyie Lin, aged 63, is our co-founder, Promoter, Managing Director and Chief Research Officer. He was appointed to our Board on 31 October 2017.

Phang Nyie Lin graduated with a Bachelor of Pharmacy from Universiti Sains Malaysia, Malaysia in 1980. Upon his graduation in 1980, he started his career as a pharmacist trainee in the pharmacy department of Ipoh General Hospital, Perak (now known as Hospital Raja Permaisuri Bainun). He became a registered pharmacist with the MOH after he completed his training in 1981. In 1983, he was transferred to the National Tuberculosis Centre (now known as the Department of Respiratory Medicine, Hospital Kuala Lumpur) to serve as a pharmacist.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

In 1985, he left the National Tuberculosis Centre to set up Farmasi Sepadu, a community pharmacy in Sungai Pelek, Selangor, which was involved in the distribution of animal health products to livestock farms. Farmasi Sepadu ceased its operations in 1988. In 1989, he established Nova Laboratories which initially was involved in the trading of animal health products and subsequently expanded its operations to undertake the production of nutraceutical products in 2002. Nova Laboratories discontinued its veterinary business on 9 January 2017.

As our Managing Director, he is responsible for providing the strategic direction and overseeing the overall business operations of our Group. He also holds the position of Chief Research Officer of our Group and in that capacity is responsible for overseeing all R&D activities including conceptualising ideas for new product developments and re-formulation of existing products.

As our Chief Research Officer and a qualified pharmacist, he leads our R&D activities and has been involved in various research projects. Our R&D activities mainly involve research of natural botanical ingredients and developing new products and improving existing products of our Group. Under his leadership, we developed and commercialised a patented liver tonic known as Hepar-P Capsule. Further, we also developed our own sustained-release glucosamine caplet in 2005 and developed the Actisof formulation in 2008 to enhance the body's absorption of oil-based ingredients, which is widely applied in all of our softgel products. With 20 years of experience in the local nutraceutical industry, he is the driving force behind Nova Laboratories since its incorporation, which is now producing and retailing 56 nutraceutical products and 24 skincare products locally and overseas under our House Brands.

He also developed a patented product formulation containing Calanolide A (a compound isolated from a tropical tree, Callophyllum lanigerum) which is an anti-human immunodeficiency virus (HIV) drug on behalf of Nova Laboratories for CRAUN Research Sdn Bhd, Sarawak. Calanolide A was granted patents in Malaysia, Indonesia, Singapore, Australia, Hong Kong, Korea and China. All the patents to the product belong to CRAUN Research Sdn Bhd.

Phang Nyie Lin is the husband of Tan Sok Mooi and the father of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung.

(ii) Tan Sok Mooi

Tan Sok Mooi, aged 63, is our co-founder and Promoter of our Company. She attended Chung Hua High School, Seremban where she obtained her Certificate of Education in 1973.

She started her career as a clerk with Guan Hoe Credit Sdn Bhd in 1975 where she was responsible for the upkeep of the company's files before leaving in 1980. After a break in her career from 1981 to 1984, she joined Farmasi Sepadu from 1985 until 1988 and assisted in handling the company's accounts. In 1989, she co-founded Nova Laboratories together with Phang Nyie Lin. At present, she is a director of Nova Laboratories and our Group's Chief Human Resources Officer.

Tan Sok Mooi is the wife of Phang Nyie Lin, and the mother of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung.

(iii) Phang Yeen Nung

Phang Yeen Nung, aged 35, is our Promoter and Executive Director. He was appointed to our Board on 31 October 2017.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

From 2006 to 2007, he underwent and completed an English For Academic Purposes course at Canterbury Christ Church University. In 2008, he did a Law Foundation course at Bellerbys College, United Kingdom. He then commenced his Bachelor of Laws at the University of Kent, United Kingdom in 2009, which he completed in 2012. Upon graduation in 2012, he joined Nova Laboratories as a marketing executive and in that capacity was responsible for developing new marketing initiatives, assessing new market needs and identifying new business opportunities in the market.

In 2014, he was promoted to business development director in charge of identifying and securing new business contracts, and building and maintaining customer relationships for our Group. As our Executive Director, he assists Phang Nyie Lin, our Managing Director and Chief Research Officer, in setting and implementing the business strategies for our Group.

Phang Yeen Nung is the son of Phang Nyie Lin and Tan Sok Mooi. He is the brother of Phang Yeen Aun and Phang Yeen Hung.

(iv) Phang Yeen Aun

Phang Yeen Aun, aged 32, is our Promoter and Executive Director. He was appointed to our Board on 31 October 2017.

Phang Yeen Aun graduated from the International Medical University, Malaysia with a Bachelor of Pharmacy in 2009. Upon graduation, he started his career in 2010 as a pharmacist trainee in the pharmacy department of Hospital Tuanku Ja'afar, Seremban until 2011. Subsequently in 2011, he joined Nova Laboratories as a marketing executive and in that capacity was responsible for developing and executing new marketing plans and promotion campaigns for our products and the "Nova" brand in the industry. He resigned as marketing executive in Nova Laboratories at the end of 2011.

In 2012, he joined Nutraphyll as Managing Director where he was responsible for providing the strategic direction and overseeing the overall business operations of Nutraphyll. Nutraphyll owned and operated six health store outlets exclusively selling our House Brand products. As set out in Section 10.2.1, Nutraphyll was previously controlled by our Promoters through their shareholdings and directorships in Nutraphyll until August 2017. In 2017, he left Nutraphyll for a marketing role in Nova Laboratories, where he oversees the marketing activities of our Group. At present, apart from his marketing role, he also plays a key role in R&D activities, particularly in product formulation.

Phang Yeen Aun is the son of Phang Nyie Lin and Tan Sok Mooi. He is the brother of Phang Yeen Nung and Phang Yeen Hung.

(v) Phang Yeen Hung

Phang Yeen Hung, aged 29, is our Promoter. He graduated from Multimedia University, Malaysia with a Bachelor of Business Administration in 2013.

In July 2013, he started his career as a Purchasing Officer with Nova Laboratories, a position he still holds. He is responsible for the purchase of raw materials, packaging, spare parts and machineries from overseas and in charge of the shipment clearance with the customs for imported raw materials. He is also responsible for negotiating the terms, conditions and pricing with our suppliers. He also works closely with our Group's Halal committee to ensure that the raw materials purchased are in compliance with JAKIM's requirements for Halal certification.

