11. FINANCIAL INFORMATION

11.1 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Our audited combined financial statements throughout the FYEs 2018 to 2021 and FPE 2022 have been prepared in accordance with MFRS and IFRS. Our audited combined financial statements for the FYEs 2018 to 2021 and FPE 2022 under review were not subject to any audit qualifications.

11.1.1 Historical financial information

The following summary should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

(i) Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical audited combined statements of profit or loss and other comprehensive income for the FYEs 2018 to 2021 and FPE 2022:

	Audited				Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	32,670	31,696	39,373	59,072	29,330	34,843
Cost of sales	(20,861)	(23,572)	(26,958)	(41,202)	(20,506)	(28,375)
GP	11,809	8,124	12,415	17,870	8,824	6,468
Other income	232	200	281	393	112	206
Selling and distribution expenses	(304)	(113)	(310)	(186)	(75)	-
Administrative expenses	(3,305)	(4,082)	(4,013)	(5,051)	(2,144)	(2,461)
Other expenses	(404)	(18)	(14)	(1,415)	(315)	(111)
Finance costs	(604)	(713)	(635)	(563)	(349)	(281)
PBT	7,424	3,398	7,724	11,048	6,053	3,821
Tax expense	(1,918)	(1,135)	(2,088)	(3,407)	(1,476)	(1,114)
PAT	**5,506**	**2,263**	**5,636**	**7,641**	**4,577**	**2,707**
PAT attributable to:						
- Owners of the Company	5,502	2,254	5,636	7,641	4,577	2,707
- Non-controlling interest	4	9	-	-	-	-
	5,506	**2,263**	**5,636**	**7,641**	**4,577**	**2,707**
EBIT [(1)]	7,960	4,099	8,305	11,562	6,369	4,080
EBITDA [(1)]	9,213	5,647	9,912	13,292	7,100	5,045
GP margin (%)	36.15	25.63	31.53	30.25	30.09	18.56
PBT margin (%)	22.72	10.72	19.62	18.70	20.63	10.97
PAT margin (%)	16.85	7.14	14.31	12.94	15.61	7.77
Effective tax rate (%)	25.84	33.40	27.03	30.84	24.38	29.15
EPS (sen) [(2)]	3.64	1.49	3.73	5.05	3.03	1.79
Diluted EPS (sen) [(3)]	2.22	0.91	2.27	3.08	1.85	1.09

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited				Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
PAT	5,506	2,263	5,636	7,641	4,577	2,707
Less:						
Interest income	(68)	(12)	(54)	(49)	(33)	(22)
Add:						
Finance costs	604	713	635	563	349	281
Tax expense	1,918	1,135	2,088	3,407	1,476	1,114
EBIT	**7,960**	**4,099**	**8,305**	**11,562**	**6,369**	**4,080**
Add:						
Depreciation and amortisation	1,253	1,548	1,607	1,730	731	965
EBITDA	**9,213**	**5,647**	**9,912**	**13,292**	**7,100**	**5,045**

(2) Calculated based on the PAT attributable to owners of the Company divided by the share capital of 151,200,000 Shares before the IPO.

(3) Calculated based on the PAT attributable to owners of the Company divided by the enlarged share capital of 247,868,000 Shares after the IPO.

(ii) Historical combined statements of financial position

The following table sets out our historical combined statements of financial position as at 30 June 2018, 2019, 2020, 2021 as well as 31 December 2020 and 2021:

	Audited				Unaudited	Audited
	As at 30 June				As at 31 December	
	2018	**2019**	**2020**	**2021**	**2020**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS						
Non-current assets						
Property, plant and equipment	9,107	9,342	9,009	16,815	8,528	19,118
Investment properties	10,653	10,611	10,568	1,980	10,546	1,958
Intangible asset	-	37	19	~	10	-
Deferred tax asset	11	-	-	-	-	-
Total non-current assets	**19,771**	**19,990**	**19,596**	**18,795**	**19,084**	**21,076**
Current assets						
Inventories	2,382	4,082	4,085	5,166	5,653	7,630
Trade receivables	5,903	4,719	5,262	5,563	3,332	6,807
Other receivables	1,028	1,370	573	2,573	781	2,820
Financial assets at fair value through profit or loss ("FVTPL")	-	-	-	4,032	4,028	2,003
Amount due from Directors	959	908	-	-	-	-

11. FINANCIAL INFORMATION *(Cont'd)*

	Audited				Unaudited	Audited
	As at 30 June				As at 31 December	
	2018	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tax recoverable	37	678	160	371	546	1,255
Short-term deposits with licenced banks	-	-	1,019	-	-	-
Cash and bank balances	1,644	3,745	10,689	6,128	8,912	4,160
Total current assets	**11,953**	**15,502**	**21,788**	**23,833**	**23,252**	**24,675**
TOTAL ASSETS	**31,724**	**35,492**	**41,384**	**42,628**	**42,336**	**45,751**
EQUITY AND LIABILITIES						
EQUITY						
Share capital	*	*	*	*	*	15,120
Invested equities	901	933	933	933	933	-
Merger deficit	-	-	-	-	-	(14,186)
Retained earnings	11,282	13,563	14,199	19,839	18,776	20,046
NA	12,183	14,496	15,132	20,772	19,709	20,980
Non-controlling interest	50	-	-	-	-	-
TOTAL EQUITY	**12,233**	**14,496**	**15,132**	**20,772**	**19,709**	**20,980**
LIABILITIES						
Non-current liabilities						
Borrowings	10,925	10,432	10,380	9,680	10,131	9,356
Lease liabilities	698	808	930	723	667	1,461
Deferred tax liabilities	30	14	24	139	24	297
Total non-current liabilities	**11,653**	**11,254**	**11,334**	**10,542**	**10,822**	**11,114**
Current liabilities						
Trade payables	2,741	4,104	3,719	4,734	5,015	9,114
Other payables	3,888	3,903	4,200	5,195	3,914	2,401
Dividend payable	-	-	5,000	-	-	-
Borrowings	518	1,348	1,237	648	534	1,571
Lease liabilities	306	375	424	493	540	571
Tax payable	385	12	338	244	1,802	-
Total current liabilities	**7,838**	**9,742**	**14,918**	**11,314**	**11,805**	**13,657**
TOTAL LIABILITIES	**19,491**	**20,996**	**26,252**	**21,856**	**22,627**	**24,771**
TOTAL EQUITY AND LIABILITIES	**31,724**	**35,492**	**41,384**	**42,628**	**42,336**	**45,751**

Notes:

* Representing RM2 only.

~ Negligible.

11. FINANCIAL INFORMATION *(Cont'd)*

(iii) Historical audited combined statements of cash flows

The following table sets out our audited combined statements of cash flows for the FYEs 2018 to 2021 and FPE 2022:

	Audited				Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating Activities						
PBT	7,424	3,398	7,724	11,048	6,053	3,821
Adjustments for:						
Property, plant and equipment written off	103	-	-	22	-	-
Depreciation of property, plant and equipment	771	902	930	1,048	479	577
Depreciation of right-of-use assets	470	585	616	621	222	366
(Gain)/Loss on disposal of property, plant and equipment	-	(30)	-	*	-	(8)
Impairment loss on property, plant and equipment	-	-	-	1,045	-	-
Depreciation of investment properties	12	43	43	43	21	21
Amortisation of intangible asset	-	18	18	18	9	1
Inventories written off	-	*	-	-	-	-
Loss allowance on trade receivables	139	*	14	115	125	59
Reversal of loss allowance on trade receivables	-	(27)	(10)	(58)	-	(69)
Bad debts written off	116	-	-	42	40	-
Deposits written off	1	-	-	-	-	-
Dividend income from financial assets at FVTPL	-	-	-	(150)	-	(62)
Fair value loss/(gain) on financial assets at FVTPL	-	-	-	119	(28)	48
Unrealised loss/(gain) on foreign exchange	46	11	(87)	72	150	2
Interest income	(68)	(12)	(54)	(49)	(33)	(22)
Interest expenses	604	713	635	563	349	281
Operating profit before working capital changes	**9,618**	**5,601**	**9,829**	**14,499**	**7,387**	**5,015**
Changes in working capital:						
Inventories	(663)	(1,700)	(3)	(1,081)	(1,568)	(2,464)
Receivables	(1,603)	902	246	(2,404)	1,562	(1,480)
Payables	(2,759)	1,378	(89)	2,008	1,007	1,585
Cash generated from operations	**4,593**	**6,181**	**9,983**	**13,022**	**8,388**	**2,656**
Tax refunded	80	23	821	37	-	-
Tax paid	(1,701)	(2,178)	(2,055)	(3,633)	(397)	(2,084)
Net cash from operating activities	**2,972**	**4,026**	**8,749**	**9,426**	**7,991**	**572**

11. FINANCIAL INFORMATION *(Cont'd)*

	Audited				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investing Activities						
Purchase of property, plant and equipment	(809)	(1,051)	(660)	(1,698)	(219)	(2,060)
Purchase of investment properties	(2,827)	-	-	-	-	-
Purchase of intangible assets	-	(55)	-	-	-	-
Interest received	68	12	54	49	33	22
Net investment in financial assets at FVTPL	-	-	-	(4,000)	(4,000)	2,042
Acquisition of non-controlling interest	-	(33)	-	-	-	-
Proceeds from disposal of property, plant and equipment	-	30	-	*	-	8
Net cash (used in)/from investing activities	**(3,568)**	**(1,097)**	**(606)**	**(5,649)**	**(4,186)**	**12**
Financing Activities						
Interest paid	(604)	(713)	(635)	(563)	(349)	(281)
Dividend paid	-	-	-	(7,000)	(5,000)	(2,500)
Repayment of lease liabilities	(459)	(493)	(381)	(438)	(147)	(368)
Net (repayment)/drawdowns of borrowings	(775)	337	(163)	(1,289)	(952)	599
(Advances to)/Repayment from Directors	(22)	51	908	-	-	-
Proceeds from issuance of shares	*	-	-	-	-	-
Net cash used in financing activities	**(1,860)**	**(818)**	**(271)**	**(9,290)**	**(6,448)**	**(2,550)**
Net (decrease)/ increase in cash and cash equivalents						
Net changes	(2,456)	2,111	7,872	(5,513)	(2,643)	(1,966)
Effect of foreign currency translation differences	(46)	(10)	91	(67)	(153)	(2)
Brought forward	4,146	1,644	3,745	11,708	11,708	6,128
Carried forward	**1,644**	**3,745**	**11,708**	**6,128**	**8,912**	**4,160**
Cash and cash equivalents consists of:						
Short-term deposits with licenced banks	-	-	1,019	-	-	-
Cash and bank balances	1,644	3,745	10,689	6,128	8,912	4,160
	1,644	**3,745**	**11,708**	**6,128**	**8,912**	**4,160**

Note:

* Negligible.

11.1.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group, to show the effects of the Public Issue and utilisation of IPO proceeds.

The pro forma combined statements of financial position are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' report together with the notes and assumptions accompanying the Pro forma Combined Statements of Financial Position as set out in Section 13.

	Orgabio Holdings	**I**	**II**
	As at 31 December 2021	**After Public Issue**	**After I and after utilisation of IPO proceeds**
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	19,118	19,118	37,348
Investment properties	1,958	1,958	1,958
Total non-current assets	**21,076**	**21,076**	**39,306**
Current assets			
Inventories	7,630	7,630	7,630
Trade receivables	6,807	6,807	6,807
Other receivables	2,820	2,820	2,820
Financial assets at FVTPL	2,003	2,003	2,003
Tax recoverable	1,255	1,255	1,255
Cash and bank balances	4,160	34,127	12,297
Total current assets	**24,675**	**54,642**	**32,812**
TOTAL ASSETS	**45,751**	**75,718**	**72,118**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15,120	45,087	43,822
Merger deficit	(14,186)	(14,186)	(14,186)
Retained earnings	20,046	20,046	17,711
TOTAL EQUITY	**20,980**	**50,947**	**47,347**
LIABILITIES			
Non-current liabilities			
Borrowings	9,356	9,356	9,356
Lease liabilities	1,461	1,461	1,461
Deferred tax liabilities	297	297	297
Total non-current liabilities	**11,114**	**11,114**	**11,114**
Current liabilities			
Trade payables	9,114	9,114	9,114
Other payables	2,401	2,401	2,401
Borrowings	1,571	1,571	1,571

11. FINANCIAL INFORMATION *(Cont'd)*

	Orgabio Holdings	I	II
	As at 31 December 2021	After Public Issue	After I and after utilisation of IPO proceeds
	RM'000	RM'000	RM'000
Lease liabilities	571	571	571
Total current liabilities	**13,657**	**13,657**	**13,657**
TOTAL LIABILITIES	**24,771**	**24,771**	**24,771**
TOTAL EQUITY AND LIABILITIES	**45,751**	**75,718**	**72,118**
Number of Shares in issue ('000)	151,200	247,868	247,868
NA per Share (RM)	0.14	0.21	0.19
Borrowings (All interest bearing debts)	12,959	12,959	12,959
Gearing (times) (1)	0.62	0.25	0.27
Current ratio (times) (2)	1.81	4.00	2.40

Notes:

(1) Calculated based on the total borrowings (i.e. lease liabilities and borrowings) of our Group divided by the total equity of our Group.

(2) Calculated based on total current assets divided by total current liabilities of our Group.

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11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report as set out in Section 12 and the Reporting Accountant's letter on the pro forma combined statements of financial position as set out in Section 13. Our audited financial statements have been prepared in accordance with MFRS and IFRS for the FYEs 2018 to 2021 and FPE 2022.

11.2.1 Overview of our operations

Orgabio Holdings is an investment holding company and through our subsidiaries, we are principally involved in the provision of instant beverage premix manufacturing services to third party brand owners and manufacturing, sales and marketing of house brand instant beverage premixes.

Our manufacturing services include the following services:

(i) Development of product formulations;

(ii) Sourcing of supplies;

(iii) Manufacturing; and

(iv) Cartoning and delivery.

While our instant beverage premixes are fully customisable, the following is a list of the primary categories of instant beverage premixes that we manufacture:

(a) Coffee premixes – black coffee, regular milk coffee, flavoured coffee and herbal coffee;

(b) Food supplement premixes – colostrum milk, premix oat cereal, instant raw oat, rice bran powder, instant soybean, dietary meal replacement, dietary fruit juice and organic prune extract; and

(c) Other premixes – regular milk tea, green tea, matcha latte, chocolate premixes and creamers.

We also sell our house brand instant beverage premixes comprising coffee premixes and tea premixes under *EveryDay* and *BrogaHill*.

Our revenue is generated from local and overseas market and the currency used in invoicing is in RM, USD, RMB and SGD. Approximately 80.98%, 72.89%, 82.68%, 90.05% and 78.10% of our revenues were denominated in RM for FYEs 2018 to 2021 and FPE 2022 respectively, with the remainder denominated in USD, RMB and SGD.

11. FINANCIAL INFORMATION *(Cont'd)*

The significant factors affecting our business include the following:

(i) Fluctuation of foreign exchange rate

The breakdown of our Group's revenue segmentation is as follows:

Revenue by principal market	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local								
Malaysia	26,456	80.98	23,102	72.89	32,553	82.68	53,197	90.05
Overseas								
Singapore	112	0.34	2,901	9.15	2,325	5.90	430	0.73
China	5,347	16.37	5,063	15.97	1,630	4.14	397	0.67
Papua New Guinea	-	-	95	0.30	1,081	2.75	2,451	4.15
United Arab Emirates	366	1.12	447	1.41	714	1.81	549	0.93
Hong Kong	81	0.25	-	-	642	1.63	112	0.19
Trinidad and Tobago	-	-	-	-	375	0.95	1,763	2.98
Others	308(1)	0.94	88(2)	0.28	53(3)	0.14	173(3)	0.30
	6,214	19.02	8,594	27.11	6,820	17.32	5,875	9.95
Total revenue	**32,670**	**100.00**	**31,696**	**100.00**	**39,373**	**100.00**	**59,072**	**100.00**

Revenue by principal market	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Local				
Malaysia	27,300	93.08	27,213	78.10
Overseas				
Singapore	37	0.13	712	2.04
China	262	0.89	1,338	3.84
Papua New Guinea	936	3.19	3,950	11.34
United Arab Emirates	232	0.79	262	0.75
Hong Kong	-	-	170	0.49
Trinidad and Tobago	460	1.57	1,198	3.44
Others	103(3)	0.35	-	-
	2,030	6.92	7,630	21.90
Total revenue	**29,330**	**100.00**	**34,843**	**100.00**

Notes:

(1) Comprises revenue derived from sales to Japan, Myanmar, Russia and Taiwan.
(2) Comprises revenue derived from sales to India and Russia.
(3) Comprises revenue derived from sales to Australia.

For the past 4 FYEs 2018 to 2021 and FPE 2022 our export sales contributed 19.02%, 27.11%, 17.32%, 9.95% and 21.90% to our Group's total revenue respectively. The revenue generated from export sales are denominated in USD, RMB and SGD. In the FYE 2020, sales denominated in USD amounted to RM5.19 million and sales denominated in RMB amounted to RM1.63 million. In the FYE 2021, sales denominated in USD amounted to RM5.05 million, sales denominated in RMB amounted to RM0.39 million and sales denominated in SGD amounted to RM0.39

million. In FPE 2022, sales denominated in USD amounted to RM6.35 million, sales denominated in RMB amounted to RM0.57 million and sales denominated in SGD amounted to RM0.71 million.

Due to the significant contribution of sales transacted in USD, RMB and SGD, any appreciation or depreciation of the USD, RMB and SGD against RM will significantly affect our overall revenue.

Our Group is dependent on foreign suppliers for the purchase of food ingredients such as coffee powder and maltodextrin due to the limited availability of coffee powder and maltodextrin manufacturers in Malaysia. Additionally, each supplier has their own profile of coffee powder and therefore, we may not be able to easily source similar coffee powder from local suppliers. This further exposes us to the risk of foreign exchange fluctuations as we need to source for supplies from foreign suppliers.

For the past 4 FYEs 2018 to 2021 and FPE 2022, our purchase of supplies denominated in the respective currencies are as follows:

	Audited							
Purchases in:	**FYE 2018**		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
RM	14,786	80.61	17,970	84.07	19,867	86.79	33,662	91.45
USD	3,240	17.66	3,059	14.31	2,602	11.37	2,606	7.08
RMB	297	1.62	285	1.33	263	1.15	321	0.87
SGD	20	0.11	61	0.29	159	0.69	220	0.60
	18,343	**100.00**	**21,375**	**100.00**	**22,891**	**100.00**	**36,809**	**100.00**

	Unaudited		**Audited**	
Purchases in:	**FPE 2021**		**FPE 2022**	
	RM'000	**%**	**RM'000**	**%**
RM	18,181	92.30	23,495	86.63
USD	1,219	6.19	1,946	7.17
RMB	190	0.96	158	0.58
SGD	107	0.55	1,524	5.62
	19,697	**100.00**	**27,123**	**100.00**

Based on the above, any significant appreciation or depreciation of foreign currencies against RM will significantly affect our cost of supplies.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risks for the revenue from our foreign sales and the purchase of our supplies.

There is a lead time of approximately 30 days between receiving purchase orders from customers and delivery of completed products, depending on the size of the order. This exposes us to foreign exchange fluctuation risks as we are unable to accurately price in all possible future depreciation of RM which may cause our revenue to be less than originally anticipated.

In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher cost of supplies.

(ii) Fluctuation in the prices of our coffee powder, milk powder, creamer, sugar and sachet foils

The prices of coffee powder, milk powder, creamer and sugar are subject to fluctuations according to the global commodity prices. Prices of packaging materials such as sachet foils are also subject to fluctuations. As such, our financial performance may be adversely impacted if we are unable to pass on any increase in cost of supplies to our customers.

Nevertheless, coffee powder, milk powder, creamer and sugar have 24 months of shelf life. For imported coffee powder, we maintain sufficient inventory to cater to at least 1 month of production requirements.

Our suppliers regularly keep us abreast of the supply and demand condition and price trend so we may be prepared for any material price fluctuation.

(iii) Competition from other industry players and new market entrants

Our Group faces competition from other industry players and new market entrants. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance. We believe that our Group would be able to stay competitive due to our strengths as outlined in Section 6.8.

(iv) We are dependent on our major customers and do not have long term agreements with them

We have not entered into any long-term contracts with our customers as our sales are derived based on purchase orders whereby our customers will purchase our services on an as-needed basis. Thus, we place great emphasis in developing long-term business relationships with our customers as we believe this will ensure our business continuity and growth.

Any loss of major customers and our inability to replace these customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our financial performance. Further, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

(v) Interruptions in our business operations

Our business operations could be disrupted or delayed due to unforeseeable circumstances. Such risks include, amongst others, equipment failures, fire or flood as well as environment factors (including natural disaster and outbreak of diseases).