Phang Yeen Hung is the son of Phang Nyie Lin and Tan Sok Mooi. He is the brother of Phang Yeen Nung and Phang Yeen Aun.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.1.3 Changes in shareholding of our Promoters and substantial shareholders since incorporation up to the LPD

The significant changes in the shareholdings of our Promoters and substantial shareholders since our incorporation up to the LPD are as follows:

	As at date of incorporation				Upon Acquisition				Upon Capital Reduction and Repayment			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%[1]	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Fong Nyuk Lean[2]	1[3]	50.00	-	-	-	-	-	-	-	-	-	-
Teh Lee Huang[2]	1[3]	50.00	-	-	-	-	-	-	-	-	-	-
Phang Nyie Lin	-	-	-	-	16,159,746	6.84	220,250,254[4]	93.16	10,327,968	6.84	140,765,674[4]	93.16
Tan Sok Mooi	-	-	-	-	171,771,016	72.64	-	-	109,781,770	72.64	-	-
Phang Yeen Nung	-	-	-	-	16,159,746	6.84	-	-	10,327,968	6.84	-	-
Phang Yeen Aun	-	-	-	-	16,159,746	6.84	-	-	10,327,968	6.84	-	-
Phang Yeen Hung	-	-	-	-	16,159,746	6.84	-	-	10,327,968	6.84	-	-

	Upon Share Transfer				Upon Share Subdivision and as at the LPD			
	Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Fong Nyuk Lean[2]	-	-	-	-	-	-	-	-
Teh Lee Huang[2]	-	-	-	-	-	-	-	-
Phang Nyie Lin	16,159,746	10.70	134,933,896[4]	89.30	25,249,603	10.70	210,834,212[4]	89.30
Tan Sok Mooi	86,454,658	57.20	-	-	135,085,403	57.20	-	-
Phang Yeen Nung	16,159,746	10.70	-	-	25,249,603	10.70	-	-
Phang Yeen Aun	16,159,746	10.70	-	-	25,249,603	10.70	-	-
Phang Yeen Hung	16,159,746	10.70	-	-	25,249,603	10.70	-	-

Notes:

(1) Based on total number of two Shares.

(2) Shareholders and directors (acting on behalf of a corporate secretarial firm) at the point of incorporation of Nova Wellness on 27 July 2016. They had disposed off their Shares to Tan Sok Mooi on 27 October 2017, subsequent to the Acquisition.

(3) Subscribers' Shares which were subdivided into 20 Shares on 14 December 2016.

(4) Deemed interest pursuant to Section 8 of the Act through the shareholdings of Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung in the Company.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.2 DIRECTORS

8.2.1 Directors' shareholdings

The following table sets out the direct and indirect shareholdings of our Directors before and after our IPO, assuming full subscription of the Pink Form Shares reserved for our eligible Directors:

		Before the IPO[1]				After the IPO[2][3]			
		Direct		Indirect		Direct		Indirect	
Name	Designation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr Abdul Manaf bin Mohamad Radzi	Independent Non-Executive Chairman	-	-	-	-	300,000	0.09	-	-
Phang Nyie Lin	Managing Director/ Chief Research Officer	25,249,603	10.70	210,834,212[4]	89.30	25,249,603	7.95	210,834,212[4]	66.35
Phang Yeen Nung	Executive Director	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Phang Yeen Aun	Executive Director	25,249,603	10.70	-	-	25,249,603	7.95	-	-
Dr Munavvar Zubaid bin Abdul Sattar	Independent Non-Executive Director	-	-	-	-	300,000	0.09	-	-
Sulaiman bin Haji Ahmad	Non-Independent Non-Executive Director	-	-	-	-	300,000	0.09	-	-
Sim Seng Loong @ Tai Seng	Independent Non-Executive Director	-	-	-	-	300,000	0.09	-	-
Tan Mio Har	Independent Non-Executive Director	-	-	-	-	300,000	0.09	-	-

Notes:

(1) Based on the issued share capital of 236,083,815 Shares after completion of the Acquisition, Capital Restructuring and Share Transfer.

(2) Based on the enlarged share capital of 317,743,815 Shares after the IPO.

(3) Assuming full subscription of the Pink Form Shares reserved for our eligible Directors.

(4) Deemed interest pursuant to Section 8 of the Act through the shareholdings of Tan Sok Mooi, Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung in the Company.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.2.2 Profiles of our Directors

The profiles of our Directors Phang Nyie Lin, Phang Yeen Nung and Phang Yeen Aun who are also our promoters are disclosed in Section 8.1.2. The profiles of our other Directors are as follows:

(i) Dr Abdul Manaf bin Mohamad Radzi

Dr Abdul Manaf bin Mohamad Radzi, aged 63 is our Independent Non-Executive Chairman. He was appointed to our Board on 31 October 2017 and is the Chairman of our Remuneration and Nomination Committees and a member of our Audit and Risk Management Committees.

He graduated with a Bachelor of Science in Chemistry with a minor in Physics from Northern Illinois University, United States of America in 1977. In 1987, he obtained a Doctor of Philosophy in Physical Chemistry and minor in Inorganic Chemistry from the University of Tennessee, Knoxville, United States of America. He then obtained a Master of Business Administration from the Ohio University, United States of America in 1996.

He started his career in 1977 as a researcher at the chemistry laboratory in Northern Illinois University until 1980. He then furthered his studies from 1981 until 1987, attaining the Doctor of Philosophy in Physical Chemistry and minor in Inorganic Chemistry as mentioned above. Subsequently in 1988, he joined ICI Fertilizers Sdn Bhd as a technical executive and was subsequently promoted to marketing executive of the company in 1990. In 1992, he left ICI Fertilizers Sdn Bhd to join PETRONAS Petroleum Research Institute (now known as PETRONAS Research & Scientific Services Sdn Bhd) as an agrochemical executive before he was transferred to the Malaysian International Trading Corporation Sdn Bhd (a subsidiary of PETRONAS Research Sdn Bhd) in 1994 as a trader for urea and agrochemicals in Vietnam.

In 1995, he left Malaysian International Trading Corporation Sdn Bhd to join FRC Manufacturing (M) Sdn Bhd as a technical executive. In 1996, he left FRC Manufacturing (M) Sdn Bhd and joined ACP Industries Berhad as a manager in its special projects division, where he provided technical advice on new product development of the company.

In 2004, he left ACP Industries Berhad to join the education sector and became a lecturer in Sunway College Sdn Bhd. He left the education sector in 2005 to join Chemical Company of Malaysia Berhad as its Group Market Development Manager where he was responsible for identifying and developing market demands for the company's products. He was subsequently promoted to senior manager in 2006. In 2007, he was again promoted and was transferred to CCM Duopharma Biotech Berhad (subsidiary of Chemical Company of Malaysia Berhad) as its general manager and in that capacity was responsible for the international sales for the company's export operations until 2009.

In November 2009, he joined Innovax Sdn Bhd as the chief scientific officer responsible for R&D of pharmaceutical products before joining Malaysian Bioeconomy Development in January 2010 as the senior vice-president of its industrial division. In February 2010, he was transferred to the agriculture biotechnology division before being reassigned to the special projects division in 2012. In 2015, he became the senior vice-president of University-Industry Partnership division in Malaysian Bioeconomy Development and he was also a member of Scientific Advisory Board of Bioalpha Holdings Berhad before retiring in 2017.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

(ii) Dr Munavvar Zubaid bin Abdul Sattar

Dr Munavvar Zubaid bin Abdul Sattar, aged 62 is our Independent Non-Executive Director. He was appointed to our Board on 31 October 2017 and is a member of our Remuneration, Nomination and Risk Management Committees.

He graduated from the Universiti Sains Malaysia, Malaysia with a Bachelor of Pharmacy in 1980 and a Master of Science in Pharmacy in 1984. He obtained a Doctor of Philosophy in Physiology from the University of Birmingham, United Kingdom in 1993.

He started his career as a pharmacist in the pharmacy department of Kuala Terengganu Hospital, Terengganu (now known as Hospital Sultanah Nur Zahirah) in 1980. In 1982, he left Kuala Terengganu Hospital to join the education sector to become a graduate research assistant at the School of Pharmaceutical Sciences in Universiti Sains Malaysia.

He subsequently became a lecturer in 1984 and an associate professor in 1996. His last position at Universiti Sains Malaysia was as professor and dean of School of Pharmaceutical Sciences, Universiti Sains Malaysia. He left in 2017 and joined MAHSA University as professor and dean of Faculty of Pharmacy, a position he still holds.

As a professor, he has pioneered various research projects which have been published in various international journals, mainly in the area of physiology and pharmacology. His main research areas are neural control of kidney function, gene therapy as drug of the future as well as herbal pharmacological and toxicological evaluation and formulation. In 2001, he was appointed to the editorial board of the Malaysian Journal of Pharmaceutical Science and still sits on it.

(iii) Sulaiman bin Haji Ahmad

Sulaiman bin Haji Ahmad, aged 63 is our Non-Independent Non-Executive Director. He was appointed to our Board on 31 October 2017 and is a member of our Remuneration and Nomination Committees.

He graduated from Universiti Sains Malaysia, Malaysia with a Bachelor of Pharmacy in 1981. He became a registered pharmacist with the MOH after he completed his training in 1982. He started his career as a pharmacist in the manufacturing unit of the Sabah Central Medical Store and Hospital Queen Elizabeth, Sabah in 1982. In 1985, he was transferred to the National Pharmaceutical Control Bureau (now known as NPRA) as an analytical pharmacist responsible for product analysis. In 1990, he was promoted to senior pharmacist and was subsequently transferred to the GMP division of the National Pharmaceutical Control Bureau as a GMP auditor responsible for conducting GMP audits. In 2005, he was promoted to Head of Department of Compliance and Licensing for the GMP division until 2008.

In 2008, he was transferred to Hospital Klang, Selangor as chief pharmacist and the head of its pharmacy department. In 2009, he was transferred to Hospital Raja Permaisuri Bainun, Perak as chief pharmacist and the head of its pharmacy department. In 2010, he was promoted and transferred back to National Pharmaceutical Control Bureau as Deputy Director to lead its GMP and licensing division. He retired from his role as Deputy Director in 2016.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

(iv) Sim Seng Loong @ Tai Seng

Sim Seng Loong @ Tai Seng, aged 50 is our Independent Non-Executive Director. He was appointed to our Board on 31 October 2017 and is the Chairman of our Audit Committee and Risk Management Committee.

He was admitted as a member of the Malaysian Institute of Certified Public Accountants since May 1994, a Chartered Accountant under the Malaysian Institute of Accountants since March 1995 and as a member of the CPA Australia since March 2008.

He began his career as an auditor, with Ernst & Young, Kuala Lumpur in 1988 where he was tasked with the execution of audit assignments. During his employment with Ernst & Young, he entered into a four-year training contract with Lim Ali & Co from September 1988 until September 1992 to pursue his CPA.

Upon completion of his contract with Lim Ali & Co, he stayed on in Ernst & Young from 1992 until 2004. During his employment with Ernst & Young, he was tasked with audit assignments of various industries including those of government linked entities and other corporate finance assignments. In 2004, he started his own firm, R.K. Associates as lead partner where he was responsible for the day-to-day operations of the firm as well as audit and reporting work of various companies. In 2007, he joined Eaton Industries Pty. Ltd. (Australia) as a corporate accountant where he was tasked to co-ordinate the company's world-wide restructuring exercise. He was transferred to Shanghai Eaton Engine Components Ltd, China in 2009 as a financial controller. After leaving Shanghai Eaton Engine Components Ltd in 2010, he took a hiatus until January 2012. He then joined The BIG Group Sdn Bhd in January 2012, as CFO and chief operating officer before leaving in 2013. During his time at The BIG Group Sdn Bhd, he was primarily responsible for the finance and information technology function of the company and as well as day-to-day operations which also includes new restaurant openings.

In 2013, he was appointed as CFO of Petrol One Resources Berhad and in 2014, he was appointed as an independent director of Pentamaster Corporation Berhad. In 2015, he was appointed as a director of Petrol One Holdings Sdn Bhd and in 2016, he was also appointed as a non-executive independent director of Jack-In Group Limited which is listed on the Australian Stock Exchange. In March 2017, he was appointed as a director of Supreme Anchor Sdn Bhd. He continues to hold all of the abovementioned positions.

(v) Tan Mio Har

Tan Mio Har, aged 35, is our Independent Non-Executive Director. She was appointed to our Board on 31 October 2017 and is a member of our Audit Committee.

She obtained her Diploma in Business Studies in Accounting from Tunku Abdul Rahman College, Malaysia in 2003. Upon graduation, she commenced her Association of Chartered Certified Accountants qualification, which she completed in 2007. She has been a member of the Association of Chartered Certified Accountants since 2011 and she was admitted as a fellow of Association of Chartered Certified Accountants in May 2016. She has also been a member of the Malaysian Institute of Accountants since 2016.

She began her career as an auditor with Adrian Yeo & Co in 2007 where she performed auditing work on companies in various industries. In 2009, she left the company to join Palm Gold Corporation Sdn Bhd as an internal audit executive where she performed risk-based internal audits and reviewed the suitability and compliance of the company's internal control policies and procedures.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

In 2012, she left Palm Gold Corporation Sdn Bhd and joined ST Rock Blasting Sdn Bhd as an accountant where her responsibilities include handling financial accounts and taxation matters as well as preparing analytical reviews of the company's finance operations, a position she still holds.

Please refer to Section 8.2.3 for further details of our Directors' directorships for the past five years prior to the LPD.