The occurrence of these unexpected events that are beyond our control may cause damage or destruction of all or part of our factory and machinery, resulting in interruptions to or prolonged suspension of our manufacturing activities. Any prolonged interruptions to our manufacturing activities will affect our ability in adhering to our manufacturing schedule, thus causing delays in the delivery of products to our customers. This could adversely impact our relationships with customers, financial performance and industry reputation.

Kindly refer to Sections 6.7.4 and 8.1.2 on the impact of COVID-19 pandemic on our Group.

11.2.2 Revenue

(i) Revenue by principal activities

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:								
Coffee premixes	26,063	79.77	24,773	78.16	20,892	53.06	20,760	35.14
Food supplement premixes	2,433	7.45	4,940	15.59	16,101	40.89	35,410	59.95
Other premixes	3,113	9.53	1,151	3.63	1,872	4.76	2,205	3.73
	31,609	96.75	30,864	97.38	38,865	98.71	58,375	98.82
House brands	678	2.08	448	1.41	136	0.35	237	0.40
Sale of aloe vera gel	383	1.17	384	1.21	372	0.94	460	0.78
	32,670	**100.00**	**31,696**	**100.00**	**39,373**	**100.00**	**59,072**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:				
Coffee premixes	8,805	30.02	16,167	46.40
Food supplement premixes	19,312	65.85	16,796	48.20
Other premixes	810	2.76	1,517	4.35
	28,927	98.63	34,480	98.95
House brands	132	0.45	169	0.49
Sale of aloe vera gel	271	0.92	194	0.56
	29,330	**100.00**	**34,843**	**100.00**

Through Orgabio Manufacturing, we are principally involved in the provision of manufacturing services for instant beverage premixes, for third party brand owners, involving processes of formulating, blending and packing of a variety of instant beverage premixes. Our manufacturing services are provided to local and foreign customers.

11. FINANCIAL INFORMATION *(Cont'd)*

For the past 4 FYEs 2018 to 2021 and FPE 2022, our Group does not have any pricing policy in place. The pricing of our products varies from customer to customer as they are based on various factors, including order volume, customisation requirements and type of food ingredient. From FYE 2018 to FYE 2021 and FPE 2022, the average selling prices to third party brand owners for instant beverage premixes manufacturing services are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM/unit	RM/unit	RM/unit	RM/unit	RM/unit	RM/unit
Average selling price	0.30	0.31	0.37	0.46	0.50	0.40

Upon the confirmation of purchase, we collect deposit of up to 50% of order value mainly from new customers and overseas customers, subject to the customers' profile, length of relationship and their past payment records.

Revenue is recognised at a point in time, which is typically on delivery. The revenue is recognised net of any rebates, discounts and tax.

We manufacture and sell our own house brands instant beverage premixes, namely *EveryDay* and *BrogaHill*, which comprises coffee premixes and tea premixes. Sale of house brands instant beverage premixes is via Everyday F&B, our wholly-owned subsidiary.

We are also involved in the sale of body care products namely aloe vera gel to 1 customer. We source the ingredients and packaging materials internally and outsource the packaging process to a third party packaging company as we do not have the required machinery to cater to the packaging of products in tube form.

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(ii) Revenue by geographical segmentation

Revenue by geographical segmentation	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local								
Malaysia	26,456	80.98	23,102	72.89	32,553	82.68	53,197	90.05
Overseas								
Singapore	112	0.34	2,901	9.15	2,325	5.90	430	0.73
China	5,347	16.37	5,063	15.97	1,630	4.14	397	0.67
Papua New Guinea	-	-	95	0.30	1,081	2.75	2,451	4.15
United Arab Emirates	366	1.12	447	1.41	714	1.81	549	0.93
Hong Kong	81	0.25	-	-	642	1.63	112	0.19
Trinidad and Tobago	-	-	-	-	375	0.95	1,763	2.98
Others	308(1)	0.94	88(2)	0.28	53(3)	0.14	173(3)	0.30
	6,214	19.02	8,594	27.11	6,820	17.32	5,875	9.95
Total revenue	**32,670**	**100.00**	**31,696**	**100.00**	**39,373**	**100.00**	**59,072**	**100.00**

Revenue by geographical segmentation	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Local				
Malaysia	27,300	93.08	27,213	78.10
Overseas				
Singapore	37	0.13	712	2.04
China	262	0.89	1,338	3.84
Papua New Guinea	936	3.19	3,950	11.34
United Arab Emirates	232	0.79	262	0.75
Hong Kong	-	-	170	0.49
Trinidad and Tobago	460	1.57	1,198	3.44
Others	103(3)	0.35	-	-
	2,030	6.92	7,630	21.90
Total revenue	**29,330**	**100.00**	**34,843**	**100.00**

Notes:

(1) Comprises revenue derived from sales to Japan, Myanmar, Russia and Taiwan.
(2) Comprises revenue derived from sales to India and Russia.
(3) Comprises revenue derived from sales to Australia.

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11. FINANCIAL INFORMATION *(Cont'd)*

(iii) Sales volume by units

	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	'000	%	'000	%	'000	%	'000	%
Instant beverage premixes manufacturing services:								
Coffee premixes (sachets)	95,354	86.97	88,636	87.94	75,088	70.21	72,967	56.40
Food supplement premixes								
- (sachets)	1,945	1.77	6,059	6.01	21,166	19.79	46,231	35.74
- (bottles / cans)	131	0.12	226	0.23	97	0.09	2,285	1.77
Other premixes (sachets)	9,632	8.79	4,123	4.09	9,446	8.83	6,358	4.92
	107,062	97.65	99,044	98.27	105,797	98.92	127,841	98.83
House brands (sachets)	1,633	1.49	810	0.80	205	0.19	338	0.26
Sale of aloe vera gel (tubes)	945	0.86	937	0.93	948	0.89	1,176	0.91
	109,640	**100.00**	**100,791**	**100.00**	**106,950**	**100.00**	**129,355**	**100.00**

	FPE 2021		FPE 2022	
	'000	%	'000	%
Instant beverage premixes manufacturing services:				
Coffee premixes (sachets)	29,883	51.26	58,752	67.77
Food supplement premixes				
- (sachets)	24,800	42.54	23,443	27.04
- (bottles / cans)	93	0.16	-	-
Other premixes (sachets)	2,648	4.54	3,766	4.34
	57,424	98.50	85,961	99.15
House brands (sachets)	180	0.31	238	0.28
Sale of aloe vera gel (tubes)	691	1.19	495	0.57
	58,295	**100.00**	**86,694**	**100.00**

Premixes in sachets form are in sizes of between 2 grams to 40 grams while the food supplement premixes that are packed into bottles / cans are 300 grams and 350 grams. Tubes for aloe vera gel is 75 millilitres.

(iv) Revenue by subsidiaries

Revenue by subsidiaries	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Orgabio Manufacturing	9,484	29.03	12,122	38.24	22,170	56.31	42,654	72.21
Orgapharma Herbal	-	-	-	-	-	-	-	-
Orgapharma Marketing	22,474	68.79	18,705	59.01	16,265	41.31	15,643	26.48
Everyday F&B	712	2.18	869	2.75	938	2.38	775	1.31
	32,670	**100.00**	**31,696**	**100.00**	**39,373**	**100.00**	**59,072**	**100.00**

Revenue by subsidiaries	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Orgabio Manufacturing	21,434	73.08	25,542	73.31
Orgapharma Herbal	-	-	-	-
Orgapharma Marketing	7,532	25.68	8,725	25.04
Everyday F&B	364	1.24	576	1.65
	29,330	**100.00**	**34,843**	**100.00**

Orgabio Manufacturing is our manufacturing arm. Orgabio Manufacturing manufactures the instant beverage premixes for Orgapharma Marketing and Everyday F&B for their onward sales to external customers.

In addition to manufacturing, Orgabio Manufacturing also undertakes export sale of instant beverage premixes.

Orgapharma Marketing undertakes local sale of instant beverage premixes as well as sale of body care products while Everyday F&B undertakes the local and export sale of coffee premixes and house brands instant beverage premixes, namely *EveryDay* and *BrogaHill*.

Orgapharma Herbal is a property investment holding company and did not record any external sales for the past 4 FYEs and FPE 2022.

(v) Commentary on revenue

(a) Comparison between FYE 2018 and FYE 2019

Our total revenue decreased by approximately RM0.97 million or 2.97% from RM32.67 million in FYE 2018 to RM31.70 million in FYE 2019, mainly due to lower revenue from other premixes by approximately RM1.96 million or 62.96% as our major customer, Hai-O Enterprise Berhad did not purchase any tea premixes in FYE 2019 (FYE 2018: RM2.33 million) due to lower sales of their tea premixes in FYE 2019.

In addition, the revenue from coffee premixes also decreased by approximately RM1.29 million or 4.95%. The number of coffee premixes sachets sold decreased by 6.72 million sachets or 7.05% in FYE 2019 as compared to FYE 2018.

The decrease in revenue generated from the coffee premixes was mainly due to decrease of sales of coffee premixes to our major customers, Hai-O Enterprise Berhad by RM2.08 million to RM14.32 million (FYE 2018: RM16.40 million) and Jinjiang Yeeka Commercial and Trading Co Ltd by RM1.75 million to RM3.37 million (FYE 2018: RM5.12 million).

In FYE 2019, we had a new major customer, Loi Hein (Singapore) Pte Ltd which contributed RM2.52 million or 7.95% of our total revenue from the sales of coffee premixes. Loi Hein (Singapore) Pte Ltd is involved in the manufacturing, marketing, selling and distributing of consumer products. During FYE 2019, they commenced sales of coffee premixes products in Myanmar and had ordered from us.

Nevertheless, we recorded an increase in sales of food supplement premixes which was mainly from TDC Avenue Sdn Bhd (formerly known as Tunas Duta Cemerlang Sdn Bhd) ("TDC Avenue"), a major customer by RM2.25 million or 108.70% to RM4.32 million (FYE 2018: RM2.07 million) as the food supplement premixes we had produced for them had received good response from its direct selling customers. TDC Avenue is involved in the direct selling of consumer products.

The revenue from the sale of our house brand products decreased by approximately RM0.23 million or 33.92%. The number of house brand premixes sachets sold decreased by 0.82 million sachets or 50.21%. The decrease was mainly due to lesser orders from our distributors as a result of lower sales of our house brand products.

In FYE 2019, local sales had decreased by RM3.35 million or 12.66% mainly due to the decrease in orders from our major customer, Hai-O Enterprise Berhad. Nevertheless, we had recorded an increase in export sales of RM2.38 million or 38.30% which was mainly due to sales to Loi Hein (Singapore) Pte Ltd as they had commenced sales of coffee premixes products in Myanmar.

(b) Comparison between FYE 2019 and FYE 2020

Our total revenue increased by approximately RM7.67 million or 24.20% from RM31.70 million in FYE 2019 to RM39.37 million in FYE 2020 mainly due to the increase in revenue from sales of food supplement premixes by approximately RM11.16 million or 225.91%. The number of food supplement premixes sachets sold increased by 15.11 million sachets or 249.38%.

The increase in revenue from the sales of food supplement premixes was mainly due to increase in sales to TDC Avenue by RM10.85 million or 251.12% to RM15.17 million (FYE 2019: RM4.32 million). The food supplement premixes we had produced for them had continued to receive good response from its direct selling customers and TDC Avenue had also increased the promotional activities for these products. The increase in demand for food supplement premixes is also driven mostly by heightened awareness of nutritional products as a result of the COVID-19 pandemic.

In addition, we recorded an increase in sales of other premixes by approximately RM0.72 million or 62.55%. The number of sachets sold increased by 5.32 million sachets or 129.03% and was mainly contributed from the sale of tea and chocolate premixes. Revenue from the sale of tea and chocolate premixes increased by RM0.54 million and RM0.18 million respectively. In FYE 2020, Lotuss Stores (Malaysia) Sdn Bhd (formerly known as Tesco Stores (Malaysia) Sdn Bhd) increased their tea premixes orders by RM0.14 million or 20.74%. Hai-O Enterprise Berhad had also resumed tea premixes orders in FYE 2020 and contributed RM0.11 million to our sale of tea premixes. Chocolate premixes orders were mainly from Golden Best Generation Marketing which increased their chocolate premixes order by RM0.12 million or 82.80%.

The increase in revenue in FYE 2020 was offset by the decrease of revenue from sale of coffee premixes by approximately RM3.88 million or 15.66%. The number of coffee premixes sachets sold reduced in FYE 2020 by 13.55 million or 15.29%. Collectively, Jinjiang Yeeka Commercial and Trading Co Ltd, Loi Hein (Singapore) Pte Ltd and Hai-O Enterprise Berhad had decreased their orders for coffee premixes by RM5.20 million or 25.73%. These major customers had continued to record lower sales of coffee premixes during FYE 2020.

The revenue from the sale of our house brand products had also decreased by approximately RM0.31 million or 69.20% in FYE 2020. The number of house brand premixes sachets sold decreased by 0.61 million sachets or 75.31%. The decrease sale of our house brand was mainly due to lower demand from consumers. During FYE 2020, we began selling our house brand products via online shopping platforms in our effort to further promote our products.

In FYE 2020, we recorded an increase in local sales of approximately RM9.45 million or 40.91% which was mainly due to increase in sales of food supplement premixes to TDC Avenue.

Revenue from our overseas market decreased by RM1.77 million or 20.60% mainly due to decrease in orders from Jinjiang Yeeka Commercial and Trading Co Ltd which is based in China, by approximately RM2.35 million or 69.40%.

(c) Comparison between FYE 2020 and FYE 2021

Our total revenue increased by approximately RM19.70 million or 50.04% from RM39.37 million in FYE 2020 to RM59.07 million in FYE 2021 mainly due to the increase in revenue from sales of food supplement premixes by approximately RM19.31 million or 119.93%. The number of food supplement premixes sachets sold increased by 25.07 million sachets or 118.44% while the sales of food supplement premixes in bottles/cans increased by 2.19 million bottles/cans.

The increase in revenue from the sales of food supplement premixes was mainly due to the increase in sales to TDC Avenue by RM18.39 million or 121.23% to RM33.56 million (FYE 2020: RM15.17 million). The food supplement premixes we had produced for them continued to receive good response from its direct selling customers and TDC Avenue had also increased its promotional activities.

We recorded an increase in sales of other premixes by approximately RM0.33 million or 17.63%. Revenue from the sale of chocolate premixes increased by RM0.28 million due to the sales to Bryden Pi Ltd of RM0.61 million in FYE 2021 (FYE 2020: Nil). In addition, we also recorded an increase in sales of house brands and aloe vera gel by approximately RM0.10 million or 73.53% and RM0.09 million or 24.19%, respectively. The increase was in line with the increase in number of house brand sachets sold by 0.13 million sachets or 63.41% and the increase in number of aloe vera gel sold by 0.23 million tubes or 24.26%. The increase in sales of house brands was mainly due to increase in orders from our distributors and sales via online shopping platforms. The increase in sales of aloe vera gel was due to increase of orders from our customer.

The increase in revenue in FYE 2021 was offset by the decrease of revenue from sales of coffee premixes by approximately RM0.13 million or 0.62%. The number of coffee premixes sachets sold reduced in FYE 2021 by 2.12 million or 2.82%. This was mainly due to Jinjiang Yeeka Commercial and Trading Co Ltd and Loi Hein (Singapore) Pte Ltd, which collectively contributed RM2.89 million or 7.35% of the revenue in FYE 2020, had stopped ordering from us in FYE 2021.

The management of Jinjiang Yeeka Commercial and Trading Co Ltd had informed that they had stopped ordering from us due to their internal financial disposition at that time. Loi Hein (Singapore) Pte Ltd had initially intended to commence its coffee premixes product launching during 2020. However, due to the COVID-19 outbreak, they had decided to put its coffee premixes product launch on hold and as such stopped ordering from us.

In FYE 2021, we recorded an increase in local sales of approximately RM20.64 million or 63.40% which was mainly due to increase in sales of food supplement premixes to TDC Avenue. Revenue from our overseas market decreased by RM0.95 million or 13.93% mainly due to cessation of orders from Jinjiang Yeeka Commercial and Trading Co Ltd and Loi Hein (Singapore) Pte Ltd during FYE 2021.

(d) Comparison between FPE 2021 and FPE 2022

Our total revenue increased by approximately RM5.51 million or 18.79% from RM29.33 million in FPE 2021 to RM34.84 million in FPE 2022 mainly due to the increase in revenue from sales of coffee premixes by approximately RM7.36 million or 83.59%. The number of coffee premixes sachets sold increased by 28.87 million sachets or 96.61%.

The increase in revenue from the sales of coffee premixes was mainly due to the increase in sales of coffee premixes to Carpenter Agricultural & Manufacturing Ltd by approximately RM2.79 million or 306.59% to RM3.70 million due to good response from its end customers (FPE 2021: RM0.91 million).

Nevertheless, we recorded a decrease in average selling prices from RM0.50/unit in FPE 2021 to RM0.40/unit in FPE 2022. During FPE 2022, we recorded a 96.61% increase in number of coffee premixes sachets. As the average selling price of coffee premixes is lower than other products such as food supplement premixes, the increase in volume of sales in coffee premixes sachets has resulted in a lower average selling price of instant beverage premixes.

We recorded an increase in sales of other premixes by approximately RM0.71 million or 87.65%. The number of sachets sold increased by approximately 1.12 million sachets or 42.30% and was mainly contributed from the sale of tea and chocolate premixes. Revenue from the sale of tea and chocolate premixes increased by RM0.11 million and RM0.60 million respectively. This was mainly due to the increase in sales of chocolate premixes to Bryden Pi Ltd by approximately RM0.30 million to RM0.32 million as it had received a favorable response from its end customers (FPE 2021: RM0.02 million) and Carpenter Agricultural & Manufacturing Ltd by approximately RM0.22 million in FPE 2022 as they had commenced sales of chocolate premixes products in Papua New Guinea (FPE 2021: Nil). Apart from this, there is also increase in sales of tea premixes to Guangzhou Zhen Hongshun Trade Co Ltd by approximately RM0.19 million in FPE 2022 (FPE 2021: Nil).

In addition, we also recorded an increase in sales of house brands by approximately RM0.04 million or 30.30%. The number of house brand sachets sold increased by approximately 0.06 million sachets or 33.33%.

The increase in revenue in FPE 2022 was offset by the decrease in revenue from sale of food supplement premixes by approximately RM2.52 million or 13.05%. The number of food supplement premixes sold decreased by approximately 1.45 million or 5.82%, mainly due to decrease in orders from TDC Avenue as it has received lower sales from its direct selling customers.

We also recorded a decrease in revenue from sale of aloe vera gel by approximately RM0.08 million or 29.52%. The sales volume for aloe vera gel decreased by approximately 0.20 million tubes or 28.94%. This was due to the decrease in orders received in line with the decrease in demand from the end customers.

In FPE 2022, we recorded an increase in our oversea sales of approximately RM5.60 million or 275.86% which was mainly due to increase in sales to Carpenter Agricultural & Manufacturing Ltd by RM2.98 million or 317.20% to RM3.92 million in FPE 2022 (FPE 2021: RM0.94 million), Bryden Pi Ltd by RM0.70 million or 152.17% to RM1.16 million in FPE 2022 (FPE 2021: RM0.46 million), Customer A* by RM0.76 million in FPE 2022 (FPE 2021: Nil) and CMM Marketing Management Pte Ltd by RM0.55 million or 343.75% to RM0.71 million in FPE 2022 (FPE 2021: RM0.16 million).

Note:

* Kindly refer to Section 6.21 for the profile of Customer A.

We recorded a decrease in sales of coffee premixes to Hai-O Enterprise Berhad from RM16.40 million in FYE 2018 to RM10.85 million in FYE 2021. Sales of coffee premixes to Hai-O Enterprise Berhad was RM6.60 million in FPE 2022. In addition, revenue contribution from the sale of coffee premixes to third party brand owners had decreased year-on-year. We recorded lower sales of house brands instant beverage premixes in both FYE 2019, FYE 2020 and FPE 2022. We believe that this is mainly due to the competition within the coffee premixes market where end consumers have a wide variety of coffee premix choices.

In order to improve the sale of coffee premixes, we have undertaken the following efforts:

(a) We had in February 2021 enhanced the formulation for the coffee premix sold to Hai-O Enterprise Berhad by creating a better texture (i.e. mouthfeel). Concurrent with the product enhancement, Hai-O Enterprise Berhad had also redesigned its product packaging. This effort is intended to improve the sale of coffee premixes by Hai-O Enterprise Berhad. Nevertheless, any future improvement in sales of this coffee premix will depend largely on market acceptance; and

(b) We had secured 7 new customers for the sale of coffee premixes during our FYE 2021, where they contributed RM2.47 million. Kindly also refer to Section 6.21 on the list of top 5 new customers secured.

To further ensure the sustainability of our business and to improve the diversity of our customers, we plan to continue to grow our customer base in the direct selling segment (as set out in Section 6.19.3) and to expand our export sales (as set out in Section 6.19.4).

11.2.3 Cost of sales, GP and GP margin

(i) Analysis of cost of sales by cost items

The components of our cost of sales are as follows:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Supplies	17,681	84.76	19,109	81.07	22,237	82.49	35,728	86.71
Labour cost	1,069	5.12	1,236	5.24	1,421	5.27	1,756	4.26
Factory expenses	862	4.13	1,745	7.40	1,795	6.66	2,031	4.93
Depreciation cost	889	4.26	1,150	4.88	1,190	4.41	1,260	3.06
Utilities	360	1.73	332	1.41	315	1.17	427	1.04
	20,861	**100.00**	**23,572**	**100.00**	**26,958**	**100.00**	**41,202**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Supplies	18,131	88.42	24,660	86.91
Labour cost	771	3.76	1,324	4.67
Factory expenses	910	4.44	1,388	4.89
Depreciation cost	486	2.37	791	2.79
Utilities	208	1.01	212	0.74
	20,506	**100.00**	**28,375**	**100.00**

(a) Supplies

Our Group's supplies consist of food ingredients and packaging materials. These supplies are readily available and sourced from both local and foreign suppliers.

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The breakdown of our cost of sales (supplies) for the past 4 FYEs and FPE 2022 are as follows:

Category	Countries	FYE 2018 RM'000	FYE 2018 %	FYE 2019 RM'000	FYE 2019 %	FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %
Food ingredients									
Milk powder	Malaysia	485	2.74	992	5.19	4,122	18.54	8,850	24.77
Creamer	Malaysia	5,435	30.74	4,962	25.97	3,684	16.57	4,016	11.24
Colostrum powder	Malaysia	445	2.52	1,079	5.65	3,584	16.12	7,714	21.59
Coffee powder	Malaysia India, Brazil and Vietnam	4,867	27.53	4,577	23.95	3,490	15.69	3,668	10.27
Sugar	Malaysia	1,254	7.09	1,198	6.27	1,110	4.99	1,255	3.51
Calcium powder	Malaysia	53	0.30	97	0.51	372	1.67	712	2.00
Tea powder	Malaysia	170	0.96	205	1.07	356	1.60	325	0.91
Maltodextrin	Malaysia and China	474	2.68	441	2.31	317	1.43	241	0.67
Flavouring	Malaysia and Singapore	271	1.53	303	1.59	354	1.59	459	1.28
Cocoa powder	Malaysia	104	0.59	99	0.52	131	0.59	100	0.28
Stabiliser	Malaysia	100	0.57	28	0.15	36	0.16	50	0.14
Others(1)	Malaysia and USA	174	0.98	219	1.14	277	1.25	992	2.78
		13,832	78.23	14,200	74.32	17,833	80.20	28,382	79.44
Packaging materials									
Sachet foils	Malaysia and China	2,100	11.88	2,722	14.24	2,019	9.08	2,810	7.86
Corrugated boxes(2)	Malaysia	715	4.04	965	5.05	1,328	5.97	3,286	9.20
Packing bags	Malaysia and China	305	1.72	484	2.53	286	1.29	389	1.09
Shrink films and bags/ stretch films	Malaysia	106	0.60	88	0.46	145	0.65	110	0.31
Others(3)	Malaysia	337	1.91	337	1.76	423	1.90	409	1.15
		3,563	20.15	4,596	24.04	4,201	18.89	7,004	19.61
Others									
Aloe vera gels	USA	134	0.76	202	1.06	52	0.23	166	0.46
Subcontracted packing services	Malaysia	152	0.86	111	0.58	151	0.68	176	0.49
		286	1.62	313	1.64	203	0.91	342	0.95
		17,681	**100.00**	**19,109**	**100.00**	**22,237**	**100.00**	**35,728**	**100.00**

11. FINANCIAL INFORMATION *(Cont'd)*

		FPE 2021		FPE 2022	
Category	**Countries**	**RM'000**	**%**	**RM'000**	**%**
Food ingredients					
Milk powder	Malaysia	4,890	26.97	4,186	16.97
Creamer	Malaysia	1,534	8.46	3,432	13.92
Colostrum powder	Malaysia	4,528	24.97	3,529	14.31
Coffee powder	Malaysia India, Brazil and Vietnam	2,028	11.19	3,228	13.09
Sugar	Malaysia	502	2.77	1,175	4.76
Calcium powder	Malaysia	458	2.53	173	0.70
Tea powder	Malaysia	120	0.66	190	0.77
Maltodextrin	Malaysia and China	125	0.69	219	0.89
Flavouring	Malaysia and Singapore	210	1.16	187	0.76
Cocoa powder	Malaysia	42	0.23	81	0.33
Stabiliser	Malaysia	22	0.12	28	0.11
Others(1)	Malaysia and USA	138	0.76	1,563	6.34
		14,597	80.51	17,991	72.95
Packaging materials					
Sachet foils	Malaysia and China	2,597	14.32	5,293	21.46
Corrugated boxes(2)	Malaysia	347	1.91	627	2.54
Packing bags	Malaysia and China	252	1.39	280	1.14
Shrink films and bags/ stretch films	Malaysia	68	0.38	59	0.24
Others(3)	Malaysia	116	0.64	83	0.34
		3,380	18.64	6,342	25.72
Others					
Aloe vera gels	USA	129	0.71	61	0.25
Subcontracted packing services	Malaysia	25	0.14	266	1.08
		154	0.85	327	1.33
		18,131	**100.00**	**24,660**	**100.00**

Notes:

(1) Comprise of chia seeds, fish collagen, goat milk powder, prune extract, psyllium husk powder, red beet root juice powder, soya bean powder, sweetener, whey powder and whey protein concentrate.

(2) Comprise of packing boxes and cartons.

(3) Comprise of cylinder charges, oxygen absorber, plastic bag/cup/spoon, printing cost, printing ink and stickers.

The percentage breakdown between supplies sourced locally and overseas is as follows:

	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
Source	**%**	**%**	**%**	**%**	**%**	**%**
Local	80.61	84.07	86.79	91.45	92.30	86.63
Overseas	19.39	15.93	13.21	8.55	7.70	13.37

All our suppliers are evaluated in terms of pricing, ability to meet our quality requirements and ability to deliver in a timely manner. Whilst we have maintained long term business relationship with our existing suppliers, we also source for supplies from new suppliers, if the need arises.

Food ingredients are generally readily available and can be easily sourced locally and overseas as there are many alternative suppliers available in the market. Nevertheless, the product profile may differ from one supplier to another supplier. In the event that we are unable to procure from our existing suppliers for certain food ingredients, we are able to replace with other suppliers but we may not be able to achieve the similar taste profile in our instant beverage premixes. Supplies including coffee powder, milk powder, creamer, sugar and sachet foils are subject to price fluctuations.

Please refer to Section 6.22 of this Prospectus for further information on our Group's major suppliers.

(b) Labour cost

Labour cost mainly consist of salaries, bonuses, overtime expenses and staff-related expenses.

(c) Factory expenses

Factory expenses mainly consist of upkeep and maintenance of machinery and factory, workers' accommodation expenses, workers' levy and permits as well as transportation for delivery of goods.

(d) Depreciation cost

Includes depreciation cost for our machinery and equipment used for manufacturing and renovation.

(e) Utilities

Includes electricity and water charges.

11. FINANCIAL INFORMATION *(Cont'd)*

(ii) Cost of sales by principal activities

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:								
Coffee premixes	17,981	86.19	19,197	81.44	15,638	58.01	18,261	44.32
Food supplement premixes	1,059	5.08	2,854	12.11	9,398	34.86	20,647	50.11
Other premixes	1,356	6.50	1,037	4.40	1,684	6.25	1,966	4.77
	20,396	97.77	23,088	97.95	26,720	99.12	40,874	99.20
House brands	238	1.14	184	0.78	59	0.22	104	0.25
Sale of aloe vera gel	227	1.09	300	1.27	179	0.66	224	0.55
	20,861	**100.00**	**23,572**	**100.00**	**26,958**	**100.00**	**41,202**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:				
Coffee premixes	7,878	38.42	14,859	52.37
Food supplement premixes	11,752	57.31	12,014	42.34
Other premixes	686	3.34	1,286	4.53
	20,316	99.07	28,159	99.24
House brands	40	0.20	98	0.34
Sale of aloe vera gel	150	0.73	118	0.42
	20,506	**100.00**	**28,375**	**100.00**

(iii) Analysis of GP and GP margin by principal activities

Our GP and GP margin for the financial years/period under review are set out below:

	Audited				Unaudited	Audited
	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	32,670	31,696	39,373	59,072	29,330	34,843
Cost of sales	(20,861)	(23,572)	(26,958)	(41,202)	(20,506)	(28,375)
GP	11,809	8,124	12,415	17,870	8,824	6,468
GP margin (%)	36.15	25.63	31.53	30.25	30.09	18.56

11. FINANCIAL INFORMATION *(Cont'd)*

Our GP and GP margin for the FYEs/FPE under review by principal activities is set out below:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:								
Coffee premixes	8,082	31.01	5,576	22.51	5,254	25.15	2,499	12.04
Food supplement premixes	1,374	56.47	2,086	42.23	6,703	41.63	14,763	41.69
Other premixes	1,757	56.44	114	9.90	188	10.04	239	10.84
	11,213	35.47	7,777	25.19	12,145	31.25	17,501	29.98
House brands	440	64.90	264	58.93	77	56.62	133	56.12
Sale of aloe vera gel	156	40.73	84	21.88	193	51.88	236	51.30
	11,809	**36.15**	**8,124**	**25.63**	**12,415**	**31.53**	**17,870**	**30.25**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%
Instant beverage premixes manufacturing services:				
Coffee premixes	927	10.53	1,308	8.09
Food supplement premixes	7,560	39.15	4,782	28.47
Other premixes	124	15.31	231	15.23
	8,611	29.77	6,321	18.33
House brands	92	69.70	71	42.01
Sale of aloe vera gel	121	44.65	76	39.18
	8,824	**30.09**	**6,468**	**18.56**

(iv) Commentary on cost of sales, GP and GP margin

(a) Comparison between FYE 2018 and FYE 2019

Cost of sales

Our total cost of sales increased by approximately RM2.71 million or 12.99% from RM20.86 million in FYE 2018 to RM23.57 million in FYE 2019.

The increase is mainly due to the increase in the cost of sales (supplies) by RM1.43 million or 8.09% mainly attributable to the increase in purchase of colostrum powder by RM0.63 million or 141.57% and increase in purchase of sachet foils by RM0.62 million or 29.52%.

During FYE 2019, in line with the increase in sales of food supplement premixes by 103.04%, cost of sales for food supplement premixes increased by RM1.80 million or 169.97% mainly due to increase in purchases of colostrum powder and increase in cost of sachet foils which is used for the packing of food supplement premixes.

Notwithstanding the decrease in the revenue for coffee premixes by 4.95%, we recorded an increase in cost of sales for coffee premixes by approximately RM1.22 million or 6.79% from RM17.98 million in FYE 2018 to RM19.20 million in FYE 2019. This was mainly due to the increase in cost of sachet foils used for the packing of coffee premixes.

We recorded a decrease of cost of sales for other premixes by approximately RM0.32 million or 23.60% in line with lower sales of other premixes by 62.96%.

Labour cost increased by approximately RM0.17 million or 15.89% from RM1.07 million in FYE 2018 to RM1.24 million in FYE 2019 mainly due to the increase in average number of manufacturing employees from 51 employees in FYE 2018 to 59 employees in FYE 2019.

Our factory expenses and depreciation costs increased by RM0.88 million and RM0.26 million respectively in line with the increase in our manufacturing capacity.

GP and GP margin

During FYE 2019, we recorded an overall decrease in GP of RM3.69 million or 31.25% and a reduction in GP margin from 36.15% to 25.63%.

This was mainly due to the decrease in GP from sale of coffee premixes where we recorded a decrease in GP by RM2.51 million or 31.06% and a reduction in GP margin for coffee premixes from 31.01% to 22.51%. The decrease in GP for coffee premixes was mainly due to a reduction in orders from major customers including Hai-O Enterprise Berhad and Jinjiang Yeeka Commercial and Trading Co Ltd. The decrease in GP margin was mainly due to the increase in cost of sachet foils used for the packing of all the instant beverage premixes.

In addition, we recorded a decrease in GP from other premixes by RM1.64 million or 93.34% as Hai-O Enterprise Berhad did not purchase any tea premixes in FYE 2019. Tea premixes sold to Hai-O Enterprise Berhad carries a higher GP margin as the main food ingredient for tea premixes were provided by Hai-O Enterprise Berhad. The selling price of the coffee premixes and tea premixes to Hai-O Enterprise Berhad are priced similarly as we managed to secure favourable margin for the tea premixes. However, in comparison with the production of coffee premixes, the cost of tea premixes produced is lower as it is not inclusive of the main food ingredient, being tea powder. Hence, the production of tea premixes yields higher margin. Notwithstanding that the main ingredient is provided by Hai-O Enterprise Berhad, we had maintained our selling price to be consistent with pricing of coffee premixes sold to Hai-O Enterprise Berhad. However, in comparison with the production of coffee premixes, the cost of tea premixes produced is lower as it is not inclusive of the main food ingredient, being tea powder. Hence, the production of tea premixes yields higher margin. As such, we recorded a reduction in GP margin from 56.44% to 9.90%. We will continue to source the main food ingredient for tea premixes from Hai-O Enterprise Berhad.

Nevertheless, we recorded an increase in GP from food supplement premixes by RM0.71 million or 51.67% which was mainly due to the increase in orders by TDC Avenue. However, the GP margin for food supplement premixes had decreased from 56.47% to 42.23% due to the increase in the price of colostrum powder which is the main food ingredient in food supplement premixes. We did not pass on the increase in the price of colostrum powder to our customer as we wanted to maintain a good and long term working relationship with our customer. Furthermore, the GP margin recorded for food supplement premixes supplied to TDC Avenue at 42.23% is substantially higher than the GP margin for other products.

We recorded a decrease in GP margin for our house brands from 64.90% to 58.93% which was mainly due to the increase in cost of sachet foils. GP margin for sale of aloe vera gel had decreased due to the increase in the cost of main raw ingredient namely aloe vera gels. We did not pass on the increase of these costs to our customer as the sale volume for this product does not contribute substantially to our revenue. In addition, the increase in cost of aloe vera gels is temporary and has reduced during the subsequent FYE 2020.

(b) Comparison between FYE 2019 and FYE 2020

Cost of sales

Our total cost of sales increased by approximately RM3.39 million or 14.38% from RM23.57 million in FYE 2019 to RM26.96 million in FYE 2020.

The increase is mainly due to the increase in cost of sales (supplies) by RM3.13 million or 16.38% mainly attributable to the increase in use of colostrum powder and milk powder which increased by RM2.51 million and RM3.13 million, respectively. These are the main food ingredients used in the manufacturing of food supplement premixes for our major customer, TDC Avenue. This increase is in line with the increase of revenue from sale of food supplement premixes by 225.93% during FYE 2020.

The increase of cost of sales in FYE 2020 was offset with the decrease of cost of sales for coffee premixes by RM3.56 million or 18.54% which is in line with the decrease of the revenue of coffee premixes by 15.66%. Cost of sales for house brand instant beverage premixes decreased by approximately RM0.13 million or 70.65% due to decrease in sales of RM0.31 million or 69.20%.

Labour cost increased by approximately RM0.18 million or 14.52% from RM1.24 million in FYE 2019 to RM1.42 million in FYE 2020 mainly due to annual salary increments as well as the increase in average number of manufacturing employees from 59 employees in FYE 2019 to 68 employees in FYE 2020. We did not record any material changes to our factory expenses, depreciation cost and utilities expenses during FYE 2020.

GP and GP margin

In FYE 2020, we recorded an overall increase in GP of RM4.29 million or 52.81% and an increase in GP margin from 25.63% in FYE 2019 to 31.53%.

This was mainly due to the increase of GP from our food supplement premixes by RM4.62 million or 221.48% which is in line with the increase of revenue from sale of food supplement premixes in FYE 2020 by 225.93%. We did not record any material fluctuation in the GP margin for our food supplement premixes of 41.63% during FYE 2020 (FYE 2019: 42.23%).

We recorded an increase in GP from other premixes comprising tea/chocolate premixes and creamers by RM0.07 million or 61.40% in FYE 2020 which is in line with the increase of revenue of other premixes by RM0.72 million or 62.55%. Hai-O Enterprise Berhad had resumed ordering tea premixes in FYE 2020 and contributed to 8.38% of the total sales of other premixes. Nevertheless, we did not record any material fluctuation in our GP margin for other premixes for FYE 2020.

The increase of our GP in FYE 2020 was offset with the decrease of GP from coffee premixes by RM0.32 million or 5.74% which is in line with the decrease of revenue from coffee premixes.

Notwithstanding the decrease in GP from coffee premixes, our overall GP margin had increased from 25.63% in FYE 2019 to 31.53% in the FYE 2020 and this was mainly due to the decrease in cost of sachet foils by RM0.70 million or 25.72%. Sachet foils are the main packaging material used in the packing of instant beverage premixes and the decrease in cost of sachet foils has reduced our overall packaging costs and improved our overall GP margin.

The decrease of revenue from sale of house brands during FYE 2020 resulted in a decrease in GP for house brands of 70.83%. We did not record any material fluctuation in the GP margin for house brands products of 56.62% during FYE 2020 (FYE 2019: 58.93%).

Despite recording a decrease in revenue for the sale of aloe vera gel of RM0.01 million or 2.60%, we recorded an increase in GP of RM0.11 million or 130.95% and a higher GP margin of 51.88% (FYE 2019: 21.88%) due to the decrease in price of the main ingredient used namely aloe vera gels.

(c) Comparison between FYE 2020 and FYE 2021

Cost of sales

Our total cost of sales increased by approximately RM14.24 million or 52.82% from RM26.96 million in FYE 2020 to RM41.20 million in FYE 2021.

The increase is mainly due to the increase in cost of sales (supplies) by RM13.49 million or 60.66% mainly due to the increase in use of colostrum powder and milk power which increased by RM4.13 million and RM4.73 million, respectively to fulfil the orders from our major customer, TDC Avenue. We recorded an increase in our cost of sales for house brands instant beverage premixes and aloe vera gel by approximately RM0.05 million or 84.76% and RM0.05 million or 27.93%, respectively. The increase was in line with the increase in sales for house brands by 73.53% and sales of aloe vera gel by 24.19%.

We recorded increase in cost of sales for coffee premixes by approximately RM2.62 million or 16.75% from RM15.64 million in FYE 2020 to RM18.26 million in FYE 2021. This was mainly due to the increase in cost of food ingredients for our coffee premixes namely sugar, coffee powder and flavouring as well as the sachet foils used for the packing of coffee premixes.

Labour cost increased by approximately RM0.34 million in FYE 2021 mainly due to the increase in annual salary increment in FYE 2021.

Our factory expenses, depreciation costs and utilities increased by RM0.24 million, RM0.07 million and RM0.11 million respectively in line with the increase in our manufacturing volume.

GP and GP margin

In FYE 2021, we recorded an overall increase in GP of RM5.46 million or 43.98%. However, our GP margin decreased from 31.53% in FYE 2020 to 30.25% in FYE 2021.

We recorded an increase in GP from food supplement premixes by RM8.06 million or 120.24% which is in line with the increase in revenue from sale of food supplement premixes in FYE 2021 by 121.23%. We did not record any material fluctuation in the GP margin for our food supplement premixes of 41.69% during FYE 2021 (FYE 2020: 41.63%).

We recorded an increase in GP from other premixes by RM0.05 million or 26.46% which is in line with the increase of revenue of other premixes by 17.63%. Nevertheless, we did not record any material fluctuation in our GP margin for other premixes of 10.84% during FYE 2021 (FYE 2020: 10.04%). In addition, we recorded an increase in GP from sale of aloe vera gel of RM0.04 million in line with the increase in sale of aloe vera gel by RM0.09 million while the GP margin remains consistent at 51.30% (FYE 2020: 51.88%).

The increase in our GP in FYE 2021 was offset by the decrease in GP from coffee premixes by RM2.76 million or 52.53% as we did not receive orders from Jinjiang Yeeka Commercial and Trading Co Ltd and Loi Hein (Singapore) Pte Ltd. The decrease in GP margin was mainly due to the increase in cost of food ingredients for our coffee premixes namely coffee powder and creamer.

(d) Comparison between FPE 2021 and FPE 2022

Cost of sales

Our total cost of sales increased by approximately RM7.87 million or 38.37% from RM20.51 million in FPE 2021 to RM28.38 million in FPE 2022.

The increase is mainly due to the increase in cost of sales (supplies) by RM6.53 million or 36.02%, contributed by the increase in creamer (by approximately RM1.90 million), coffee powder (by approximately RM1.20 million), sugar (by approximately RM0.67 million) and sachet foils (by approximately RM2.70 million).