8.2.3 Principal directorships and principal business activities of our Directors outside our Group

The following table sets out the principal directorships of our Directors as at the LPD and those which were held within the past five years up to the LPD, as well as their involvement in principal business activities outside our Groups:

Name	Company	Principal business activities	Involvement in business activities	Equity interest held (%)
Dr Abdul Manaf bin Mohamad Radzi	**Present directorships/ shareholdings**			
	Arif Efektif Sdn Bhd	Distribution of microbes for fertiliser decomposition and research and development of biofertilisers	Non-executive director and Shareholder	5.0
	Desa Janajaya Sdn Bhd	General traders and consultancy services, manufacturers, dealers, importers, exporters, distributors, buying or selling, commission agents and otherwise deal in goods, provisions, merchandise, commodities, plant and machinery and articles of all descriptions, both wholesale and retail	Non-executive director	-
	OSG Security Technology Services Sdn Bhd	Security services	Shareholder	20.0
	Bellus Terra Sdn Bhd	Producing agricultural fertilisers	Non-executive director	-
	Past directorships			
	Kedah Bioresources Corporation Sdn Bhd	Consultancy, training and R&D in bio-technological activities	-	-
	Acmesys Corporation Sdn Bhd	Dormant	-	-
	OSG Security Technology Services Sdn Bhd	Security services	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Name	Company	Principal business activities	Involvement in business activities	Equity interest held (%)
Phang Nyie Lin	**Present directorships/ shareholdings**			
	Nutra Naturals Sdn Bhd (formerly known as Nova Naturals Sdn Bhd)	Dormant	Non-executive director	-
	Vision Biotech	Trading in all kinds of premix and animal health products	Non-executive director and Shareholder	15.0
	Past directorships			
	Axiana[(1)]	Retailing and pharmaceutical products	-	-
	Nutraphyll[(2)]	Retailing natural health supplements and skin care products	-	-
	All Day Pharmacy[(3)]	(a) Export and import of medicinal active substances to be used for their pharmacological properties in the manufacture of medicaments; (b) Activities of consultants other than architecture, engineering and management consultants; and (c) Wholesale of a variety of goods without any particular specialisation	-	-
Phang Yeen Nung	**Present directorships/ shareholdings**			
	Nutra Naturals Sdn Bhd (formerly known as Nova Naturals Sdn Bhd)	Dormant	Non-executive director and Shareholder	11.0
	Past directorships			
	Axiana[(1)]	Retailing and pharmaceutical products	-	-
	All Day Pharmacy[(3)]	(a) Export and import of medicinal active substances to be used for their pharmacological properties in the manufacture of medicaments; (b) Activities of consultants other than architecture, engineering and management consultants; and	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Name	Company	Principal business activities	Involvement in business activities	Equity interest held (%)
		(c) Wholesale of a variety of goods without any particular specialisation		
Phang Yeen Aun	**Present directorships/ shareholdings**			
	Nutra Naturals Sdn Bhd (formerly known as Nova Naturals Sdn Bhd)	Dormant	Shareholder	11.0
	Vision Biotech	Trading in all kinds of premix and animal health products	Non-executive director and Shareholder	18.3
	Past directorships			
	Axiana[(1)]	Retailing and pharmaceutical products	-	-
	Nutraphyll[(2)]	Retailing natural health supplements and skin care products	-	-
	All Day Pharmacy[(3)]	(a) Export and import of medicinal active substances to be used for their pharmacological properties in the manufacture of medicaments; (a) Activities of consultants other than architecture, engineering and management consultants; and (b) Wholesale of a variety of goods without any particular specialisation	-	-
	Axiana (Bukit Raja)[(4)]	Retailing and pharmaceutical products	-	-
Sulaiman bin Haji Ahmad	**Present directorship**			
	Kinrara Agency Sdn Bhd	(a) Insurance agency; (b) Retail pharmacy; and (c) Supply medicines and disposable to hospital	Non-executive director	-
Sim Seng Loong @ Tai Seng	**Present directorship**			
	Petrol One Holdings Sdn Bhd	Investment holdings and the charter of safety standby vessels	Non-independent executive director	-
	Past directorship			
	Pentamaster Corporation Bhd	Investment holding and provision of management services	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Name	Company	Principal business activities	Involvement in business activities	Equity interest held (%)
	Bens Kitchen (BSC) Sdn Bhd	Proprietor of restaurant	-	-
	Bens Kitchen (Penang) Sdn Bhd	Operation of restaurants and sale of beverages and other food preparations	-	-
	S Wine (F&B) Sdn Bhd	Operation of restaurants and sale of beverages and other food preparations	-	-
	The BIG Benquet Sdn Bhd	Food catering and event related services	-	-
	Supreme Anchor Sdn Bhd	Export and import of a variety of goods without any particular specialization	-	-

Notes:

(1) Phang Nyie Lin, Phang Yeen Nung, and Phang Yeen Aun have ceased to be directors of Axiana since 30 June 2017, pursuant to the cessation of the business operations of Axiana.

(2) Phang Nyie Lin and Phang Yeen Aun have resigned as directors of Nutraphyll since 14 June 2017. Phang Yeen Nung and Phang Yeen Aun have ceased to be shareholders of Nutraphyll since 17 August 2017.

(3) Phang Yeen Aun resigned as a director of All Day Pharmacy on 20 January 2017, while Phang Nyie Lin and Phang Yeen Nung resigned as directors of All Day Pharmacy on 14 June 2017.

(4) Phang Yeen Aun has ceased to be a director of Axiana (Bukit Raja) on 30 June 2017, pursuant to the cessation of the business operations of Axiana (Bukit Raja).

Save as disclosed in Section 10.3, as at the LPD, none of our Directors or substantial shareholders have any interest, direct or indirect or directorship in other business or corporations which are carrying on a similar or related trade as our Group or give rise to a situation of conflict of interest with our Group's business.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.2.4 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered to our Group for the FYE 2017 and the FYE 2018 are as follows:

	Salaries		Fees	Bonus	Employees Provident Fund and Social Security Organisation		
FYE 2017	**Paid RM'000**	**Payable RM'000**	**Paid RM'000**	**Paid RM'000**	**Paid RM'000**	**Payable RM'000**	**Total RM'000**
Non- Executive Directors							
Dr Abdul Manaf bin Mohamad Radzi	-	-	-	-	-	-	-
Dr Munavvar Zubaid bin Abdul Sattar	-	-	-	-	-	-	-
Sulaiman bin Haji Ahmad	-	-	-	-	-	-	-
Sim Seng Loong @ Tai Seng	-	-	-	-	-	-	-
Tan Mio Har	-	-	-	-	-	-	-
Executive Directors							
Phang Nyie Lin	36	-	-	10	5	-	51
Phang Yeen Nung	65	-	-	30	12	-	107
Phang Yeen Aun	28	-	-	-	4	-	32

	Salaries		Fees	Bonus	Employees Provident Fund and Social Security Organisation		
FYE 2018	**Paid RM'000**	**Payable RM'000**	**Payable RM'000**	**Paid RM'000**	**Paid RM'000**	**Payable RM'000**	**Total RM'000**
Non- Executive Directors							
Dr Abdul Manaf bin Mohamad Radzi	**-**	-	36	-	**-**	-	36
Dr Munavvar Zubaid bin Abdul Sattar	-	-	36	-	-	-	36
Sulaiman bin Haji Ahmad	-	-	36	-	-	-	36
Sim Seng Loong @ Tai Seng	-	-	36	-	-	-	36
Tan Mio Har	-	-	36	-	-	-	36
Executive Directors							
Phang Nyie Lin	81	9	-	10	10	1	111
Phang Yeen Nung	89	9	-	30	11	1	140
Phang Yeen Aun	89	9	-	30	11	1	140

The remuneration of our Directors, which includes salaries, bonuses and fees as well as other benefits, must be recommended by our Remuneration Committee and subsequently be approved by the Board, subject to the provisions of our Constitution. Our Directors' fees and benefits must be further approved and endorsed by our shareholders in a general meeting.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.2.5 Board practice

8.2.5.1 Directors' term of office

Pursuant to Clause 108 of our Constitution, at the first annual general meeting of our Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that all the Directors shall retire from office once at least in each three years but shall be eligible for re-election. A retiring director shall be eligible for re-election and shall retain office until the close of the meeting at which he/ she retires.