Resulting for the increase in cost of supplies, we recorded an increase in the cost of sales for coffee premixes and food supplement premixes by approximately RM6.98 million or 88.60% and RM0.26 million or 2.21%, respectively. We also recorded an increase in cost of sales for other premixes by approximately RM0.60 million or 87.46%.

GP and GP margin

In FPE 2022, we recorded an overall decrease in GP of RM2.36 million or 26.75%. Our GP margin decreased from 30.09% in FPE 2021 to 18.56% in FPE 2022.

We recorded a decrease in GP from the sale of food supplement premixes by RM2.78 million due to TDC Avenue reducing its orders for one of the food supplement premixes products in FPE 2022. In addition, we recorded a lower GP margin of 28.47% (FPE 2021: 39.15%) for the sale of food supplement premixes due to the increase in cost of supplies such as milk powder and sugar.

We further recorded a decrease in GP from the sale of aloe vera gel by RM0.05 million or 41.32% due to lower number of orders received. We recorded a lower GP margin for the sale of aloe vera gel of 39.18% in FPE 2022 (FPE 2021: 44.65%) due to the increase in the cost of main raw ingredient namely aloe vera gels. We did not pass on the increase in costs to our customer as the sale volume for this product does not contribute substantially to our revenue.

We recorded a decrease in our GP from our house brands by RM0.02 million or 21.74% and a lower GP margin of 42.01% as compared to 69.70% in FPE 2021. This was due to increase in cost of supplies including coffee powder, creamer and sugar.

The decrease in our GP in FPE 2022 was offset by in the increase of GP from coffee premixes by RM0.38 million. However, the GP margin from coffee premixes decrease to 8.09% in FPE 2022 as compared to 10.53% in FPE 2021 mainly due to the increase in cost of supplies including coffee powder, creamer and sugar.

(e) Commentary on the increase in cost of supplies

During FYE 2021, we recorded a lower GP margin for coffee premixes of 12.04% (FYE 2020: 25.15%). During FPE 2022, GP margin for coffee premixes further decreased to 8.09%. We also recorded a lower in GP margin for food supplement premixes of 28.47% for FPE 2022 (FYE 2021: 41.69%).

The decrease in GP margin was mainly due to the increase in cost of supplies namely coffee powder, milk powder, creamer, sugar and sachet foils. Kindly refer to Section 8.1.1 on the reasons leading to such increase in cost of supplies.

We recorded lower GP margins during FYE 2021 and FPE 2022 as we have yet to fully pass on the increase in cost of supplies to our customers. Nevertheless, we have begun to pass on the increase in cost of supplies to our customers by increasing our selling price progressively in order to improve our GP margins and have factored in the increase of raw material prices when issuing quotations to new customers. We provide our customers with 3 months advanced notice on the changes in prices and upon agreement, new purchase orders with the adjusted pricing will be issued for future orders.

However, if the cost of our supplies continues to increase, we may not be able to fully pass on such increase to our customers in a timely manner and as such, may continue to record lower GP margins in the interim period. As such, the historical trend of our GP margin may not reflect our future GP margin trend.

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11. FINANCIAL INFORMATION *(Cont'd)*

11.2.4 Other income

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Reversal of loss allowance on trade receivables	-	-	27	13.50	10	3.56	58	14.76
Realised gain on foreign exchange	4	1.72	-	-	16	5.69	44	11.20
Unrealised gain on foreign exchange	-	-	-	-	87	30.96	-	-
Finance income [(1)]	68	29.31	12	6.00	54	19.22	49	12.47
Rental income [(2)]	38	16.38	120	60.00	114	40.57	57	14.50
Sundry income	122	52.59	11	5.50	*	*	35	8.90
Gain from disposal of property, plant and equipment	-	-	30	15.00	-	-	-	-
Fair value gain on financial assets at FVTPL	-	-	-	-	-	-	-	-
Dividend income from financial assets at FVTPL	-	-	-	-	-	-	150	38.17
	232	**100.00**	**200**	**100.00**	**281**	**100.00**	**393**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Reversal of loss allowance on trade receivables	-	-	69	33.50
Realised gain on foreign exchange	8	7.14	-	-
Unrealised gain on foreign exchange	-	-	-	-
Finance income [(1)]	33	29.46	22	10.68
Rental income [(2)]	37	33.04	35	16.99
Sundry income	6	5.36	10	4.85
Gain from disposal of property, plant and equipment	-	-	8	3.88
Fair value gain on financial assets at FVTPL	28	25.00	-	-
Dividend income from financial assets at FVTPL	-	-	62	30.10
	112	**100.00**	**206**	**100.00**

Notes:

* Negligible.

(1) Finance income comprised of interest earned from our deposits.

(2) Rental income is from the rental for our Semenyih Land to a third party tenant for the storage of machinery with a monthly rental of RM0.01 million per month from May 2018 to November 2020.

Comparison between FYE 2018 and FYE 2019

Our Group's other income decreased by approximately RM0.03 million or 13.04% from RM0.23 million in FYE 2018 to RM0.20 million in FYE 2019. This was mainly due to decrease of sundry income by RM0.11 million. The sundry income of RM0.12 million in FYE 2018 was due to an insurance claim for a passenger car that was involved in an accident.

The decrease of other income was offset with the increase of rental income by RM0.08 million. The tenancy agreement was effective on May 2018. During FYE 2019, we recorded a full year rental with a monthly rental of RM0.01 million per month. Gain from disposal of property, plant and equipment in FYE 2019 was due to the gain from the sale of a passenger car.

We recorded a reversal of loss allowance on trade receivables of RM0.03 million due to the lower expected credit loss provided during FYE 2019. Expected credit loss is provided under MFRS 9 - Financial Instruments, which is calculated based on the probability on the amount that may be collected after taking into consideration the number of average credit term for each financial year, the number of average trade receivable age band, gross amount of each trade receivable age band and the prevailing interest rates.

Comparison between FYE 2019 and FYE 2020

Our Group's other income increased by approximately RM0.08 million or 40.00% from RM0.20 million in FYE 2019 to RM0.28 million in FYE 2020. The increase was mainly due to realised and unrealised gain on foreign exchange of RM0.02 million and RM0.09 million respectively as a consequence of appreciation of USD against RM in FYE 2020 (USD1: RM4.28) as compared to FYE 2019 (USD1: RM4.13).

Finance income increased by RM0.04 million mainly due to the placement of short-term deposits with licenced banks as at 30 June 2020.

We recorded a reversal of loss allowance on trade receivables of RM0.01 million due to the lower expected credit loss provided during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Other income increased by approximately RM0.11 million or 39.29% from RM0.28 million in FYE 2020 to RM0.39 million in FYE 2021. The increase was mainly due to dividend income of RM0.15 million received from the unit trusts that we invested in FYE 2021.

The increase in other income was offset by the decrease in rental income by RM0.06 million as the rental for our Semenyih Land to a third party tenant for the storage of machinery had ceased in November 2020.

Comparison between FPE 2021 and FPE 2022

Other income increased by approximately RM0.10 million or 90.91% from RM0.11 million in FPE 2021 to RM0.21 million in FPE 2022. The increase was mainly due to reversal of loss allowance on trade receivables of RM0.07 million and dividend income of RM0.06 million received from the unit trusts invested.

The increase in other income was offset by the fair value loss on financial asset at FVTPL recorded during FPE 2022, resulting from decrease in fair value of the unit trusts we invested in.

11.2.5 Administrative expenses

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation	364	11.01	380	9.31	399	9.94	471	9.33
Directors' remuneration	579	17.52	693	16.96	662	16.50	866	17.15
Staff cost (1)	1,336	40.42	1,819	44.57	1,719	42.84	2,214	43.83
Insurance	134	4.06	152	3.72	118	2.94	131	2.59
Marketing expenses	86	2.60	142	3.48	128	3.19	10	0.20
Professional fees (2)	148	4.48	137	3.36	194	4.84	406	8.04
Stamp duty	1	0.03	71	1.74	6	0.15	7	0.14
Travelling	180	5.45	133	3.26	129	3.21	53	1.05
Upkeep of motor vehicles	88	2.66	77	1.89	68	1.69	101	2.00
Upkeep of office and building	56	1.69	83	2.03	134	3.34	223	4.41
Utilities	39	1.18	48	1.18	51	1.27	46	0.91
Others (3)	294	8.90	347	8.50	405	10.09	523	10.35
	3,305	**100.00**	**4,082**	**100.00**	**4,013**	**100.00**	**5,051**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Depreciation	246	11.47	172	6.99
Directors' remuneration	345	16.09	384	15.60
Staff cost (1)	955	44.54	1,179	47.91
Insurance	95	4.43	53	2.15
Marketing expenses	(3) (4)	(0.14)	-	-
Professional fees (2)	196	9.14	261	10.61
Stamp duty	1	0.05	-	-
Travelling	28	1.31	29	1.18
Upkeep of motor vehicles	41	1.91	51	2.07
Upkeep of office and building	82	3.83	90	3.66
Utilities	19	0.89	18	0.73
Others (3)	139	6.48	224	9.10
	2,144	**100.00**	**2,461**	**100.00**

Notes:

(1) Includes salaries, bonuses, incentives, employees' provident fund contributions, allowances, medical expenses and other staff-related expenses.

(2) Includes fees paid to company secretaries, auditors, lawyers, tax agent and other professional consultants.

(3) Includes courier charges, SST, printing and stationery, quit rent, assessment and training costs.

(4) Reversal of marketing expenses due to exhibition cost of RM0.03 million being refunded resulting from the cancellation of exhibitions that was originally planned in 2020.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, administrative expenses increased by approximately RM0.78 million or 23.64% from RM3.30 million in FYE 2018 to RM4.08 million in FYE 2019. The increase was mainly due to the following:

(i) Increase of Directors' remuneration by approximately RM0.11 million or 19.00% mainly due to yearly increment of salary to Directors and increase of bonus by RM0.08 million in FYE 2019 to our Directors;

(ii) Increase of staff cost by approximately RM0.48 million or 35.93% mainly due to yearly increment of salary and the increase of average number of administrative employees from 17 employees in FYE 2018 to 21 employees in FYE 2019. We had recruited 2 new employees for our accounting department, 1 for our quality assurance and quality control department and 1 for human resource department; and

(iii) Increase of marketing expenses by approximately RM0.06 million or 69.77% mainly due a trade fair/exhibition that we participated in China, namely, China-ASEAN Exposition Fair in September 2018.

Comparison between FYE 2019 and FYE 2020

During FYE 2020, we recorded a decrease in administrative expenses of RM0.07 million or 1.71% which was mainly due to the decrease of Directors' remuneration and staff cost as we had reduced the bonus paid during FYE 2020.

Marketing expenses of RM0.13 million were due the trade fair/exhibition we participated in, namely the China International Import Expo 2019 (November 2019) and 2019 Shanghai Private Label Fair (December 2019).

Comparison between FYE 2020 and FYE 2021

During FYE 2021, we recorded an increase in administrative expenses of RM1.04 million or 25.92%. The increase was mainly due to the following:

(i) Increase in staff cost by approximately RM0.50 million or 29.09% mainly due to the annual salary increment;

(ii) Increase of Directors' remuneration by approximately RM0.20 million or 30.21% mainly due to annual salary increment and bonus to our Directors as well as appointment of new Directors by Orgabio Holdings; and

(iii) Increase in professional fees by approximately RM0.21 million or 108.25% mainly due to legal fees incurred for the loan to finance the construction of our new factory on Semenyih Land (RM0.10 million) and professional fees for application of our Certificate for Accommodation (RM0.06 million).

We recorded a decrease in marketing expenses by RM0.12 million or 93.75% in FYE 2021 mainly due to exhibition cost of RM0.03 million refunded resulting from the cancellation of exhibitions that was originally planned in 2020. In addition, our travelling expenses decreased by RM0.07 million or 54.26% in FYE 2021 due to restriction in travelling during the imposition of the MCO.

Comparison between FPE 2021 and FPE 2022

During FPE 2022, we recorded an increase in administrative expenses of RM0.32 million or 14.93%. The increase was mainly due to the following:

(i) Increase in staff cost by approximately RM0.22 million or 23.04% mainly due to the annual salary increment; and

(ii) Increase in professional fees by approximately RM0.07 million or 35.71% due to cost incurred for the IPO.

11.2.6 Selling and distribution expenses

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Referral fees	304	100.00	113	100.00	310	100.00	186	100.00

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Referral fees	75	100.00	-	-

Referral fees are paid to independent agents who had introduced sales to us and are paid based on a percentage of sales secured.

Comparison between FYE 2018 and FYE 2019

Referral fees paid during FYE 2018 of RM0.30 million was for the sale of coffee premixes. During FYE 2019, we reduced the payment of referral fees for coffee premixes as these customers had reduced coffee premixes orders from us. Referral fees of RM0.11 million paid during FYE 2019 was mainly from the sale of food supplement premixes.

Comparison between FYE 2019 and FYE 2020

Referral fees paid during FYE 2020 was mainly from the sale of food supplement premixes which had increased to RM0.31 million in line with the increase in sale of food supplement premixes during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Referral fees paid during FYE 2021 was from the sale of food supplement premixes of RM0.19 million.

Comparison between FPE 2021 and FPE 2022

No referral fees were paid during FPE 2022 as we had secured all sales directly from our customers instead of via independent agents.

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11.2.7 Other expenses

	Audited							
	FYE 2018		**FYE 2019**		**FYE 2020**		**FYE 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Impairment loss on property, plant and equipment	-	-	-	-	-	-	1,045	73.85
Fair value loss on financial assets at FVTPL	-	-	-	-	-	-	119	8.41
Loss allowance on trade receivables	139	34.40	*	*	14	100.00	115	8.13
Unrealised loss on foreign exchange	46	11.39	11	61.11	-	-	72	5.09
Realised loss on foreign exchange	-	-	7	38.89	-	-	-	-
Bad debts written off	116	28.71	-	-	-	-	42	2.97
Property, plant and equipment written off	103	25.50	-	-	-	-	22	1.55
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	*	*
	404	**100.00**	**18**	**100.00**	**14**	**100.00**	**1,415**	**100.00**

	Unaudited		Audited	
	FPE 2021		**FPE 2022**	
	RM'000	**%**	**RM'000**	**%**
Impairment loss on property, plant and equipment	-	-	-	-
Fair value loss on financial assets at FVTPL	-	-	48	43.25
Loss allowance on trade receivables	125	39.68	59	53.15
Unrealised loss on foreign exchange	150	47.62	2	1.80
Realised loss on foreign exchange	-	-	2	1.80
Bad debts written off	40	12.70	-	-
Property, plant and equipment written off	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	-
	315	**100.00**	**111**	**100.00**

Note:

* Negligible.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, other expenses decreased by approximately RM0.38 million or 95.00% from RM0.40 million in FYE 2018 to RM0.02 million in FYE 2019.

During FYE 2019, we recorded loss allowance on trade receivables of RM598 (FYE 2018: RM0.14 million). The loss allowance on trade receivables is provided due to the application of MFRS 9 - Financial Instruments.

The decrease was due to lower unrealised loss on foreign exchange by RM0.04 million in FYE 2019 as a consequence of lower appreciation of USD against RM in FYE 2019 (USD1: RM4.13) as compared to FYE 2018 (USD1: RM4.04).

The bad debts written off in FYE 2018 of RM0.12 million were due to outstanding amount due from 1 customer. The sum was written off as we are unable to reconcile the amount owing and as such we had taken the position not to pursue this amount. The property, plant and equipment written off in FYE 2018 was a passenger car that was involved in an accident. We had received an insurance claim of RM0.12 million.

Comparison between FYE 2019 and FYE 2020

During FYE 2020, we had provided a loss allowance on trade receivables of RM0.01 million due to the long overdue amount owing from 2 customers. The amount outstanding from these 2 customers has yet to be collected as at the LPD.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, other expenses increased by approximately RM1.41 million or 141.00% from RM0.01 million in FYE 2020 to RM1.42 million in FYE 2021. The increase was mainly due to the following:

(i) Impairment loss on property, plant and equipment amounted RM1.05 million recorded from Semenyih Land (RM0.71 million) and 2 units of factories used as warehouses (RM0.34 million), where the market value of these properties are lower than the NBV recorded;

(ii) Fair value loss on financial assets at FVTPL of RM0.12 million resulting from the unit trusts we invested;

(iii) Increase in loss allowance on trade receivables of RM0.10 million due to long overdue amount owing from Jinjiang Yeeka Commercial and Trading Co Ltd;

(iv) Unrealised loss on foreign exchange of RM0.07 million in FYE 2021 as a consequence of lower appreciation of USD against RM in FYE 2021 (USD1: RM4.2825) as compared to FYE 2020 (USD1: RM4.152);

(v) Bad debts written off of RM0.04 million mainly due to the following:

    (a) Long overdue amount owing from Roti-roti Manufacturing Sdn Bhd, which has been wound up (RM0.02 million); and

    (b) Write-off of amount owing by a former director of Everyday F&B (RM0.02 million). The former director was unable to repay the amount due to her financial predicament; and

(vi) Property, plant and equipment written off of RM0.02 million for 1 unit of filling machine, office equipment, furniture and fittings as well as computer software which were obsolete or damage.

Comparison between FPE 2021 and FPE 2022

For FPE 2022, other expenses decreased by approximately RM0.20 million or 64.52% from RM0.31 million in FPE 2021 to RM0.11 million in FPE 2022.

We recorded a decrease in loss allowance on trade receivables of RM0.07 million mainly due to lower expected credit loss provided during FPE 2022.

We further recorded a fair value loss on financial asset at FVTPL of RM0.05 million resulting from the decrease in fair value of the unit trusts we invested in.

11.2.8 Finance costs

The breakdown of our finance costs is as follows:

	Audited							
	FYE 2018		FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lease liabilities interest	57	9.44	76	10.66	80	12.60	68	12.08
Bankers' acceptance interest	22	3.64	29	4.07	28	4.41	20	3.55
Term loan interest	525	86.92	608	85.27	527	82.99	475	84.37
	604	**100.00**	**713**	**100.00**	**635**	**100.00**	**563**	**100.00**

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Lease liabilities interest	70	20.06	47	16.73
Bankers' acceptance interest	20	5.73	5	1.78
Term loan interest	259	74.21	229	81.49
	349	**100.00**	**281**	**100.00**

We utilised bankers' acceptance to partially finance our working capital which includes purchase of supplies, term loan to finance acquisition of our properties as set out in Section 6.17.1. Lease liabilities are utilised for the purchase of motor vehicles and machinery.

Comparison between FYE 2018 and FYE 2019

During FYE 2019, finance costs increased by approximately RM0.11 million mainly due to the term loan drawn for the acquisition of 1 unit of terrace house used as workers' hostel. The increase in lease liabilities interest was due to the purchase of 1 unit of pick-up truck and 1 unit of filling machine during FYE 2019.

Comparison between FYE 2019 and FYE 2020

During FYE 2020, finance costs decreased by approximately RM0.07 million mainly due to lower effective interest rate of 6.45% (FYE 2019: 6.70%) during the year. No additional term loans were utilised during FYE 2020.

Comparison between FYE 2020 and FYE 2021

During FYE 2021, finance costs decreased by approximately RM0.08 million mainly due to the decrease in term loan interest resulting from the lower effective interest rate of 5.45% (FYE 2020: 6.45%) which was due to the decrease in base lending rate during FYE 2021. No additional term loans were utilised during FYE 2021.

Comparison between FPE 2021 and FPE 2022

During FPE 2022, finance costs decreased by approximately RM0.07 million mainly due to the decrease in lease liabilities interest resulting from the settlement of lease liabilities during FPE 2022. In addition, the decrease in interest cost from banker acceptance was due to lower utilisation of banker acceptance as compared to FPE 2021.

11.2.9 Tax expense, PBT and PAT

The following table sets out our PBT, PAT as well as the comparison between the statutory tax rate and our effective tax rate for the FYEs/FPE under review:

	Audited				Unaudited	Audited
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
PBT (RM'000)	7,424	3,398	7,724	11,048	6,053	3,821
Tax expense (RM'000)	(1,918)	(1,135)	(2,088)	(3,407)	(1,476)	(1,114)
PAT (RM'000)	**5,506**	**2,263**	**5,636**	**7,641**	**4,577**	**2,707**
PBT margin (%)	22.72	10.72	19.62	18.70	20.63	10.97
PAT margin (%)	16.85	7.14	14.31	12.94	15.61	7.77
Effective tax rate (%)	25.84	33.40	27.03	30.84	24.38	29.15
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00	24.00

Comparison between FYE 2018 and FYE 2019

For FYE 2018, as a result of decrease in revenue and GP, our PBT decreased from RM7.42 million in FYE 2018 to RM3.40 million in FYE 2019. Our PBT margin decreased from 22.72% in FYE 2018 to 10.72% in FYE 2019 mainly due to the increase in cost of sachet foils used for the packing of instant beverage premixes which had decreased our overall GP margin. In addition, we recorded higher administrative expenses due to the hiring of additional employees which had also decreased our overall PBT margin.