Pursuant to Clause 113 of our Constitution, our Directors shall have power at any time, and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with our Constitution. Any Director so appointed shall hold office only until the next annual general meeting when he/ she shall retire but shall then be eligible for re-election but he/ she shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

The date of expiry of the current term of office for each of our Directors and the period that each of them has served in that office is as follows:

Directors	Date of appointment	Date of expiry of the current term of office	Approximate no. of years and months in office up to the date of this Prospectus
Dr Abdul Manaf bin Mohamad Radzi	31 October 2017	At the first annual general meeting	Less than one year
Phang Nyie Lin	31 October 2017	At the first annual general meeting	Less than one year
Phang Yeen Nung	31 October 2017	At the first annual general meeting	Less than one year
Phang Yeen Aun	31 October 2017	At the first annual general meeting	Less than one year
Dr Munavvar Zubaid bin Abdul Sattar	31 October 2017	At the first annual general meeting	Less than one year
Sulaiman bin Haji Ahmad	31 October 2017	At the first annual general meeting	Less than one year
Sim Seng Loong @ Tai Seng	31 October 2017	At the first annual general meeting	Less than one year
Tan Mio Har	31 October 2017	At the first annual general meeting	Less than one year

8.2.5.2 Audit Committee

The Audit Committee shall solely comprise of Independent Non-Executive Directors. The Audit Committee was constituted on 31 October 2017 by our Board with the function of assisting our Board in fulfilling its oversight responsibilities. The current members are:

Name	Designation	Directorship
Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director
Dr Abdul Manaf bin Mohamad Radzi	Member	Independent Non-Executive Chairman
Tan Mio Har	Member	Independent Non-Executive Director

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee. The key duties and responsibilities of our Audit Committee are amongst others, the following:

(i) to review the engagement, compensation, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;

(ii) to review and approve quarterly and annual financial statements for recommendation to the Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements; and

(iii) to review any related party transactions entered into by the Group and any conflict of interest situations that may arise within the Group.

8.2.5.3 Remuneration Committee

The majority of the members of the Remuneration Committee shall be Independent Non-Executive Directors. Our Remuneration Committee was constituted by our Board on 31 October 2017. The current members are:

Name	Designation	Directorship
Dr Abdul Manaf bin Mohamad Radzi	Chairman	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director
Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director

The role of our Remuneration Committee is to assist our Board in undertaking reviews of the remuneration for our Directors and our Group's senior management personnel in the interest of attracting, retaining and motivating them.

Our Remuneration Committee is charged with recommending to our Board amongst others, the following:

(i) to provide assistance to our Board in establishing the policy and framework for the Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;

(ii) to ensure that the Group's remuneration and incentive policies, practices and key performance indicators are appropriately established and are aligned with the Group's vision, values and business objectives and market trends;

(iii) to provide assistance to the Board on matters relating to, amongst others, management grievances, compensation strategy, management development and other compensation arrangements; and

(iv) to ensure corporate accountability and governance in respect of the Board remuneration and compensation.

8.2.5.4 Nomination Committee

The majority of the members of the Nomination Committee shall be Independent Non-Executive Directors. Our Nomination Committee was constituted by our Board on 31 October 2017. The current members are:

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

Name	Designation	Directorship
Dr Abdul Manaf bin Mohamad Radzi	Chairman	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director
Sulaiman bin Haji Ahmad	Member	Non-Independent Non-Executive Director

The principal role of our Nomination Committee is to assess the performance of our respective Directors and the nomination of new Directors, where required. The key duties and responsibilities of our Nomination Committee are amongst others, the following:

(i) to assist the Board in the effective discharge of its responsibility to ensure that the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

(ii) to ensure appropriate selection criteria and processes and to identify and recommend to the Board, candidates for directorships of the Company and members of the relevant Board committees;

(iii) to evaluate the effectiveness of the Board and the relevant Board committees; and

(iv) to ensure an appropriate framework and succession planning for the Board, including the Managing Director.

8.2.5.5 Risk Management Committee

The majority of the members of the Risk Management Committee shall be Independent Non-Executive Directors, all of whom shall be recommended by the Audit Committee and appointed by and from the Board. Our Risk Management Committee was constituted by our Board on 31 October 2017. The current members are:

Name	Designation	Directorship
Sim Seng Loong @ Tai Seng	Chairman	Independent Non-Executive Director
Dr Abdul Manaf bin Mohamad Radzi	Member	Independent Non-Executive Chairman
Dr Munavvar Zubaid bin Abdul Sattar	Member	Independent Non-Executive Director

The principal role of our Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Company and the risk management and compliance framework and the governance structure that supports it. The key duties and responsibilities of our Risk Management Committee are, amongst others, the following:

(i) reviewing and recommending risk management framework, strategies, policies and risk tolerance/ appetite for the Audit Committee for recommendation to the Board for approval;

(ii) reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(iii) ensuring adequate infrastructure, resources and systems are in place for an effective risk management framework;

(iv) reviewing the Risk Management Co-ordinator's periodic reports on risk exposure, risk portfolio composition and activities;

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

(v) to discuss problems and reservations arising from the risk review, and any matter the Risk Management Co-ordinator may wish to discuss (in the absence of senior management where necessary);

(vi) discuss the problems and reservations arising from their reviews and any matter the external auditors and internal auditors may wish to discuss;

(vii) internal auditors shall regularly review the working paper and recommendation from the Risk Management Committee and to discuss the review and other related matters as well as the recommendation relating thereto and to follow up on all relevant decisions made whenever deem necessary; and

(viii) monitor key business risks to safeguard shareholders' investments and the Company's assets.