In line with the decreased of our PBT and PBT margin, our PAT and PAT margin for FYE 2019 have also decreased. Our PAT decreased from RM5.51 million in FYE 2018 to RM2.26 million in FYE 2019. Our PAT margin decreased from 16.85% in FYE 2018 to 7.14% in FYE 2019.

The effective tax rate in FYE 2018 was 25.84% which is 1.83% higher than the statutory tax rate and this was mainly due to RM0.32 million of expenses not deductible for tax purposes such as depreciation, bad debts, property, plant and equipment written off and restriction on tax deductible interest expense. The restriction on tax deductible interest expense refers to the interest restriction on the interest expenses on the term loan of our Group which are disallowable by the Inland Revenue Board of Malaysia as such interest expenses incurred for our Semenyih Land and our investment property (shoplot), which did not generate any business income.

Our effective tax rate increased to 33.40% in FYE 2019 from 25.84% in FYE 2018 and is 9.40% higher than the statutory tax rate and this was mainly due to RM0.42 million of expenses not deductible for tax purposes including depreciation and restriction on tax deductible interest expense.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, as a result of increase in revenue and GP, our PBT improved from RM3.40 million in FYE 2019 to RM7.72 million in FYE 2020. Our PBT margin have improved from 10.72% in FYE 2019 to 19.62% in FYE 2020 mainly due to the increase in sales of food supplement premixes which has a higher GP margin as compared to sale of coffee premixes.

In line with our increase in PBT, our PAT increased from RM2.26 million in FYE 2019 to RM5.64 million in FYE 2020. Our PAT margin has also increased from 7.14% in FYE 2019 to 14.31% in FYE 2020.

Our effective tax rate decreased to 27.03% in FYE 2020 from 33.40% in FYE 2019 and is 3.03% higher than the statutory tax rate. This was mainly due to RM0.32 million of expenses that are non-tax deductible including depreciation and restriction on tax deductible interest expense.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, as a result of the increase in our revenue and GP, our PBT improved from RM7.72 million for FYE 2020 to RM11.05 million for FYE 2021. In line with our increase in PBT, our PAT increased from RM5.64 million in FYE 2020 to RM7.64 million in FYE 2021.

However, our PBT margin decreased from 19.62% in FYE 2020 to 18.70% in FYE 2021. Our PAT margin has also decreased from 14.31% in FYE 2020 to 12.94% in FYE 2021. This was mainly due to the impairment loss on property, plant and equipment of RM1.05 million recorded in FYE 2021.

Our effective tax rate increased from 27.03% in FYE 2020 to 30.84% in FYE 2021 and is 6.84% higher than the statutory tax rate. This was mainly due to RM0.63 million of expenses that are non-tax deductible including depreciation, restriction on tax deductible interest expense and impairment loss on property, plant and equipment.

Comparison between FPE 2021 and FPE 2022

Despite an increase in our revenue in FPE 2022, our PBT decreased from RM6.05 million in FPE 2021 to RM3.82 million in FPE 2022. Our PBT margin also decreased from 20.63% to 10.97% which was mainly due to increase in cost of supplies. Kindly refer Section 8.1.1 for further details.

Resulting from the above, our PAT decreased from RM4.58 million in FPE 2021 to RM2.71 million in FPE 2022. Our PAT margin also decreased from 15.61% in FPE 2021 to 7.77% in FPE 2022.

Our effective tax rate increased from 24.38% in FPE 2021 to 29.15% in FPE 2022 and is 5.15% higher than the statutory tax rate. This was mainly due to RM0.19 million of expenses that are non-tax deductible including depreciation and restriction on tax deductible interest expense.

11.2.10 Review of financial position

(i) Assets

Our assets for the financial years/period under review comprise the following:

	Audited				Unaudited	Audited
	30 June				31 December	
	2018	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current assets						
Property, plant and equipment	9,107	9,342	9,009	16,815	8,528	19,118
Investment properties	10,653	10,611	10,568	1,980	10,546	1,958
Intangible asset	-	37	19	~	10	-
Deferred tax assets	11	-	-	-	-	-
Total non-current assets	**19,771**	**19,990**	**19,596**	**18,795**	**19,084**	**21,076**
Current assets						
Inventories	2,382	4,082	4,085	5,166	5,653	7,630
Trade receivables	5,903	4,719	5,262	5,563	3,332	6,807
Other receivables	1,028	1,370	573	2,573	781	2,820
Financial assets at FVTPL	-	-	-	4,032	4,028	2,003
Amount due from Directors	959	908	-	-	-	-
Tax recoverable	37	678	160	371	546	1,255
Short-term deposits with licenced banks	-	-	1,019	-	-	-
Cash and bank balances	1,644	3,745	10,689	6,128	8,912	4,160
Total current assets	**11,953**	**15,502**	**21,788**	**23,833**	**23,252**	**24,675**
TOTAL ASSETS	**31,724**	**35,492**	**41,384**	**42,628**	**42,336**	**45,751**

Note:

~ Negligible.

Comparison between as at 30 June 2018 and 30 June 2019

Non-current assets

Our non-current assets increased by RM0.22 million or 1.11% mainly due an increase in property, plant and equipment of RM0.24 million which includes:

(a) Purchase of machinery of RM1.11 million for our operations;

(b) Purchase of 1 unit of pick-up truck for RM0.14 million; and

(c) Progress claim for enterprise resource planning software (RM0.05 million) and installation of air condition ducting for Beranang Factory (RM0.13 million).

The above increase was however offset by the depreciation in property, plant and equipment of RM1.49 million for FYE 2019.

Current assets

Our current assets increased by RM3.55 million or 29.70% mainly due to:

(a) Increase of RM1.70 million in inventories as we had increased the stocking of supplies as at 30 June 2019 to cater for the increase in orders for food supplement premixes due for delivery during FYE 2020. The order for food supplement premixes were delivered during FYE 2020;

(b) Increase of RM0.34 million in other receivables mainly due to deposit of RM0.32 million paid to for the purchase of new machinery;

(c) Increase in tax recoverable of RM0.64 million mainly due to over payment of monthly tax instalment during FYE 2019; and

(d) Increase of RM2.10 million in cash and bank balances.

The increase was offset by a decrease in trade receivables of RM1.18 million in line with the decrease in revenue recorded for FYE 2019.

Comparison between 30 June 2019 and 30 June 2020

Non-current assets

Our non-current assets decreased by RM0.39 million or 1.95% mainly due to depreciation of property, plant and equipment of RM1.55 million.

The decrease was offset by the following:

(a) Purchase of machinery of RM0.88 million for our operations;

(b) Deposit paid for 1 unit of terrace house used as workers' hostel of RM0.14 million; and

(c) Progress claim for enterprise resource planning software (RM0.04 million) and installation of air condition ducting for Beranang Factory (RM0.08 million).

Current assets

Our current assets increased by RM6.29 million or 40.58% mainly due to:

(a) Increase of RM0.54 million in trade receivables in line with higher revenue recorded in FYE 2020;

(b) A new placement of short-term deposits with licenced banks of RM1.02 million; and

(c) Increase in cash and bank balances by RM6.94 million due the increase in our PAT during FYE 2020 and receipt of amount due from Directors of RM0.91 million.

The increase in our current assets was offset by the following:

(a) Decrease in other receivables by RM0.80 million mainly due to reversal of RM0.32 million in deposits paid to our machinery supplier after we had received the machinery purchased and GST refund of RM0.45 million from the purchase of the Semenyih Land resulting from the abolishment of GST by the Government;

(b) Receipt of amount due from Directors of RM0.91 million; and

(c) Decrease in tax recoverable by RM0.52 million mainly due to the refund of corporate tax of RM0.82 million.

Comparison between 30 June 2020 and 30 June 2021

Non-current assets

Our non-current assets decreased by RM0.80 million or 4.08% mainly due to depreciation of property, plant and equipment.

In November 2020, we ceased the rental of the Semenyih Land to a third party tenant. This resulted in the reclassification of the Semenyih Land from investment property to property, plant and equipment during FYE 2021.

Current assets

Our current assets increased by RM2.05 million or 9.41% mainly due to:

(a) Increase in inventories by RM1.08 million to cater for the increase in orders received for food supplement premixes;

(b) Increase of RM0.30 million in trade receivables in line with higher revenue recorded in FYE 2021;

(c) Increase in other receivables by RM2.00 million mainly due to increase in prepayments of IPO costs (RM1.13 million), advance payment to suppliers for the supply of goods (RM0.41 million) and deposit paid for purchase of new machineries (RM0.41 million); and

(d) Increase in financial assets at FVTPL of RM4.03 million which consist of unit trusts that we invested during FYE 2021.

The increase of our current assets was offset by the following:

(a) Withdrawal of short-term deposits with licenced banks of RM1.02 million; and

(b) Decrease in cash and bank balances by RM4.56 million mainly due to investment of RM4.03 million in unit trusts.

Comparison between 31 December 2020 and 31 December 2021

Non-current assets

Our non-current assets increased by RM1.99 million or 10.43% mainly due to the addition of property, plant and equipment of RM3.25 million which mainly consists of key machinery and equipment of RM2.68 million used for our operations.

The above increase was however offset by the depreciation in property, plant and equipment of RM0.94 million for FPE 2022.

Current assets

Our current assets increased by RM1.42 million or 6.11% mainly due to:

(a) Increase in inventories by RM1.98 million as we had increased the stocking of supplies which consist mainly creamer, coffee powder, sugar and sachet foils to reduce impact of increase in cost of supplies;

(b) Increase in trade receivables by RM3.48 million in line with the increase in revenue recorded in FPE 2022;

(c) Increase in other receivables by RM2.04 million mainly due to increase in prepayments of IPO related expenses (RM0.94 million), advance payment to suppliers for the supply of goods (RM0.25 million) and deposit paid for purchase of new machineries (RM0.77 million); and

(d) Increase in tax recoverable by RM0.71 million mainly due to over payment of monthly tax instalment during FPE 2022.

The increase of our current assets was offset by the following:

(a) Partial withdrawal of unit trusts amounting to RM2.03 million; and

(b) Decrease in cash and bank balances by RM4.75 million mainly due to increase in purchase of supplies.

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(ii) Liabilities

Our liabilities for the financial years/period under review comprise the following:

	Audited				Unaudited	Audited
	30 June				31 December	
	2018	2019	2020	2021	2020	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities						
Borrowings	10,925	10,432	10,380	9,680	10,131	9,356
Lease liabilities	698	808	930	723	667	1,461
Deferred tax liabilities	30	14	24	139	24	297
Total non-current liabilities	**11,653**	**11,254**	**11,334**	**10,542**	**10,822**	**11,114**
Current liabilities						
Trade payables	2,741	4,104	3,719	4,734	5,015	9,114
Other payables	3,888	3,903	4,200	5,195	3,914	2,401
Dividend payable	-	-	5,000	-	-	-
Borrowings	518	1,348	1,237	648	534	1,571
Lease liabilities	306	375	424	493	540	571
Tax payable	385	12	338	244	1,802	-
Total current liabilities	**7,838**	**9,742**	**14,918**	**11,314**	**11,805**	**13,657**
TOTAL LIABILITIES	**19,491**	**20,996**	**26,252**	**21,856**	**22,627**	**24,771**

Comparison between 30 June 2018 and 30 June 2019

Non-current liabilities

Our non-current liabilities decreased by RM0.40 million or 3.43% mainly due to the reclassification of RM0.49 million of bank borrowings to current liabilities.

The decrease of our non-current liabilities was offset with increase of lease liabilities by RM0.11 million or 15.76% due to the addition of 1 unit of pick-up truck and 1 unit of filling machine during FYE 2019.

Current liabilities

Our current liabilities increased by RM1.90 million or 24.24% mainly due to:

(a) Increase in trade payables by RM1.36 million due to the increase in purchase of supplies to cater for the increase in orders for food supplement premixes due for delivery during FYE 2020. The order for food supplement premixes were delivered during FYE 2020; and

(b) Increase in bank borrowings by RM0.83 million mainly due to increase in drawdown of bankers' acceptance to finance the purchase of supplies to cater for increase in orders for food supplement premixes due for delivery during FYE 2020. The order for food supplement premixes were delivered during FYE 2020.

The increase was offset by the decrease in tax payable by RM0.37 million due to lower PBT recorded during FYE 2019.

Comparison between 30 June 2019 and 30 June 2020

Non-current liabilities

Our non-current liabilities increased by RM0.08 million or 0.71% mainly due to the increase in lease liabilities of RM0.12 million resulting from the addition of 1 unit of filling machine during FYE 2020.

The increase was offset by a decrease in borrowings of RM0.05 million arising from the reclassification of bank borrowings to current liabilities.

Current liabilities

Our current liabilities increased by RM5.18 million or 53.17% mainly due to the following:

(a) Increase in other payables by RM0.30 million mainly due to increase in deposits received from TDC Avenue, our major customer, who had increased their orders from us during FYE 2020;

(b) Dividend declared but not paid as at 30 June 2020 of RM5.00 million; and

(c) Increase in tax payable by RM0.33 million due to higher PBT recorded during FYE 2020.

The increase was offset by a decrease in trade payables of RM0.39 million which was mainly due to a decrease in cost of sachet foils, the main packaging material used in the packing of instant beverage premixes.

Comparison between 30 June 2020 and 30 June 2021

Non-current liabilities

Our non-current liabilities decreased by RM0.79 million or 6.97% mainly due to the reclassification of RM0.70 million and RM0.21 million of bank borrowings and lease liabilities respectively to current liabilities.

Current liabilities

Our current liabilities decreased by RM3.60 million or 24.13% as we did not record any dividend payable as at 30 June 2021 (30 June 2020: RM5.00 million). In addition, borrowings decreased by RM0.60 million due to repayment of bank borrowings (for banker's acceptance and term loans).

The decrease of our current liabilities was offset by the following:

(a) Increase in trade payables by RM1.02 million due to the increase in purchase of supplies to cater for the increase in orders for food supplement premixes due for delivery during FYE 2021. The order for food supplement premixes were delivered during end July 2021; and

(b) Increase in other payables by RM1.0 million mainly due to deposit received of RM3.26 million from TDC Avenue for the order of food supplement premixes in FYE 2021.

Comparison between 31 December 2020 and 31 December 2021

Non-current liabilities

Our non-current liabilities increased by RM0.29 million or 2.68% mainly due to:

(a) Increase in lease liabilities by RM0.79 million resulting from the purchase of 1 unit of filling machine under finance lease; and

(b) Increase in deferred tax liabilities by RM0.27 million.

The increase of our non-current liabilities was offset by the reclassification of borrowings amounting to RM0.78 million from non-current liabilities to current liabilities.

Current liabilities

Our current liabilities increased by RM1.85 million or 15.67% mainly due to:

(a) Increase in trade payables by RM4.10 million due to the increase in the purchase of the supplies; and

(b) Increase in borrowings by RM1.04 million due to the increase in drawdown of bankers' acceptance to finance the purchase of supplies.

The increase of our current liabilities was offset by the following:

(a) Decrease in other payables by RM1.51 million mainly due to lower deposit received from TDC Avenue for order of food supplement premixes in FPE 2022; and

(b) Decrease in tax payable by RM1.80 million due to lower profit generated in FPE 2022.

11.2.11 Recent developments

There are no significant events subsequent to our Group's audited financial statements for FPE 2022.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds mainly comprise term loans and bankers' acceptance as well as lease liabilities.

As at 31 December 2021, we have:

(i) Cash and bank balances of approximately RM4.16 million

(ii) Unit trusts valued at approximately RM2.00 million; and

(iii) Banking facilities (excluding lease liabilities) up to a limit of RM9.38 million which we have not utilised.

The interest rate of our borrowings is based on prevailing market rates. Currently, the principal use of our borrowings is for our Group's business growth and operations, for the acquisition of properties, plant and equipment, as well as for working capital purposes.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Based on the pro forma combined statements of financial position of our Group as at 31 December 2021, our NA position and gearing level (after the Public Issue and utilisation of proceeds) are RM47.35 million and 0.27 times respectively.

As at the LPD, we have cash and bank balances of RM4.21 million and unutilised credit facilities of RM9.07 million. Our Board is confident that, after taking into account our gearing and cash flow position as well as the banking facilities currently available to our Group and that our operations were not materially affected throughout the period of MCO, conditional MCO and recovery MCO, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus. Kindly refer to Section 6.7.4 for more details.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work together closely with our sales and marketing staff for the collection of these outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

11.3.2 Review of cash flows

(i) Cash flow summary

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the past 4 FYEs and FPE 2022.

	Audited				**Unaudited**	**Audited**
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net cash from operating activities	2,972	4,026	8,749	9,426	7,991	572
Net cash (used in)/from investing activities	(3,568)	(1,097)	(606)	(5,649)	(4,186)	12
Net cash used in financing activities	(1,860)	(818)	(271)	(9,290)	(6,448)	(2,550)
Net (decrease) / increase in cash and cash equivalents	**(2,456)**	**2,111**	**7,872**	**(5,513)**	**(2,643)**	**(1,966)**

(ii) Commentary of cash flows

FYE 2018

Net cash from operating activities

For FYE 2018, we recorded net operating cash of RM2.97 million. We collected approximately RM29.90 million from our customers which was offset by cash payments of RM27.44 million. Such cash payments were mainly due to:

(a) Approximately RM22.81 million paid to suppliers for purchase of supplies;

(b) Approximately RM2.35 million paid for employees' benefit including salary;

(c) Approximately RM0.58 million paid for Directors' remuneration; and

(d) Approximately RM1.70 million paid for income tax.

Net cash used in investing activities

We recorded a net cash of RM3.57 million used in our investing activities in FYE 2018, mainly due to the following:

(a) The purchase of property, plant and equipment of RM0.81 million including 1 unit of folding machine (RM0.06 million), 1 unit of wrapping machine (RM0.06 million), 2 units of passenger cars (totaling RM0.36 million) as well as renovation works carried out on our Beranang Factory (RM0.39 million); and

(b) The purchase of investment properties of RM2.83 million including cash portion for the acquisition of Semenyih Land and related transaction cost (RM2.76 million) as well as the acquisition of 1 unit of shoplot at Semenyih (RM0.07 million).

Net cash used in financing activities

In FYE 2018, the net cash for financing activities of RM1.86 million was mainly due to:

(a) Repayment of borrowings (for banker's acceptance and term loans) of RM0.78 million;

(b) Repayment of lease liabilities of RM0.46 million;

(c) Interest paid for our borrowings (for banker's acceptance and term loans) of RM0.60 million; and

(d) Advances to Directors of RM0.02 million.

FYE 2019

Net cash from operating activities

For FYE 2019, we recorded net operating cash of RM4.03 million. We collected approximately RM32.88 million from our customers which was offset by cash payments of RM28.85 million. Such cash payments were mainly due to:

(a) Approximately RM23.11 million paid to suppliers for purchase of supplies;

(b) Approximately RM2.87 million paid for employees' benefit including salary;

(c) Approximately RM0.69 million paid for Directors' remuneration; and

(d) Approximately RM2.18 million paid for income tax.

Net cash used in investing activities

We recorded a net cash of RM1.10 million for our investing activities in FYE 2019, mainly due to the following:

(a) The purchase of property, plant and equipment of RM1.05 million mainly includes 3 units of mixers (RM0.13 million), 1 unit of sealing machine (RM0.04 million), 1 unit of forklift (RM0.05 million), 7 units of coding machines (RM0.12 million), parts and components of machinery (RM0.24 million), renovation cost for our Beranang Factory (RM0.10 million), progress payment for enterprise resource planning software (RM0.05 million), installation of air condition ducting for Beranang Factory (RM0.13 million) and purchase of office equipment (RM0.17 million); and

(b) Intangible assets for website design of RM0.06 million.

Net cash used in financing activities

In FYE 2019, the net cash used in financing activities of RM0.82 million was mainly due to:

(a) Repayment of lease liabilities of RM0.49 million; and

(b) Interest paid for our borrowings (for banker's acceptance and term loans) of RM0.71 million.

The net cash used in financing activities was offset by the net drawdown of borrowings of RM0.34 million mainly due to the drawdown of bankers' acceptances of RM0.84 million to finance purchase of supplies and repayment of term loan of RM0.51 million. We also received a repayment of advances from Directors of RM0.05 million.

FYE 2020

Net cash from operating activities

For FYE 2020, we recorded net operating cash of RM8.75 million. We collected approximately RM38.82 million from our customers which was offset by cash payments of RM31.29 million. Such cash payments were mainly due to:

(a) Approximately RM25.57 million paid to suppliers for purchase of supplies;

(b) Approximately RM3.00 million paid for employees' benefit including salary;

(c) Approximately RM0.66 million paid for Directors' remuneration; and

(d) Approximately RM2.06 million paid for income tax.