8.3 KEY MANAGEMENT

8.3.1 Key management's shareholdings in our Company

The following table sets out the direct and indirect shareholdings of each of our key management before and after our IPO, assuming full subscription of Pink Form Shares reserved for our eligible employees:

		Before the IPO				After the IPO[(1)]			
		Direct		Indirect		Direct		Indirect	
Name	Designation	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Yeoh Kim Kooi	CFO	-	-	-	-	300,000	0.09	-	-
Nicholas Cheong Peck Hiang	Chief Business Officer	-	-	-	-	300,000	0.09	-	-
Tan Kiat Wei	Chief Production Officer	-	-	-	-	300,000	0.09	-	-
Sangeetha A/P Thuraisingam	Chief Quality Officer	-	-	-	-	300,000	0.09	-	-

Note:

(1) Assuming full subscription of the Pink Form Shares reserved for our Eligible Persons.

8.3.2 Profiles of key management

The profiles of our key management are set out below:

(i) Yeoh Kim Kooi

Yeoh Kim Kooi, aged 34, is our Group's CFO. He graduated from Oxford Brookes University, United Kingdom in 2008 with a Bachelor of Science in Applied Accounting. He has been a member of the Association of Chartered Certified Accountants since 2008 and he was admitted as a fellow of the Association of Chartered Certified Accountants in 2013. He is also a member of the Malaysian Institute of Accountants since 2010.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

He started his career as an audit junior with Ng Chin Huan & Associates in 2004 where he was responsible for assisting senior audits in their audits and then joined Chong & Co as an audit semi-senior in May 2007. Subsequently, he left Chong & Co in December 2008 to join Crowe Horwath (Kuala Lumpur) as an audit senior associate in January 2009. He left Crowe Horwath in November 2010 to join Baker Tilly TFW LLP (Singapore) as an audit senior in March 2011.

At Baker Tilly TFW LLP (Singapore), he audited clients from various industries, which include manufacturing facilities, industrial products and plantation. In February 2012, he left Baker Tilly TFW LLP (Singapore) to join Lobb Heng Pte Ltd as an assistant finance manager in March 2012. At Lobb Heng Pte Ltd, he assisted in planning, managing and maintaining all financial and accounting functions of the company until May 2012.

In October 2012, he joined Darco Water Systems Sdn Bhd as financial controller and in that capacity was responsible for managing the accounting and finance functions of the company in Malaysia. He was subsequently promoted in 2013 to group financial controller at Darco Water Technologies Limited, Singapore where he was responsible for the group's corporate finance, corporate communications and overall financial operations. He left Darco Water Technologies Limited in March 2016 to join Powerus Sdn Bhd as group financial controller until August 2016. At Powerus Sdn Bhd, he was responsible for the overall control and monitoring of financial performance of the company.

He joined our Group as our CFO in November 2016 and is mainly responsible for the management of the overall financial and corporate affairs of our Group.

(ii) Nicholas Cheong Peck Hiang

Nicholas Cheong Peck Hiang, aged 36, is our Group's Chief Business Officer. He graduated from University of Northumbria, Newcastle, United Kingdom in 2004 with a Bachelor of Arts in Marketing.

He started his career as a sales representative with Hovid Pharmacy Sdn Bhd (a subsidiary of Hovid Berhad) in 2004 where he was involved in selling and promoting generic products. In 2005, he left Hovid Pharmacy Sdn Bhd to join Nova Laboratories as a sales representative and was promoted to sales manager in 2007.

As the sales manager of Nova Laboratories, he was responsible for managing overall sales, marketing and business development activities of Nova Laboratories. He also monitors the sales performance and marketing activities to private hospitals, clinics and retail pharmacies for Nova Laboratories.

He was promoted to our Group's Chief Business Officer in 2015, a position he currently holds. As the Group's Chief Business Officer, he assists Phang Yeen Nung and Phang Yeen Aun in business development and marketing, respectively.

(iii) Tan Kiat Wei

Tan Kiat Wei, aged 31, is our Group's Chief Production Officer. He graduated from Cyberjaya University College of Medical Sciences, Malaysia with a Bachelor of Pharmacy in 2012.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

He underwent training as a pharmacist trainee with Y.S.P. Industries (M) Sdn Bhd in 2012. After he completed his training in 2013, he became the production pharmacist to monitor the production process for the company's cream manufacturing and packaging line and in that capacity was responsible to execute the production plans according to the schedule and to ensure the production runs smoothly. In 2014, he left Y.S.P. Industries (M) Sdn Bhd to join Nova Laboratories as a marketing manager. As the marketing manager, he was responsible for the planning of marketing programmes as well as conducting product training for the sales team.

In 2015, he was transferred to the production department as production manager where he was responsible for production planning and overseeing all production lines. Apart from overseeing the manufacturing process, he works closely with various departments to ensure our products meet the safety, quality and efficacy requirements and ensuring compliance with current GMP and relevant regulatory requirements. In 2016, he assumed his present position as our Group's Chief Production Officer where he is responsible for overseeing the overall manufacturing process of our Group.

Tan Kiat Wei is the nephew of Tan Sok Mooi and Phang Nyie Lin. He is also the cousin of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung.

(iv) Sangeetha A/P Thuraisingam

Sangeetha A/P Thuraisingam, aged 33, is our Group's Chief Quality Officer. She graduated from Tunku Abdul Rahman University, Malaysia with a Bachelor of Science in Biotechnology in 2006.

Upon graduation, she joined Nova Laboratories in 2006 as a regulatory executive where she was responsible for preparing registration dossiers for Nova Laboratories' products and obtaining approval for the products from the NPRA and regulatory authorities. She was then promoted to Regulatory Manager in 2007 before being promoted to Regulatory & QA Manager in 2008. As Regulatory Manager, she was responsible for overseeing the development, implementation, maintenance and improvement of the GMP Quality System for our Group. She was also responsible to ensure that products meet safety, quality and efficacy requirements as well as product and manufacturing compliance with current GMP and relevant regulatory requirements.

In 2016, she was appointed to her current position of Chief Quality Officer where she is responsible for quality assurance of our Group's operations through development, implementation and compliance with corporate policies, processes, procedures and guidelines relevant to regulatory activities. She is member of the Group's internal Halal committee and in that capacity is responsible for the Halal compliance of the Group's products and GMP plant. She is also the Vice Chairman of our internal health and safety committee and is responsible for inspections of the workplace for employees' health and safety compliance and risk assessments for our Group's manufacturing plant.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.3.3 Key Managements' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind paid and to be paid to our key management for services rendered to our Group for the FYE 2017 and FYE 2018 are as follows:

	Remuneration band	
Directors	**FYE 2017 RM'000**	**FYE 2018 RM'000**
Yeoh Kim Kooi	100 to 150	150 to 200
Nicholas Cheong Peck Hiang	150 to 200	150 to 200
Tan Kiat Wei	150 to 200	150 to 200
Sangeetha A/P Thuraisingam	100 to 150	100 to 150

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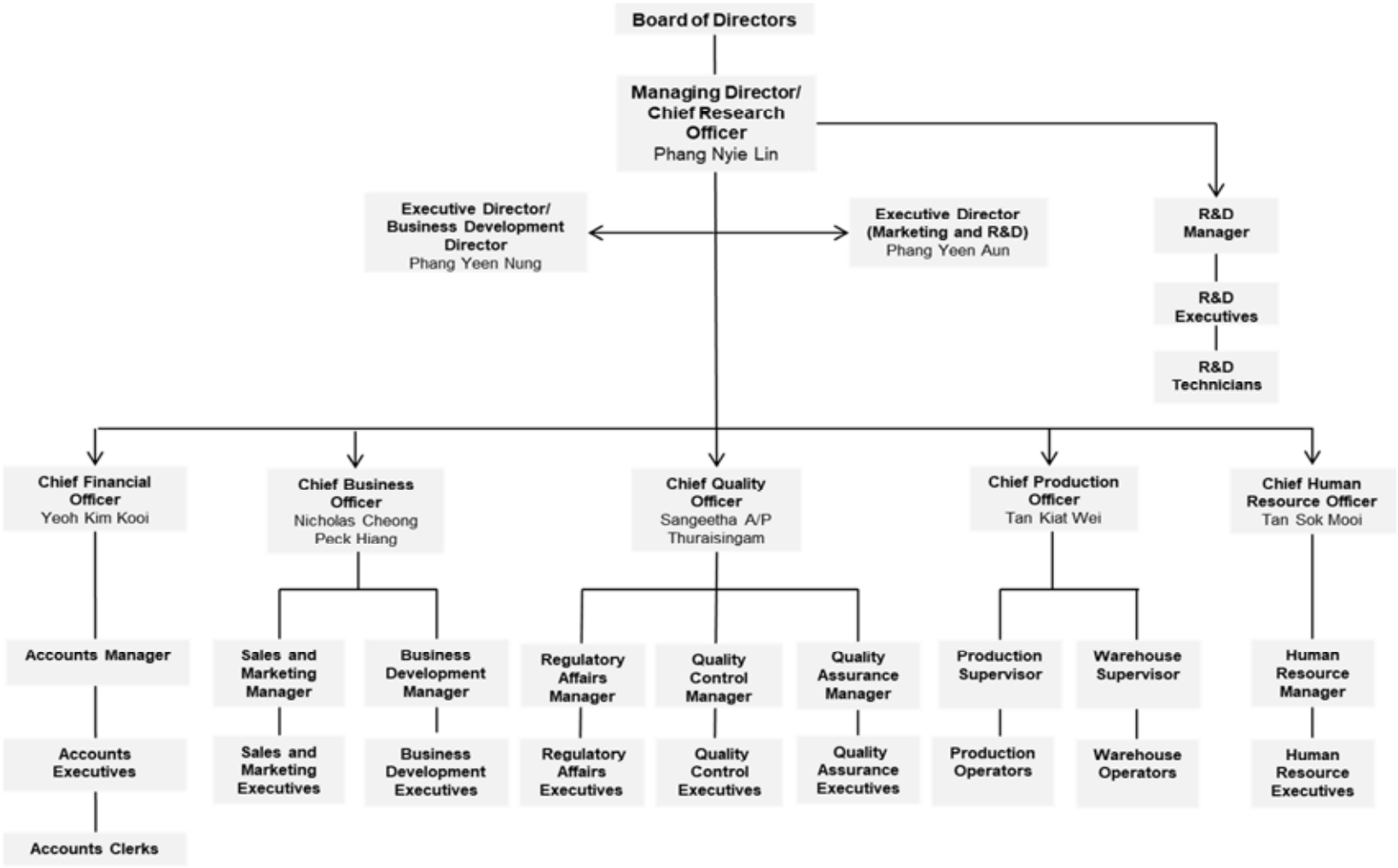
8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.3.4 Management Reporting Structure

The management reporting structure of our Group is as follows:



8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.4 INVOLVEMENT OF EXECUTIVE DIRECTORS AND KEY MANAGEMENT IN OTHER BUSINESSES OR CORPORATIONS

Save as disclosed in Section 8.2.3, our Executive Directors and key management are not involved in other principal business activities outside our Group.

The involvement of our Executive Directors and key management in those business activities/ corporations does not require significant amount of time as they are not involved in the day-to-day operations and management of the said companies. Hence, their involvement is not expected to affect their ability to perform their executive roles and responsibilities to our Group.

8.5 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors and key management is or has been involved in any of the following events (whether in or outside Malaysia):

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

(ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(iii) in the last 10 years, charged and/ or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) in the last 10 years, any judgement was entered against him, or finding at fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the securities or futures industry;

(v) in the last 10 years, he was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(vi) being the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;

(vii) being the subject of any current investigation or disciplinary proceeding, or in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or

(viii) has an unsatisfied judgement against him.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.6 FAMILY RELATIONSHIP AND ASSOCIATION

Save as disclosed below, there is no family relationship and/ or association between any of our Promoters, substantial shareholders, Directors, and key management as at the LPD.

Name	Position/ Capacity	Relationship/ Association
Phang Nyie Lin	Promoter, substantial shareholder, Managing Director and Chief Research Officer	• Husband of Tan Sok Mooi • Father of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung. • Uncle of Tan Kiat Wei
Tan Sok Mooi	Promoter and substantial shareholder	• Wife of Phang Nyie Lin • Mother of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung. • Aunt of Tan Kiat Wei
Phang Yeen Nung	Promoter, substantial shareholder and Executive Director	• Son of Phang Nyie Lin and Tan Sok Mooi • Brother of Phang Yeen Aun and Phang Yeen Hung. • Cousin of Tan Kiat Wei
Phang Yeen Aun	Promoter, substantial shareholder and Executive Director	• Son of Phang Nyie Lin and Tan Sok Mooi • Brother of Phang Yeen Nung and Phang Yeen Hung. • Cousin of Tan Kiat Wei
Phang Yeen Hung	Promoter and substantial shareholder	• Son of Phang Nyie Lin and Tan Sok Mooi • Brother of Phang Yeen Nung and Phang Yeen Aun. • Cousin of Tan Kiat Wei
Tan Kiat Wei	Chief Production Officer	• Nephew of Tan Sok Mooi and Phang Nyie Lin • Cousin of Phang Yeen Nung, Phang Yeen Aun and Phang Yeen Hung.

8.7 SERVICE AGREEMENTS

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

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.8 EMPLOYEES

The total numbers of employees of the Group in FPE 2017 and as at the LPD are as follows:

	Number of employees	
Category	**FPE 2017**	**As at the LPD**
Directors and Key Management	7	7
Sales and marketing	2	2
Business development	6	5
Administrative	13	18
R&D and QC	14	13
Production workers	41	38
Total	**83**	**83**
Nationality		
Local	65	70
Foreign	18	13
Total	**83**	**83**

Our Group's workforce is located in Malaysia.

The sales and marketing team is responsible for the sales and marketing of our House Brand products to private hospitals, clinics and retail pharmacies. They are also responsible to execute the marketing plans and promotion campaigns for our House Brand products. The business development team is responsible for identifying and securing new business contracts, and building and maintaining customer relationships for our Group.