Net cash used in investing activities

We recorded a net cash of RM0.61 million for our investing activities in FYE 2020, mainly due to purchase of property, plant and equipment of RM0.66 million mainly includes 2 units of coding machines (RM0.07 million), 3 units of mixers (RM0.17 million), 1 unit of wrapping machine (RM0.03 million), 1 unit of high-speed crushing machine (RM0.02 million) and parts and components of machinery (RM0.06 million), progress payment for enterprise resource planning software (RM0.04 million), installation of air condition ducting for Beranang Factory (RM0.08 million), purchase of office equipment (RM0.05 million) and deposit paid for 1 unit of terrace house used as workers' hostels (RM0.14 million).

The net cash used in investing activities was offset by the interest received of RM0.05 million.

Net cash used in financing activities

In FYE 2020, the net cash for financing activities of RM0.27 million was mainly due to:

(a) Net repayment of borrowings (for banker's acceptance and term loans) of RM0.16 million;

(b) Repayment of lease liabilities of RM0.38 million; and

(c) Interest paid for our borrowings (for banker's acceptance and term loans) of RM0.64 million.

During FYE 2020, we received a repayment of advances from Directors of RM0.91 million.

FYE 2021

Net cash from operating activities

For FYE 2021, we recorded net operating cash of RM9.43 million. We collected approximately RM59.17 million from our customers which was offset by cash payments of RM49.75 million. Such cash payments were mainly due to:

(a) Approximately RM41.34 million paid to suppliers for purchase of supplies;

(b) Approximately RM3.91 million paid for employees' benefit including salary;

(c) Approximately RM0.87 million paid for Directors' remuneration; and

(d) Approximately RM3.63 million paid for income tax.

Net cash used in investing activities

For FYE 2021, we recorded net cash used in investing activities of RM5.65 million mainly due to the following:

(a) Placement of RM4.00 million in unit trust; and

(b) Purchase of property, plant and equipment of RM1.70 million mainly includes 1 unit of check-weigher machine (RM0.05 million), 2 units of conveying machines (RM0.04 million), deposit paid for 1 unit of conveying machine (RM0.02 million), 1 unit of filling machine (RM0.45 million), parts and components of machinery (RM0.11 million), renovation cost for our Beranang Factory (RM0.09 million), progress payment for enterprise resource planning software (RM0.05 million), 3 units of coding machines (RM0.06 million), 1 unit of folding machine (RM0.04 million), 3 units of sealing machines (RM0.02 million), final progress claim for 1 unit of terrace house used as workers' hostels (RM0.20 million), 2 units of passenger cars (RM0.31 million), purchase of office equipment (RM0.12 million), installation of 2 units of air conditions for Beranang Factory (RM0.01 million) and professional cost incurred for construction of new factory on Semenyih Land (RM0.13 million).

The net cash used in investing activities was offset by the interest received of RM0.05 million.

Net cash used in financing activities

For FYE 2021, we recorded net cash used in financing activities of RM9.29 million mainly due to:

(a) Dividends of RM5.00 million declared on 30 June 2020 and paid on 28 August 2020 and RM2.00 million declared on 4 January 2021 and paid on 5 January 2021;

(b) Net repayment of borrowings (for banker's acceptance and term loans) of RM1.29 million;

(c) Repayment of lease liabilities of RM0.44 million; and

(d) Interest paid for our borrowings (for banker's acceptance and term loans) of RM0.56 million.

FPE 2022

Net cash from operating activities

For FPE 2022, we recorded net operating cash of RM0.57 million. We collected approximately RM33.60 million from our customers which was offset by cash payments of RM33.03 million. Such cash payments were mainly due to:

(a) Approximately RM28.22 million paid to suppliers for purchase of supplies;

(b) Approximately RM2.35 million paid for employees' benefit including salary;

(c) Approximately RM0.38 million paid for Directors' remuneration; and

(d) Approximately RM2.08 million paid for income tax.

Net cash from investing activities

For FPE 2022, we recorded net cash from investing activities of RM0.01 million mainly due to:

(a) Net investment in unit trusts of RM2.04 million;

(b) Interest received of RM0.02 million; and

(c) Proceeds from disposal of 4 units of filling machines of RM0.01 million.

The net cash from investing activities was offset by the purchase of property, plant and equipment of RM2.06 million mainly includes purchase of 2 units of filling machines (RM1.01 million), deposit paid for 1 unit of filling machine (RM0.19 million), 2 units of sealing machines (RM0.06 million), 2 units of coding machines (RM0.02 million), 4 units of check-weigher machines (RM0.11 million), 1 unit of folding machine (RM0.25 million), 1 unit of mixer (RM0.06 million), 5 units of conveying machines (RM0.07 million), purchase of furniture and fittings (RM0.03 million), office equipment (RM0.05 million), tools and equipment (RM0.03 million), progress payment for enterprise resource planning software (RM0.02 million), deposit paid for 1 unit of conveying machine (RM0.03 million) and professional cost incurred for construction of new factory on Semenyih Land (RM0.05 million).

Net cash used in financing activities

For FPE 2022, we recorded net cash used in financing activities of RM2.55 million mainly due to:

(a) Dividends of RM2.50 million declared on 23 August 2021 and paid on 23 September 2021;

(b) Repayment of lease liabilities of RM0.37 million; and

(c) Interest paid for our borrowings (for banker's acceptance and term loans) of RM0.28 million.

The net cash used in financing activities was offset by the net drawdown of borrowings (for banker's acceptance and term loans) of RM0.60 million.

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11.4 BORROWINGS AND LEASE LIABILITIES

We utilise credit facilities such as bankers' acceptance to partially finance our working capital and term loans to finance the acquisition of our properties. In addition, we also utilise lease liabilities to finance the purchases of motor vehicles and machinery.

Our total outstanding bank borrowings (including lease liabilities) as at 31 December 2021 stood at RM12.96 million, details of which are set out below. All our bank borrowings and lease liabilities are interest-bearing and denominated in RM.

	Purpose	Tenure	Interest rate	Audited as at 31 December 2021
			% per annum	RM'000
Interest bearing short-term borrowings, payable within 1 year:				
Term loans	To part finance the acquisition of our properties	15 to 25 years	3.13 – 6.40	1,571
Lease liabilities	Financing for the purchase of machinery and motor vehicles as well as rental commitments [(1)]	2 to 5 years	1.98 – 4.81	571
			Sub-total	**2,142**
Interest bearing long-term borrowings, payable after 1 year:				
Term loans	To part finance the acquisition of our properties	15 to 25 years	3.13 – 6.40	9,356
Lease liabilities	Financing for the purchase of machinery and motor vehicles as well as rental commitments [(1)]	2 to 5 years	1.98 – 4.81	1,461
			Sub-total	**10,817**
			Total borrowings	**12,959**
Pro forma gearing (times)				
After the Public Issue[(2)]				0.27

Notes:

(1) Application of MFRS 16 for leases entered into by our Group for tenure of more than 1 year.

(2) Computed based on the pro forma combined statements of financial position after the Public Issue (and utilisation of proceeds).

Our pro forma gearing ratio is expected to decrease from 0.62 times (before the Public Issue) to 0.25 times (after the Public Issue) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue. Thereafter, the gearing ratio will increase to 0.27 times (after utilisation of proceeds) due to the decrease in shareholders' funds arising from the listing expenses utilised.

Our bank borrowings and lease liabilities carry the following effective interest rates for the FYEs 2018 to 2021 and FPE 2022:

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
			% per annum		
Bankers' acceptance	5.44 – 5.71	5.08 – 5.73	3.85 – 4.55	3.80 – 4.80	3.25 – 3.27
Term loans	4.40 – 7.65	4.40 – 7.65	3.62 – 7.65	2.85 – 6.40	3.13 – 6.40
Lease liabilities	2.40 – 4.81	2.40 – 4.81	2.40 – 4.81	1.98 – 4.81	1.98 – 4.81

The following table sets out the maturities of our bank borrowings and lease liabilities:

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
			RM'000		
Bank borrowings					
Within the next 12 months	518	1,348	1,237	648	1,571
After the next 12 months	10,925	10,432	10,380	9,680	9,356
Lease liabilities					
Within the next 12 months	306	375	424	493	571
After the next 12 months	698	808	930	723	1,461

As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the FYEs 2018 to 2021 and FPE 2022 as well as the subsequent financial period up to LPD.

As at the LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2018 to FYE 2021 and FPE 2022, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for our bank borrowings as disclosed in Section 11.4, we do not utilise any other financial instruments. We maintain foreign currency accounts to receive proceeds of our sales in USD, RMB and SGD.

We finance our operations mainly through cash generated from our operations, as well as external sources of funds which mainly comprise bank borrowings. Our bank borrowings are based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

The principal usages of these banking facilities are for working capital, purchase of supplies and purchase of property, plant and equipment.

11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

11.6.1 Material capital commitments

Material capital commitments authorised and contracted for as at the LPD are set out below:

Material capital commitments	RM'000
Purchase of plant and machinery for our Beranang Factory [(1)]	24
Purchase of enterprise resource planning software used for our manufacturing and administration functions [(1)]	2,454
Engineering services for the construction of our new factory on the Semenyih Land [(2)]	100
	2,578

Notes:

(1) To be funded via our internally generated funds.

(2) To be funded via IPO proceeds as set out in Section 4.10.1(i).

11.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there are no proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at the LPD.

11.7 KEY FINANCIAL RATIOS

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
Trade receivables turnover period (days) [(1)]	51	61	46	33	32
Trade payables turnover period (days) [(2)]	53	53	52	37	44
Inventories turnover period (days) [(3)]	35	50	55	40	41
Current ratio (times) [(4)]	1.53	1.59	1.46	2.11	1.81
Gearing ratio (times) [(5)]	1.02	0.89	0.86	0.56	0.62

Notes:

(1) Computed based on the average closing balance of trade receivables divided by the revenue for the respective FYEs/FPE multiplied by the number of days in the respective FYEs/FPE being 365 days for FYEs and 184 days for FPE 2022.

(2) Computed based on the average closing balance of trade payables divided by cost of sales for the respective FYEs/FPE multiplied by number of days in the respective FYEs/FPE being 365 days for FYEs and 184 days for FPE 2022.

(3) Computed based on the average closing balance of inventories divided by cost of sales for the respective FYEs/FPE multiplied by number of days in the respective FYEs/FPE being 365 days for FYEs and 184 days for FPE 2022.

(4) Computed based on total current assets over total current liabilities as at the respective FYEs/FPE.

(5) Computed based on bank borrowings over total equity as at the respective FYEs/FPE.

11.7.1 Trade receivables turnover period

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	3,264	5,903	4,719	5,262	5,563
Closing trade receivables	5,903	4,719	5,262	5,563	6,807
Average trade receivables	4,584	5,311	4,991	5,413	6,185
Revenue	32,670	31,696	39,373	59,072	34,843
Average trade receivables turnover period (days)	51	61	46	33	32

The ageing analysis of our trade receivables as at 31 December 2021 are as follows:

		Exceeding credit period				
	Within credit term	**1 to 30 days past due**	**31 to 60 days past due**	**61 - 90 days past due**	**More than 90 days past due**	**Total**
Estimated total gross carrying amount (RM'000)	4,024	2,167	649	17	112	6,969
Loss allowance on trade receivables (RM'000)	(26)	(18)	(8)	(*)	(110)	(162)
Trade receivables (RM'000)	3,998	2,149	641	17	2	6,807
% of total trade receivables (%)	58.73	31.57	9.42	0.25	0.03	100.00
Subsequent collections up to the LPD (RM'000)	3,996	2,117	582	-	-	6,695
Trade receivables net of subsequent collections (RM'000)	2	32	59	17	2	112
% of trade receivables net of subsequent collections to total trade receivables net of subsequent collections (%)	1.79	28.57	52.68	15.17	1.79	100.00

Note:

* Negligible.

As at the LPD, RM0.11 million of the outstanding trade receivables has exceeded the credit period and has yet to be collected. This amount is not material and we will provide loss allowance on trade receivables under MFRS 9 – Financial Instruments for FYE 2022, where required.

Our normal trade terms are cash term and credit terms of up to 60 days. Our credit terms to customers are assessed and approved on a case-to-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, transaction volume, financial background, market reputation as well as the reason for the customers' inability to pay within the normal credit period. We use ageing analysis to monitor the credit quality of our trade receivables.

Our average trade receivables turnover period as at FYE 2018, FYE 2019, FYE 2020, FYE 2021 and FPE 2022 were 51 days, 61 days, 46 days, 33 days and 32 days respectively.

Trade receivables turnover period increased from approximately 51 days in FYE 2018 to approximately 61 days in FYE 2019 mainly due to delay in payment from our major customers, Hai-O Enterprise Berhad of RM2.92 million and Jinjiang Yeeka Commercial and Trading Co Ltd of RM0.71 million during FYE 2019. The amount outstanding was collected during FYE 2020.

The specific credit term granted to Hai-O Enterprise Berhad and Jinjiang Yeeka Commercial and Trading Co Ltd is 60 days and 30 days respectively. We believe that delay in payment from Hai-O Enterprise Berhad was due to an oversight in issuing payments and delay from Jinjiang Yeeka Commercial and Trading Co Ltd was due to their internal financial disposition.

Trade receivables turnover period decreased from approximately 61 days in FYE 2019 to approximately 46 days in FYE 2020 which were within our credit terms. The decrease in trade receivables turnover period from approximately 61 days in FYE 2019 to 46 days in FYE 2020 was mainly due to improvement in collections from our major customers, Hai-O Enterprise Berhad and Jinjiang Yeeka Commercial and Trading Co Ltd.

Trade receivables turnover period has further decreased from approximately 46 days in FYE 2020 to approximately 33 days in FYE 2021 which is within our credit terms. The decrease in trade receivables turnover was mainly due to the improvement in collections from our major customers, TDC Avenue of RM35.46 million (FYE 2020: RM16.04 million), Hai-O Enterprise Berhad of RM11.53 million (FYE 2020: RM11.35 million) and Lotuss Stores (Malaysia) Sdn Bhd of RM2.30 million (FYE 2020: RM1.87 million).

In FPE 2022, there is no significant fluctuation of our trade receivables turnover period and it is within our credit terms.

Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers. We will closely monitor payments from our customers in order to avoid future delays in payments.

We provided a loss allowance on trade receivables of RM0.14 million, RM0.01 million, RM0.12 million and RM0.06 million in FYE 2018, FYE 2020, FYE 2021 and FPE 2022, respectively, due to the application of MFRS 9 – Financial Instruments.

11.7.2 Trade payables turnover period

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Opening trade payables	3,323	2,741	4,104	3,719	4,734
Closing trade payables	2,741	4,104	3,719	4,734	9,114
Average trade payables	3,032	3,423	3,912	4,227	6,924
Cost of sales	20,861	23,572	26,958	41,202	28,375
Average trade payables turnover period (days)	53	53	52	37	44

The ageing analysis of our trade payables as at 31 December 2021 are as follows:

		Exceeding credit period				
	Within credit term	**1 to 30 days past due**	**31 to 60 days past due**	**61 - 90 days past due**	**More than 90 days past due**	**Total**
Trade payables (RM'000)	6,277	1,944	861	32	-	9,114
% of total trade payables (%)	68.87	21.33	9.45	0.35	-	100.00
Subsequent payments up to the LPD (RM'000)	6,277	1,944	861	32	-	9,114
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-	-
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	-	-	-	-	-	-

As at the LPD, there are no outstanding trade payables as at 31 December 2021 that has not been paid.

The normal trade terms granted to our Group by our suppliers are cash term and credit terms of up to 60 days.

Our average trade payables turnover period was between 37 days to 53 days for the past 4 FYEs and FPE 2022 and is within the credit terms granted to our Group by our suppliers. The decrease in trade payables turnover period in FYE 2021 was mainly due to the higher deposits collected from TDC Avenue resulting from the increase in orders of food supplement premixes from them during FYE 2021. As such, we were able to pay our suppliers for the increase in supplies (i.e. colostrum powder and milk powder) in a shorter time period as compared to FYE 2020. In FPE 2022, the increase in trade payables turnover period was mainly due to increase in stocking of supplies which consist mainly creamer, coffee powder, sugar and sachet foils.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

11.7.3 Inventories turnover period

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Opening inventories	1,719	2,382	4,082	4,085	5,166
Closing inventories	2,382	4,082	4,085	5,166	7,630
Average inventories	2,051	3,232	4,084	4,626	6,398
Cost of sales	20,861	23,572	26,958	41,202	28,375
Average inventories turnover period (days)	35	50	55	40	41

Our average inventories turnover period is approximately 35 to 55 days. Save for imported coffee powder, we stock up our inventories upon receiving purchase orders. For imported coffee powder, we maintain sufficient inventory to cater to at least 1 month of production requirements. Upon receiving purchase orders, we stock up inventory to cater to at least 1 month of production requirements for colostrum powder and milk powder, and at least 2 weeks of production requirements for other raw materials. Our Group stocks up the sachet foils upon receiving purchase orders.

Our Group's inventories consist of supplies and finished goods. Supplies mainly consist of food ingredients and packaging materials. Finished goods consist of manufactured instant beverage premixes that are ready to be delivered to our customers.

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Closing inventories					
- Supplies	1,700	3,285	3,090	4,090	6,761
- Finished goods	682	797	995	1,076	869
	2,382	**4,082**	**4,085**	**5,166**	**7,630**

As at 30 June 2019, we recorded an increase in the closing inventories of supplies from RM1.70 million to RM3.29 million which is mainly due to the increase in stocking of supplies to cater for the increase in orders for food supplement premixes due for delivery during FYE 2020. The order for food supplement premixes were delivered during FYE 2020. This resulted in an increase in our average inventories turnover period from 35 days to 50 days for FYE 2019.

Our average inventories turnover period continued to increase from 50 days to 55 days for FYE 2020 mainly due to the higher average inventories of RM4.08 million (FYE 2019: RM3.23 million). This was due to the increase in stocking of colostrum powder and milk powder which are the main ingredients used in the manufacturing of food supplement premixes for our major customer, TDC Avenue. This increase is in line with the increase of revenue from sale of food supplement premixes by 225.93% during FYE 2020.

Our average inventories turnover period has decreased from 55 days to 40 days for FYE 2021 as we had utilised our supplies (i.e colostrum powder and milk powder) within a shorter period of time in order to fulfil the orders from our major customer, TDC Avenue. The increase in use of supplies is in line with the increase of revenue from in sale of food supplement premixes by 119.93% during FYE 2021.

There is no significant fluctuation of our average inventories turnover period in FPE 2022 as compared to FYE 2021.

We conduct a monthly management meeting to review the stockholding level. Approval is required from authorised personnel at management level for replenishment of supplies.

Our Group practices first-in-first-out basis in computing the cost of inventories and finished goods. The costs of supplies include invoices value of goods purchased and expenditure incurred in acquiring the inventories. The cost of finished goods comprises supplies, labour cost and an appropriate proportion of factory expenses.

We review the shelf life of our inventory on a monthly basis and will write off expired food ingredients. During the past 4 FYEs and FPE 2022, we did not record any write-off of expired food ingredients. As at the LPD, there are no expired food ingredients in our inventory.

11.7.4 Current ratio

Our current ratio, current assets and current liabilities for the financial years/period under review are as follows:

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current assets	11,953	15,502	21,788	23,833	24,675
Current liabilities	7,838	9,742	14,918	11,314	13,657
Net current assets	**4,115**	**5,760**	**6,870**	**12,519**	**11,018**
Current ratio (times)	1.53	1.59	1.46	2.11	1.81

Our current ratio ranged from 1.46 times to 2.11 times for the past 4 FYEs and FPE 2022 under review, indicating that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

Our current ratio increased from approximately 1.53 times as at 30 June 2018 to approximately 1.59 times as at 30 June 2019 due to the following:

(i) Increase in stocking of supplies as at 30 June 2019 to cater for the increase in orders for food supplement premixes due for delivery during FYE 2020. The order for food supplement premixes were delivered during FYE 2020; and

(ii) Increase in cash and bank balances by RM2.10 million.

During FYE 2020, we recorded an increase in our current assets from RM15.50 million to RM21.79 million which was mainly due to the increase in our cash and bank balances of RM6.94 million, increase in short-term deposits with licenced banks of RM1.02 million and repayment advances from Directors of RM0.91 million. However, we had also recorded an increase in our current liabilities which was mainly due to the dividends declared (but not paid as at 30 June 2020) of RM5.00 million. Resulting from this, our current ratio had decreased to 1.46 times as at 30 June 2020.

For the FYE 2021, our current assets increased from RM21.79 million to RM23.83 million due to the following:

(i) Increase in inventories by RM1.08 million mainly to cater for orders received for food supplement premixes;

(ii) Increase of RM0.30 million in trade receivables in line with higher revenue recorded in FYE 2021; and

(iii) Increase in other receivables by RM2.00 million mainly due to increase in prepayments of IPO costs (RM1.13 million), advance payment to suppliers for the supply of goods (RM0.41 million) and deposit paid for purchase of new machineries (RM0.41 million).

There is no dividend declared but not paid as at 30 June 2021 and as a result we recorded lower current liabilities in FYE 2021. Resulting from this, our current ratio had increased to 2.11 times.

During FPE 2022, we recorded an increase in our current assets from RM23.83 million to RM24.68 million due to the following:

(i) Increase in inventories by RM1.98 million as we had increased the stocking of supplies which consist mainly creamer, coffee powder, sugar and sachet foils;

(ii) Increase in trade receivables by RM3.48 million in line with the increase in revenue recorded in FPE 2022;

(iii) Increase in other receivables by RM2.04 million due to increase in prepayments of IPO costs (RM0.94 million), advance payment to suppliers for the supply of goods (RM0.25 million) and deposit paid for purchase of new machineries (RM0.77 million); and

(iv) Increase in tax recoverable by RM0.71 million mainly due to over payment of monthly tax instalment during FPE 2022.

However, we also recorded an increase in our current liabilities which was mainly due to the increase in trade payables by RM4.10 million (resulting from the increase in the purchase of supplies) and increase in borrowings by RM1.04 million (resulting from the increase in drawdown of bankers' acceptance to finance the purchase of supplies). As a result, our current ratio had decreased to 1.81 times as at 31 December 2021.

11.7.5 Gearing ratio

Our gearing ratio throughout the financial years/period under review is as follows:

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
Total borrowings (including lease liabilities) (RM'000)	12,447	12,963	12,971	11,544	12,959
Total equity (RM'000)	12,233	14,496	15,132	20,772	20,980
Gearing ratio (times)	1.02	0.89	0.86	0.56	0.62

For the FYEs and FPE under review, our gearing ratio has decreased from 1.02 times in FYE 2018 to 0.56 times in FYE 2021 which was due to the increase in our total equity as a result of the PAT recorded for the past FYEs. In FPE 2022, our gearing ratio has increased from 0.56 times in FYE 2021 to 0.62 times which was mainly due to increase in our lease liabilities during FPE 2022.

11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the financial years/period under review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.9 IMPACT OF INFLATION

We wish to highlight that our Group recorded an increase in cost of supplies during FPE 2022 (as highlighted in Section 11.2.3(iv)(d) and (e)) which resulted in a lower GP margin as compared to preceding financial years/period. Kindly also refer to Section 8.1.1 for further details on the increase in cost of supplies.

We have begun to pass on the increase in cost of supplies to our customers by increasing our selling price progressively in order to improve our GP margins and have factored in the increase of raw material prices when issuing quotations to new customers. We provide our customers with 3 months advanced notice on the changes in prices and upon agreement, new purchase orders with the adjusted pricing will be issued for future orders.

However, if the cost of our supplies continues to increase, we may not be able to fully pass on such increase to our customers in time and may continue to record low GP margins. As such, any significant increase in future inflation may adversely affect our Group's operations and performance insofar as we are unable to pass on the higher costs to our customers through increase in selling prices.

11.10 IMPACT OF FOREIGN EXCHANGE RATES AND/OR INTEREST RATES

11.10.1 Impact of foreign exchange rates

We are exposed to transactional currency exposure as approximately 19.02%, 27.11%, 17.32%, 9.95% and 21.90% of our total revenue were denominated in USD, RMB and SGD for the past 4 FYEs 2018 to 2021 and FPE 2022 respectively. Our Group's GP margin is therefore directly affected by the foreign currencies exchange rate fluctuation.

Further, some of our supplies such as coffee powder, flavouring, maltodextrin and aloe vera gels are sourced from overseas and are denominated in USD, RMB and SGD are also subject to foreign currency fluctuation.

For the past 4 FYEs 2018 to 2021 and FPE 2022, our gain and losses from the foreign exchange fluctuations are as follows:

	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised gain/(loss) on foreign exchange [(1)]	4	(7)	16	44	(2)
Unrealised (loss)/gain on foreign exchange [(2)]	(46)	(11)	87	(72)	(2)
Net gain/(loss)	**(42)**	**(18)**	**103**	**(28)**	**(4)**

Notes:

(1) Realised gain/(loss) on foreign exchange is due to the following:

(i) The difference in the foreign exchange rate as at the date of our sales invoice as compared to the foreign exchange rate when the payment for the sales invoice is received.

If the foreign exchange rate as at the date of our sales invoice is higher as compared to the rate when the payment for the sales invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our sales invoice is lower as compared to the rate when the payment for the sales invoice is received, we will record a realised gain on foreign exchange.

(ii) The difference in the foreign exchange rate as at the date of our purchase invoice of supplies as compared to the foreign exchange rate when the payment for the supplies is made.

If the foreign exchange rate as at the date of our purchase invoice is lower as compared to the rate when the payment for the supplies is made, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our purchase invoice is higher as compared to the rate when the payment for the supplies is made, we will record a realised gain on foreign exchange.

(2) Unrealised gain/(loss) on foreign exchange represents the difference in the foreign exchange rate as at the date of our sales invoice/purchase invoice as compared to the foreign closing spot rates as at respective FYEs and FPE.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchase of our supplies and revenue from our foreign sales. A depreciation of the RM against the foreign currencies will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin from higher cost of supplies.

11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its profit before interest and tax. The interest coverage ratio for the past financial years/period under review is as follows:

	Audited				
	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total borrowings (including lease liabilities)	12,447	12,963	12,971	11,544	12,959
EBIT	7,960	4,099	8,305	11,562	4,080
Finance costs	604	713	635	563	281
Interest coverage ratio (times)(1)	13.18	5.75	13.08	20.54	14.52

Note:

(1) Computed based on EBIT over finance costs.

Our interest coverage ratio of between 5.75 to 20.54 times for FYE 2018 to FYE 2021 and FPE 2022 indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations. Our interest coverage ratio decreased to 5.75 times in FYE 2019 due to the decrease in PAT recorded for the financial year. Subsequently, our interest coverage ratio improved to 20.54 times in FYE 2021 due to higher PAT recorded.

In FPE 2022, our interest coverage ratio has decreased to 14.52 times mainly due to lower PAT recorded during the financial period.

Our Group's financial results for the financial years/period under review were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs for our purchases of supplies, which may have an adverse effect on the performance of our Group.

11.11 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. We generate our revenue as and when we deliver our products based on purchase orders received.

We believe that our revenue/business operations are sustainable in the absence of long-term agreements premised on the following:

(i) We keep the premix formulations of the instant beverage premixes confidential from our customers. This is to safeguard our interest as the product formulator and to ensure that our customers will continue to engage our services as a similar product profile may not be easily replicated by another manufacturer. In addition, we also work hand in hand with our customers to introduce enhanced premix formulations in order to improve their products;

(ii) We have maintained long-term relationships with our customers and we believe that this relationship has allowed us to secure orders from them in the past, and will allow us to continue securing orders from them in the future. Our long-term relationships with customers have allowed us to develop our reputation in the instant beverage premix industry; and

(iii) Based on the IMR Report, our Group is among the top 5 companies in Malaysia (by revenue) involved in the provision of instant beverage premix manufacturing services to third party brand owners. Our market position is expected to aid in enhancing our credibility to market our services to potential customers which may in turn contribute positively to our Group's financial performance and continue to propel us forward as our business expands.

11.12 TREND INFORMATION

Based on our track record for the past financial years/period under review, including our segmental analysis of revenue and profitability, we wish to highlight the following:

(i) For FYE 2018 and 2019, more than 75% of our revenue is derived from the sale of coffee premixes. In FYE 2020, sale of coffee premixes decreased to approximately 53% and subsequently to approximately 35% in FYE 2021. Meanwhile, the sale of food supplement premixes had increased from approximately 7% in FYE 2018 to approximately 60% in FYE 2021. For FPE 2022, revenue contribution from both sale of coffee premixes and sale of food supplement is above 40% of our total revenue.

 As such, we expect both the sale of coffee premixes and sale of food supplement premixes to continue contributing significantly to our revenue in the future;

(ii) More than 70% of our revenue is derived locally. We expect the main contributor for our revenue to be from the local market. Nevertheless, we plan to continue to grow our overseas market;

(iii) The main components of our cost of sales are supplies which consistently constitute more than 80% of our total cost of sales. We expect this trend to continue;

(iv) From FYE 2018 to FYE 2021, we recorded GP margin of above 25%. However, we recorded GP margin of below 20% for FPE 2022. Decrease in GP margin was due to the increase in cost of supplies. We have begun to pass on the increase in cost of supplies to our customers. However, if the cost of our supplies continues to increase, we may not be able to fully pass on such increase to our customers in time and may continue to record low GP margins. As such, the historical trend of our GP margin may not reflect our future GP margin trend; and

(v) Our top 5 major customers contributed more than 80% of our Group's revenue. We expect this trend to continue.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 8.1.1, 11.2 and 11.10;

(b) Material commitments for capital expenditure save as disclosed in Section 11.6;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 8.1.1, 11.2 and 11.10;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 8.1.1, 11.2 and 11.10; and

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 8.1.1, 11.2 and 11.10.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths set out in Section 6.8 and our Group's intention to implement the business strategies as set out in Section 6.19.

11.13 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from our financiers as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Generally, consent from the financier is required if any payment or declaration of such dividend exceeds or will exceed the PAT or a specific PAT threshold as prescribed in the respective facility agreement.

The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

In respect of FYEs 2018 to 2021 and FPE 2022, dividends declared by our subsidiaries, Orgabio Manufacturing and Orgapharma Marketing were as follows:

	FYE 2018	**FYE 2019**	**FYE 2020**	**FYE 2021**	**FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Dividends declared	-	-	(1) 5,000	(2) 2,000	(3) 2,500

Notes:

(1) Declared on 30 June 2020 and paid on 28 August 2020.

(2) Declared on 4 January 2021 and paid on 5 January 2021.

(3) Declared on 23 August 2021 and paid on 23 September 2021.

Subsequent to 31 December 2021, no dividends were declared. Our Company does not intend to declare any dividends prior to the Listing.

The dividends paid are funded via internally generated funds. Our Board does not foresee that dividends paid subsequent to FPE 2022 would affect the execution and implementation of our future plans or strategies moving forward.

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11.14 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 30 April 2022 and after adjusting for the effects of the Public Issue including the utilisation of proceeds from the Public Issue.

	Orgabio Holdings	I	II
	As at 30 April 2022[(1)]	After Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	23,376	53,343	49,743
Total capitalisation	**23,376**	**53,343**	**49,743**
Indebtedness[(2)]			
Current			
Term loans	1,994	1,994	1,994
Lease liabilities	519	519	519
Non-current			
Term loans	9,123	9,123	9,123
Lease liabilities	1,237	1,237	1,237
Total indebtedness	**12,873**	**12,873**	**12,873**
Total capitalisation and indebtedness	**36,249**	**66,216**	**62,616**
Gearing ratio[(3)](times)	**0.55**	**0.24**	**0.26**

Notes:

(1) The Acquisition of Subsidiaries was completed on 28 August 2021.

(2) A total of RM12.63 million of our indebtedness are secured and guaranteed while the balance is secured and unguaranteed.

(3) Calculated based on the total indebtedness divided by the total capitalisation.

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ORGABIO HOLDINGS BERHAD
(Registration No: 201801016797 (1278813-M))
(Incorporated in Malaysia)

ACCOUNTANT'S REPORT FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021

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

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Date: 17 May 2022

The Board of Directors
Orgabio Holdings Berhad
Lot 83, Jalan Kesuma 2/3, Phase 5D
Bandar Tasik Kesuma Techno Park
43700 Beranang
Selangor Darul Ehsan

Dear Sirs,

Reporting Accountant's Opinion On The Financial Information Contained In The Accountant's Report of Orgabio Holdings Berhad ("the Company" or "Orgabio")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of Orgabio Holdings Berhad and of its subsidiaries (collectively known as "the combined entities" or "Orgabio Group") which comprises the combined statements of financial position of the combined entities as at 31 December 2021, 30 June 2021, 30 June 2020, 30 June 2019 and 30 June 2018, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the combined entities for the financial years then ended 30 June 2021, 30 June 2020, 30 June 2019, 30 June 2018 and financial period ended 31 December 2021, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 82. This historical Financial Information has been prepared for inclusion in the prospectus for Orgabio.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the combined entities as at 31 December 2021, 30 June 2021, 30 June 2020, 30 June 2019 and 30 June 2018, and of their combined financial performance and combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Paragraph 10.04 of Chapter 10, Part II Division 1, Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

GrantThornton

Directors' Responsibility for the Financial Information

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

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

Reporting Accountant's Responsibility for the Audit of the Financial Information

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

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

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

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

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

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

GrantThornton

Reporting Accountant's Responsibility for the Audit of the Financial Information (cont'd)

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

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

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

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

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the prospectus of Orgabio Holdings Berhad to be issued in relation to the proposed listing of and quotation for the entire enlarged issued share capital of Orgabio Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

GRANT THORNTON MALAYSIA PLT	LEE YIK LOONG
(201906003682 & LLP0022494-LCA)	(NO: 03630/12/2023 J)
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur

ORGABIO HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021, 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019 AND 30 JUNE 2018

	Note	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM
ASSETS							
Non-current assets							
Property, plant and equipment	4	19,117,576	8,527,605	16,814,817	9,009,238	9,342,489	9,107,095
Investment properties	5	1,958,517	10,546,442	1,979,836	10,567,764	10,610,525	10,653,169
Intangible asset	6	-	9,683	552	18,812	37,072	-
Deferred tax assets	7	-	-	-	-	-	11,000
Total non-current assets		21,076,093	19,083,730	18,795,205	19,595,814	19,990,086	19,771,264
Current assets							
Inventories	8	7,630,424	5,653,358	5,166,172	4,084,901	4,081,923	2,381,759
Trade receivables	9	6,806,562	3,332,308	5,563,147	5,261,853	4,718,725	5,903,533
Other receivables	10	2,819,860	780,922	2,573,232	573,368	1,369,519	1,027,705
Financial assets at fair value through profit or loss	11	2,003,166	4,027,502	4,031,611	-	-	-
Amount due from Directors	12	-	-	-	-	908,691	959,236
Tax recoverable		1,255,646	545,708	371,077	160,208	678,607	37,080
Short-term deposits with licensed banks	13	-	-	-	1,018,718	-	-
Cash and bank balances	14	4,159,637	8,912,460	6,128,333	10,689,551	3,744,704	1,643,829
Total current assets		24,675,295	23,252,258	23,833,572	21,788,599	15,502,169	11,953,142
Total assets		45,751,388	42,335,988	42,628,777	41,384,413	35,492,255	31,724,406
EQUITY AND LIABILITIES							
EQUITY							
Share capital	15	15,120,002	2	2	2	2	2
Invested equities	15	-	933,503	933,503	933,503	933,503	901,002
Merger deficit	15	(14,186,497)	-	-	-	-	-
Retained earnings		20,046,137	18,775,942	19,839,433	14,198,833	13,562,979	11,281,942
Equity attributable to owners of the combined entities		20,979,642	19,709,447	20,772,938	15,132,338	14,496,484	12,182,946
Non-controlling interest	16	-	-	-	-	-	50,427
Total equity		20,979,642	19,709,447	20,772,938	15,132,338	14,496,484	12,233,373
LIABILITIES							
Non-current liabilities							
Borrowings	17	9,355,673	10,131,402	9,679,992	10,380,126	10,431,720	10,924,784
Lease liabilities	18	1,461,424	666,846	723,253	930,254	807,999	698,247
Deferred tax liabilities	7	297,000	24,000	139,000	24,000	14,000	30,000
Total non-current liabilities		11,114,097	10,822,248	10,542,245	11,334,380	11,253,719	11,653,031
Current liabilities							
Trade payables	19	9,113,915	5,014,768	4,734,361	3,719,334	4,104,198	2,740,955
Other payables	20	2,400,928	3,913,632	5,195,047	4,200,203	3,903,299	3,888,456
Dividend payable		-	-	-	5,000,000	-	-
Borrowings	17	1,571,428	533,562	647,837	1,236,485	1,347,684	517,798
Lease liabilities	18	571,378	540,645	492,606	424,226	374,753	305,927
Tax payable		-	1,801,686	243,743	337,447	12,118	384,866
Total current liabilities		13,657,649	11,804,293	11,313,594	14,917,695	9,742,052	7,838,002
Total liabilities		24,771,746	22,626,541	21,855,839	26,252,075	20,995,771	19,491,033
Total equity and liabilities		45,751,388	42,335,988	42,628,777	41,384,413	35,492,255	31,724,406

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

ORGABIO HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021

	Note	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Revenue	21	34,843,308	29,330,059	59,072,070	39,372,820	31,695,877	32,669,580
Cost of sales		(28,375,254)	(20,505,767)	(41,202,508)	(26,957,370)	(23,572,364)	(20,860,588)
Gross profit		6,468,054	8,824,292	17,869,562	12,415,450	8,123,513	11,808,992
Other income		205,888	111,858	393,195	281,345	200,409	232,433
Selling and distribution expenses		-	(75,328)	(185,807)	(310,260)	(112,627)	(304,446)
Administration expenses		(2,460,925)	(2,144,329)	(5,051,007)	(4,013,460)	(4,081,624)	(3,305,262)
Other expenses		(111,303)	(314,866)	(1,415,943)	(13,564)	(18,357)	(403,951)
Finance costs	22	(280,811)	(349,074)	(562,486)	(635,411)	(712,990)	(604,230)
Profit before tax	23	3,820,903	6,052,553	11,047,514	7,724,100	3,398,324	7,423,536
Tax expense	24	(1,114,199)	(1,475,444)	(3,406,914)	(2,088,246)	(1,135,213)	(1,917,498)
Net profit/Total comprehensive income for the financial years/periods		2,706,704	4,577,109	7,640,600	5,635,854	2,263,111	5,506,038
Profit for the financial years/periods attributable to:-							
- Onwers of combining entities		2,706,704	4,577,109	7,640,600	5,635,854	2,254,062	5,502,474
- Non-controlling interest		-	-	-	-	9,049	3,564
		2,706,704	4,577,109	7,640,600	5,635,854	2,263,111	5,506,038
Total comprehensive income for the financial years/periods attributable to:-							
- Onwers of combining entities		2,706,704	4,577,109	7,640,600	5,635,854	2,254,062	5,502,474
- Non-controlling interest		-	-	-	-	9,049	3,564
		2,706,704	4,577,109	7,640,600	5,635,854	2,263,111	5,506,038
Earnings per share							
- Basic (sen)	25	5.19	501.91	837.85	618.01	247.17	610.70
- Diluted (sen)**		**	**	**	**	**	**

** Anti dilutive in nature

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

ORGABIO HOLDINGS BERHAD
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COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINACIAL PERIOD ENDED 31 DECEMBER 2021

	Note	Share capital RM	Invested equities RM	Merget deficit RM	Retained earnings RM	Total RM	Non-controlling interest RM	Total equity RM
		← Attributable to owners of combined entities				→		
Balance at 1 July 2017		-	901,002	-	5,779,468	6,680,470	46,863	6,727,333
Total comprehensive income for the financial year		-	-	-	5,502,474	5,502,474	3,564	5,506,038
Transaction with owners:-								
Issuance of share capital	15	2	-	-	-	2	-	2
Balance at 30 June 2018		2	901,002	-	11,281,942	12,182,946	50,427	12,233,373
Acquisition of non-controlling interest		-	32,501	-	26,975	59,476	(59,476)	-
Total comprehensive income for the financial year		-	-	-	2,254,062	2,254,062	9,049	2,263,111
Balance at 30 June 2019		2	933,503	-	13,562,979	14,496,484	-	14,496,484
Total comprehensive income for the financial year		-	-	-	5,635,854	5,635,854	-	5,635,854
Transaction with owners:-								
Dividends	26	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)
Balance at 30 June 2020		2	933,503	-	14,198,833	15,132,338	-	15,132,338
Total comprehensive income for the financial year		-	-	-	7,640,600	7,640,600	-	7,640,600
Transaction with owners:-								
Dividends	26	-	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
Balance at 30 June 2021		2	933,503	-	19,839,433	20,772,938	-	20,772,938
Total comprehensive income for the financial period		-	-	-	2,706,704	2,706,704	-	2,706,704
Transaction with owners:-								
Issuance of share capital	15	15,120,000	-	-	-	15,120,000	-	15,120,000
Effect of merger	15	-	(933,503)	(14,186,497)	-	(15,120,000)	-	(15,120,000)
Dividends	26	-	-	-	(2,500,000)	(2,500,000)	-	(2,500,000)
Balance at 31 December 2021		15,120,002	-	(14,186,497)	20,046,137	20,979,642	-	20,979,642
Unaudited								
Balance at 1 July 2020		2	933,503	-	14,198,833	15,132,338	-	15,132,338
Total comprehensive income for the financial period		-	-	-	4,577,109	4,577,109	-	4,577,109
Balance at 31 December 2020		2	933,503	-	18,775,942	19,709,447	-	19,709,447