The number of employees for sales and marketing team reduced from six employees in FYE 2016 to three employees in FYE 2017 due to retirement and resignation of some employees in the team. The number of employees for business development increased from one employee in FYE 2016 to four employees in FYE 2017, and we intend to increase our number of employees in line with our Group's focus in building up the business development team in line with our future expansion plans. The remaining employees in the sales and marketing team will be absorbed into the business development team in the future. This transition is due to the maturity of the NWPP partners and improved technology in communication. The business development team will oversee the sales, marketing, new customer accounts, customer relationship, and gathering market information and feedback on products and competitors.

Our Group employs local and foreign workers for our production processes. All our foreign workers have valid work permits. As at the LPD, none of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes.

We regard our employees as vital to our continued growth and we aim to provide continuous training (external training and in-house training) and education to every employee in the areas of soft skills, technical knowledge and regulatory updates, and on job competencies in order to develop their functional skills related to their respective job scope.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT *(cont'd)*

8.9 SUCCESSION PLAN

As set out in Section 4.1.1, the continued success of our Group depends on the ability, dedication and retention of our Directors and key management in particular our Managing Director and Chief Research Officer, Phang Nyie Lin. As the Managing Director, Phang Nyie Lin is responsible for providing the strategic direction and overseeing the business operations of the Group, whilst as the Chief Research Officer and qualified pharmacist, he leads and oversees the R&D activities of the Group.

Our Executive Directors, Phang Yeen Nung and Phang Yeen Aun have been identified as the successors to our Managing Director. Phang Yeen Nung is presently assisting the Managing Director in setting and implementing the business strategies for the Group. Phang Yeen Aun is a registered pharmacist and is presently involved in developing the marketing strategies for the Group and also plays a key role in R&D activities.

Our future success also depends on our ability to attract and retain skilled personnel. Our strategies to retain our key management and attract new personnel include, amongst others, succession planning and promotion opportunities, attractive remuneration packages, and training activities.

Our succession plan consists of:

(i) Selection and recruitment: identifying key competencies and requirements for managerial and key senior positions for succession planning; and identifying potential successor's readiness to facilitate skills transfer so as to ensure smooth running and continuity of the operations of our Group.

(ii) Attractive remuneration packages and employee benefits.

(iii) Career planning and development: our senior management trains the lower and middle management staff to gradually assume more responsibilities.

(iv) Continuous training and education: our middle management actively participate in discussions and decision-making in various operations of our Group. Such active participation will ensure better understanding of our operations and enable the personnel to equip themselves with the necessary knowledge and skills to succeed in senior management roles.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS

9.1.1 SC

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

The SC had, vide its letter dated 9 April 2018, noted the resultant equity structure of our Company pursuant to our Listing under the equity requirement for public listed companies ("**Equity Requirement**"). Nova Laboratories is a BioNexus-status company and the sole contributor to the Group's after-tax profit for FYE 2015 to FYE 2017. Accordingly, Nova Wellness is exempted from the Equity Requirement.

Nevertheless, if we undertake subsequent proposals involving:

(i) a transfer of our listing status to the Main Market of Bursa Securities; or

(ii) any acquisition which results in a significant change in our business direction or policy,

we must submit such application to the SC under the Equity Requirement for a reassessment.

9.1.2 Bursa Securities

Bursa Securities had, vide its letter dated 6 March 2018, approved:

(i) the admission of our Company to the Official List of the ACE Market of Bursa Securities; and

(ii) the listing of and quotation for our entire enlarged share capital on the ACE Market of Bursa Securities.

The approval from Bursa Securities is subject to the following conditions:

Conditions imposed by Bursa Securities	Status of compliance
Any director of the Company that has not attended the Mandatory Accreditation Programme must do so prior to listing of the company;	To be complied prior to Listing.
Submit the following information in respect of the Moratorium on the shareholdings of promoters to the Bursa Depository: (i) Name of shareholders; (ii) Number of Shares; and (iii) Date of expiry of the moratorium for each block of shares.	To be complied prior to Listing.
Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied.
Make the relevant announcements pursuant to paragraph 8.1 and 8.2 of Guidance Note 15 of the Listing Requirement;	To be complied prior to Listing.
Furnish Bursa Securities with a copy of the schedule of distribution showing compliance with the share spread requirements on the first day of listing;	To be complied upon Listing.
In relation to the public offering to be undertaken by Nova Wellness please announce at least 2 market days prior to the listing date, the result of the offering including the following:	To be complied prior to Listing.

9. APPROVALS AND CONDITIONS *(cont'd)*

Conditions imposed by Bursa Securities	Status of compliance
(i) Level of subscription of public balloting and placement; (ii) Basis of allotment/ allocation; (iii) A table showing the distribution for placement tranche, in format attached in appendix I; and (iv) Disclosure of placees who become substantial shareholders of Nova Wellness arising from the public offering, if any. Kenanga IB to ensure that the overall distribution of Nova Wellness' securities is properly carried out to provide an orderly trading in the secondary market; and	
Nova Wellness/ Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission on the Official List on the ACE Market is completed	To be complied upon Listing.

9.2 MORATORIUM ON OUR SHARES

In compliance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of our Shares held by our Promoters for a period of six months from the date of our admission to the Official List ("**Moratorium Period**").

(a) The moratorium applies to the Promoters' entire shareholdings of 236,083,815 Shares for a period of six (6) months from the date of admission to the Bursa Securities ("**First 6-Month Moratorium**");

(b) Upon the expiry of the six (6) months period stated above, the Promoters' aggregate shareholdings amounting to 142,984,717 Shares will remain under moratorium for another period of six (6) months ("**Second 6-Month Moratorium**"); and

(c) Thereafter, the Promoters' may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of the shares held under moratorium.

The moratorium shall be imposed according to the following:

	Moratorium Shares During the First 6-Month Moratorium		Moratorium Shares During the Second 6-Month Moratorium	
Name	**No. of Nova Wellness Shares**	**%(1)**	**No. of Nova Wellness Shares**	**%(1)**
Promoters				
Phang Nyie Lin	25,249,603	7.95	15,292,481	4.81
Tan Sok Mooi	135,085,403	42.50	81,814,791	25.76
Phang Yeen Nung	25,249,603	7.95	15,292,481	4.81
Phang Yeen Aun	25,249,603	7.95	15,292,481	4.81
Phang Yeen Hung	25,249,603	7.95	15,292,481	4.81
Total	**236,083,815**	**74.30**	**142,984,717**	**45.00**

Note:

(1) Based on the entire enlarged share capital of 317,743,815 Shares after the IPO.

The moratorium, which is fully accepted by our Promoters, will be specifically endorsed on the share certificate representing the entire shareholdings of our Promoters to ensure that our Company's share registrar does not register any transfer that contravenes the moratorium restrictions. In addition, our Promoters have also provided undertakings that they will comply with the said moratorium condition relating to the sale of their Shares as mentioned above.