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

ORGABIO HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021

	Note	Audited	Unaudited	Audited			
		1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
		RM	RM	RM	RM	RM	RM
OPERATING ACTIVITIES							
Profit before tax		3,820,903	6,052,553	11,047,514	7,724,100	3,398,324	7,423,536
Adjustments for:-							
Property, plant and equipment written off		-	-	22,403	-	-	103,056
Depreciation of property, plant and equipment		576,796	478,834	1,048,073	930,485	902,494	771,104
Depreciation of right-of-use assets		365,846	221,885	621,431	616,143	585,010	469,845
(Gain)/Loss on disposal of property, plant and equipment		(8,000)	-	360	-	(30,000)	-
Impairment loss on property, plant and equipment		-	-	1,045,292	-	-	-
Depreciation of investment properties		21,319	21,322	42,645	42,761	42,644	12,376
Amortisation of intangible asset		552	9,129	18,260	18,260	18,260	-
Inventories written off		-	-	-	-	125	-
Loss allowance on trade receivables		58,706	124,844	115,242	13,564	598	138,601
Reversal of loss allowance on trade receivables		(69,065)	-	(58,181)	(10,179)	(26,905)	-
Bad debts written off		-	39,694	42,303	-	-	115,785
Deposit written off		-	-	-	-	-	985
Dividend income from financial assets at fair value through profit or loss		(62,228)	-	(150,229)	-	-	-
Fair value loss/(gain) on financial assets at fair value through profit or loss		48,563	(27,502)	118,618	-	-	-
Unrealised loss/(gain) on foreign exchange		2,315	150,328	71,725	(86,857)	10,703	46,509
Interest income		(21,848)	(32,756)	(49,129)	(54,420)	(11,859)	(68,073)
Interest expenses		280,811	349,074	562,486	635,411	712,990	604,230
Operating profit before working capital changes		5,014,670	7,387,405	14,498,813	9,829,268	5,602,384	9,617,954
Changes in working capital:-							
Inventories		(2,464,252)	(1,568,457)	(1,081,271)	(2,978)	(1,700,289)	(662,701)
Receivables		(1,479,684)	1,562,743	(2,403,805)	245,681	901,526	(1,602,508)
Payables		1,585,435	1,006,665	2,008,181	(88,540)	1,378,086	(2,759,031)
Cash generated from operations		2,656,169	8,388,356	13,021,918	9,983,431	6,181,707	4,593,714
Tax refunded		-	-	36,685	820,501	23,464	80,125
Tax paid		(2,084,511)	(396,705)	(3,633,172)	(2,055,019)	(2,177,952)	(1,700,908)
Net cash from operating activities		571,658	7,991,651	9,425,431	8,748,913	4,027,219	2,972,931

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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021 (CONT'D)

	Note	Audited	Unaudited	Audited			
		1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
		RM	RM	RM	RM	RM	RM
INVESTING ACTIVITIES							
Purchase of property, plant and equipment	**A**	(2,060,154)	(219,086)	(1,698,255)	(660,042)	(1,051,122)	(809,662)
Purchase of investment properties	**B**	-	-	-	-	-	(2,826,703)
Purchase of intangible asset		-	-	-	-	(55,332)	-
Interest received		21,848	32,756	49,129	54,420	11,859	68,073
Net investment in financial assets at fair value through profit or loss		2,042,110	(4,000,000)	(4,000,000)	-	-	-
Acquisition of non-controlling interest		-	-	-	-	(32,501)	-
Proceeds from disposal of property, plant and equipment		8,000	-	400	-	30,000	-
Net cash from/(used in) investing activities		11,804	(4,186,330)	(5,648,726)	(605,622)	(1,097,096)	(3,568,292)
FINANCING ACTIVITIES							
Interest paid		(280,811)	(349,074)	(562,486)	(635,411)	(712,990)	(604,230)
Dividend paid		(2,500,000)	(5,000,000)	(7,000,000)	-	-	-
Repayment of lease liabilities	**D**	(368,304)	(146,989)	(438,621)	(381,607)	(493,198)	(458,516)
Net drawdowns/(repayment) of borrowings	**D**	599,272	(951,647)	(1,288,782)	(162,793)	336,822	(775,549)
Repayment from/(Advances to) Directors		-	-	-	908,691	50,545	(21,752)
Proceeds from issuance of share		-	-	-	-	-	2
Net cash used in financing activities		(2,549,843)	(6,447,710)	(9,289,889)	(271,120)	(818,821)	(1,860,045)
CASH AND CASH EQUIVALENTS							
Net changes		(1,966,381)	(2,642,389)	(5,513,184)	7,872,171	2,111,302	(2,455,406)
Effect of foreign currency translation differences		(2,315)	(153,420)	(66,752)	91,394	(10,427)	(46,509)
At beginning of financial year		6,128,333	11,708,269	11,708,269	3,744,704	1,643,829	4,145,744
At end of financial year	**C**	4,159,637	8,912,460	6,128,333	11,708,269	3,744,704	1,643,829

ORGABIO HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Total additions	3,245,401	219,086	1,998,255	1,213,377	1,722,898	1,379,159
Less: Acquisition through lease liabilities	(1,185,247)	-	(300,000)	(553,335)	(671,776)	(377,497)
Less: Acquisition through borrowings	-	-	-	-	-	(192,000)
Total cash used	2,060,154	219,086	1,698,255	660,042	1,051,122	809,662

B. PURCHASE OF INVESTMENT PROPERTIES

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Total additions	-	-	-	-	-	8,620,183
Less: Acquisition through borrowings	-	-	-	-	-	(5,793,480)
Total cash used	-	-	-	-	-	2,826,703

C. CASH AND CASH EQUIVALENTS

	Audited	Unaudited	←	Audited		→
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Short-term deposits with licensed banks	-	-	-	1,018,718	-	-
Cash and bank balances	4,159,637	8,912,460	6,128,333	10,689,551	3,744,704	1,643,829
	4,159,637	8,912,460	6,128,333	11,708,269	3,744,704	1,643,829

ORGABIO HOLDINGS BERHAD
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COMBINED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 30 JUNE 2021, 30 JUNE 2020, 30 JUNE 2019, 30 JUNE 2018 AND FINANCIAL PERIOD ENDED 31 DECEMBER 2021 (CONT'D)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

D. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At beginning of financial year/period	Drawdown	Repayments	At end of financial year/period
	RM	RM	RM	RM
Audited				
31.12.2021				
Bankers' acceptance	-	909,000	-	909,000
Term loans	10,327,829	-	(309,728)	10,018,101
Lease liabilities	1,215,859	1,185,247	(368,304)	2,032,802
	11,543,688	2,094,247	(678,032)	12,959,903
Unaudited				
31.12.2020				
Bankers' acceptance	948,000	-	(948,000)	-
Term loans	10,668,611	-	(3,647)	10,664,964
Lease liabilities	1,354,480	-	(146,989)	1,207,491
	12,971,091	-	(1,098,636)	11,872,455
Audited				
30.6.2021				
Bankers' acceptance	948,000	-	(948,000)	-
Term loans	10,668,611	-	(340,782)	10,327,829
Lease liabilities	1,354,480	300,000	(438,621)	1,215,859
	12,971,091	300,000	(1,727,403)	11,543,688
30.6.2020				
Bankers' acceptance	844,000	3,596,000	(3,492,000)	948,000
Term loans	10,935,404	-	(266,793)	10,668,611
Lease liabilities	1,182,752	553,335	(381,607)	1,354,480
	12,962,156	4,149,335	(4,140,400)	12,971,091
30.6.2019				
Bankers' acceptance	-	3,247,000	(2,403,000)	844,000
Term loans	11,442,582	-	(507,178)	10,935,404
Lease liabilities	1,004,174	671,776	(493,198)	1,182,752
	12,446,756	3,918,776	(3,403,376)	12,962,156
30.6.2018				
Bankers' acceptance	373,000	2,494,000	(2,867,000)	-
Term loans	5,859,651	5,985,480	(402,549)	11,442,582
Lease liabilities	1,085,193	377,497	(458,516)	1,004,174
	7,317,844	8,856,977	(3,728,065)	12,446,756

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

ORGABIO HOLDINGS BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Introduction

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

1.2 Background

The Company was incorporated on 2 May 2018 under the name of Orgabio Holdings Sdn. Bhd. as a private limited liability company and domiciled in Malaysia. The registered office of the combined entities is located at 22-09, Menara 1MK, No. 1, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur. The principal place of business of the combined entities is located at Lot 83, Jalan Kesuma 2/3, Phase 5D, Bandar Tasik Kesuma Techno Park, 43700 Beranang, Selangor Darul Ehsan, Malaysia. On 24 November 2020, it was converted as a public limited liability company and assumed its current name of Orgabio Holdings Berhad.

1.3 Principal activities

Orgabio's principal activity is investment holding.

The details of the subsidiaries of Orgabio incorporated in Malaysia as of the date of this report are as follow:-

		Common control shareholdings						
Name of company	Date of incorporation	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018	Principal activities
		%	%	%	%	%	%	
Subsidiaries of Orgabio								
Orgabio Manufacturing Sdn. Bhd. ("OMSB")	10 May 2006	100	100	100	100	100	100	Instant beverage premix manufacturing activities for third party brands and house brands comprising instant coffee, tea, chocolate and food supplement premixes, as well as undertaking local and export sale of instant beverage premixes.
Orgapharma Marketing Sdn. Bhd. ("OMKTSB")	9 June 2003	100	100	100	100	100	100	Local sale of instant beverage premixes as well as sale of body care products.

1. GENERAL INFORMATION (CONT'D)

1.3 Principal activities (cont'd)

The details of the subsidiaries of Orgabio incorporated in Malaysia as of the date of this report are as follow (cont'd):-

Name of company	Date of incorporation	Common control shareholdings 31.12.2021 %	31.12.2020 %	30.6.2021 %	30.6.2020 %	30.6.2019 %	30.6.2018 %	Principal activities
Subsidiaries of Orgabio (cont'd)								
Everyday F&B Manufacturing Sdn. Bhd. ("EFBSB")	2 March 2016	100	100	100	100	100	61	Local and export sale of coffee premixes and house brands instant beverage premixes, namely *EveryDay* and *BrogaHill*.
Orgapharma Herbal Manufacturing Sdn. Bhd. ("OHMSB")	31 May 2002	100	100	100	100	100	100	Property investment holding.

1.4 The acquisition

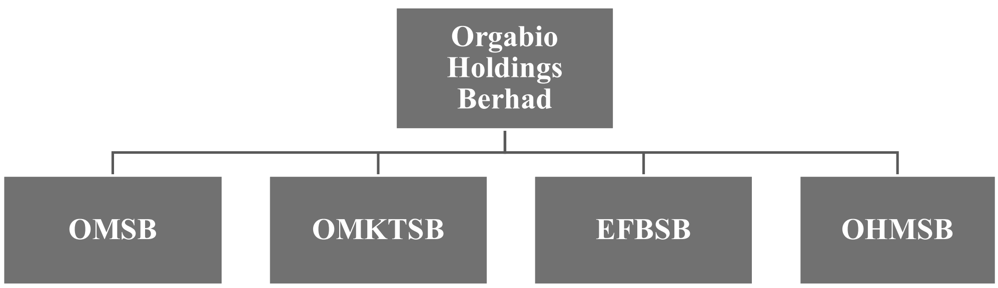
The Orgabio Group has been formed pursuant to the completion of the acquisition of its subsidiaries by the Company prior to the listing and quotation on the ACE Market of Bursa Malaysia Securities Berhad.

Orgabio acquired the entire issued share capital of its subsidiaries comprising 933,503 units of ordinary shares ("Acquisition").

The completion date of acquisition is 28 August 2021.

The aggregate purchase consideration for the above Acquisition was RM15,119,999.80 satisfied by the issuance of 151,199,998 new shares of Orgabio at an issue price of RM0.10 per share.

Following the completion of the Acquisition on its subsidiaries, the group structure is as follows:-



1. GENERAL INFORMATION (CONT'D)

1.5 Auditors

The relevant financial years of the audited financial statements used for the purpose of the combined financial statements ("Relevant Financial Years") and the auditors are as follows:-

Companies	Relevant Financial Years/Period	Auditors
Orgabio Holdings Berhad and its subsidiaries	31 December 2021	Grant Thornton Malaysia PLT
	30 June 2021	Grant Thornton Malaysia PLT
	30 June 2020	Grant Thornton Malaysia PLT
	30 June 2019	Grant Thornton Malaysia PLT
	30 June 2018	Grant Thornton Malaysia PLT

The audited financial statements of Orgabio Holdings Berhad and its subsidiaries for the Relevant Financial Years reported above were not subject to any qualification or modification.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Combined Financial Statements of the combined entities have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The Combined Financial Statements consist of the financial statements of combined entities as disclosed in Note 1.3 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The Combined Financial Statements have been prepared using financial information obtained from the records of the combined entities during the reporting years.

2.2 Basis of measurement

The Combined Financial Statements of the combined entities have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

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

2. BASIS OF PREPARATION (CONT'D)

2.2 Basis of measurement (cont'd)

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

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

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

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

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

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

The management oversees all the significant fair value measurements and regularly reviews the significant unobservable inputs and valuation adjustments.

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

2. BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency

The Combined Financial Statements are presented in Ringgit Malaysia ("RM") which is the combined entities' functional currency and all financial information is presented in RM except unless otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new or revised MFRSs

The accounting policies adopted by the combined entities are consistent throughout all financial years presented in the combined financial statements and the combined entities have adopted all relevant MFRSs using full retrospective method.

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, MASB has approved certain new standards, amendments and interpretations to existing standards which are not yet effective and has not been early adopted by the combined entities.

The management anticipates that all of the relevant pronouncements will be adopted in the combined entities' accounting policies for the first period beginning after the effective date of the pronouncements.

New standards, amendments and interpretations to existing standards are not expected to have a material impact on the combined entities' financial statements.

2.5 Significant accounting estimates and judgements

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

2.5.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

Useful lives of depreciable assets

Depreciable assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the depreciable assets to be within 2 to 50 years and reviews the useful lives of depreciable assets at end of each reporting years. At each reporting date, management assesses that the useful lives represent the expected utility of the assets to the combined entities. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the combined entities' assets.

The carrying amount of the combined entities' depreciable assets at the end of the reporting year are disclosed in Notes 4 and 5 to the Combined Financial Statements.

Amortisation of intangible asset

Intangible assets are amortised for a period of 3 years based on industry comparison. Changes in market demand could impact economical useful life of the assets, therefore, future amortisation changes could be revised.

The carrying amount of the combined entities' intangible assets at the end of the reporting year is disclosed in Note 6 to the Combined Financial Statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, the management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the combined entities' assets within the next financial year.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

Inventories (cont'd)

The management expects that the expected net realisable value of the inventories would not have material difference from the management's estimation of net realisable value, hence, it would not result in material variance in the combined entities' profit for the financial year.

The carrying amount of the combined entities' inventories at the reporting date is disclosed in Note 8 to the Combined Financial Statements.

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

Credit losses are the differences between all contractual cash flows that the combined entities are due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the combined entities' judgement. The expected credit losses are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The combined entities use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns such as customer type and rating.

The provision matrix is initially based on the combined entities' historical observed default rates. The combined entities will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

The information about the ECLs on the combined entities' trade receivables is disclosed in Note 9 to the Combined Financial Statements.

Fair value measurement of financial instruments

Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Significant accounting estimates and judgements (cont'd)**

2.5.1 **Estimation uncertainties (cont'd)**

Fair value measurement of financial instruments (cont'd)

In estimating the fair value of financial asset or financial liability, the combined entities use market-observable data to the extent it is available. The management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the financial assets and financial liabilities. Where Level 1 inputs are not available, the management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and financial liabilities are disclosed in the Note 30 to the Combined Financial Statements.

Leases - Estimating the incremental borrowing rate

The combined entities cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the combined entities would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the combined entities 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The information about the incremental borrowing rate of leases is disclosed in Note 18 to the Combined Financial Statements.

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5.2 **Significant management judgements**

Significant management judgements in applying the accounting policies of the combined entities that have the most significant effect on the Combined Financial Statements are discussed below.

2. BASIS OF PREPARATION (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.2 Significant management judgements (cont'd)

Determining the lease term of contracts with renewal options

The combined entities determine the lease term with any periods covered by an option to extend the lease if it is reasonably certain not to be exercised.

The combined entities have several lease contracts that include extension options. The combined entities apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the combined entities reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The combined entities included the renewal period as part of the lease term for leases. The combined entities typically exercise its option to renew for these leases.

Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The combined entities account for the portions separately if the portions could be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The combined entities apply the significant accounting policies, as summarised below, consistently throughout all financial periods and years presented in the combined financial statements, unless otherwise stated.

3.1 Basis of consolidation

3.1.1 Consolidation

The Combined Financial Statements include the audited financial statements of Orgabio and its subsidiaries made up to the end of the financial period and year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

3.1.1 Consolidation (cont'd)

All inter-company balances and all inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the Combined Financial Statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the profit or loss from the effective date in which control is transferred to the combined entities or in which control ceases respectively.

The Combined Financial Statements of the combined entities for the financial years were prepared in manner similar to the "pooling of interest" method or merger method. Such manner of presentation reflects the economic substance of the combined entities, which were under common control throughout the relevant year, as a single economic enterprise, although the legal parent-subsidiary relationships were not established.

3.1.2 Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combined entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combined entities in the Combined Financial Statements.

In applying merger accounting, Combined Financial Statements items of the combined entities or businesses for the reporting years in which the common control combination occurs, and for any comparative financial years disclosed, are included in the Combined Financial Statements of the entity as if the combination had occurred from the date when the combined entities first came under the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the entity. Therefore, the entity recognised the assets, liabilities and equity of the combined entities or business at the carrying amounts in the Combined Financial Statements of the controlling party or parties to the common control combination.

The carrying amounts are included as if such Combined Financial Statements had been prepared by the controlling party, including adjustments required for conforming the entity's accounting policies and applying those policies to all financial years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combined entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

3.1.2 Common control business combination outside the scope of MFRS 3 (cont'd)

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

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. In circumstances when the voting rights are not more than half or when voting rights are not the dominant determinant of control, the Company uses judgements to assess whether it has de facto control, control by other arrangements, or by holding substantive potential voting rights.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when control over the subsidiary is lost. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount. Upon disposal of investment in subsidiaries, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Company's accounting policies.

3.1.4 Non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

3.1.4 Non-controlling interests (cont'd)

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

3.1.5 Changes in ownership interest in subsidiaries without change of control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the combined entities.

3.2 Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is not depreciated but is subject to impairment test if there is any indication of impairment. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold buildings	2%
Electrical installations	10%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10%
Plant and machineries	20%
Renovation	10% to 20%
Factory, tools and equipment	10% to 20%
Computers and software	33%

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

3.2 **Property, plant and equipment (cont'd)**

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is stated at cost and borrowing cost for qualifying assets is capitalised in accordance with accounting policy on borrowing cost. Capital work-in-progress is not depreciated until the assets are ready for the intended use.

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

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

3.3 **Investment properties**

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the combined entities.

Investment properties are treated as long term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are stated at cost less accumulated depreciation. Depreciation are recognised on the straight-line method in order to write off the cost of each investment properties over its estimated useful life of 50 years. Freehold land is not depreciable but is subject to impairment test if there is indication of impairment.

Capital work-in-progress consists of investment properties under construction/ installation for intended use. It is reclassified to investment properties once it is available for use. The amount is stated at cost and borrowing cost for qualifying assets is capitalised in accordance with accounting policy on borrowing cost. Capital work-in-progress is not depreciated until the assets are ready for the intended use.

Investment property is derecognised when either it disposed off or when it permanently withdrawn from use and no future economic benefit is expected from the disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties (cont'd)

Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial period/year of retirement or disposal.

Reclassification to/from investment properties

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, the fair value at the date of reclassification becomes its cost for subsequent accounting.

3.4 Intangible asset

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

The useful life of intangible asset is assessed to be either finite or indefinite. Intangible asset with finite life is amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The combined entities' intangible asset consists of website development cost, which were initially recognised at cost. Intangible asset was amortised at the straight-line method over its useful life of 3 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

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

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

Right-of-use assets

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

Right-of-use assets are presented as one of the categories under property, plant and equipment and depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:-

Motor vehicles	5 years
Plant and machinery	5 years
Hostels	2 years

The right-of-use assets are also subject to impairment as detailed in Note 3.6 to the Combined Financial Statements.

Lease liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Lease liabilities (cont'd)

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

Short-term lease and lease of low-value assets

The combined entities apply the short-term lease recognition exemption to its short-term lease. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.6 Impairment of non-financial assets

The combined entities assess at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years. A reversal of impairment loss for an asset is recognised in profit or loss.

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

3.7 **Financial instruments**

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

3.7.1 **Financial assets**

3.7.1.1 **Initial recognition and categorisation**

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the combined entities' business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The combined entities' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the combined entities have not designated any financial assets at FVTOCI. The combined entities carry only financial assets measured at amortised cost and FVTPL on its combined statements of financial position.

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if both of the conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

<u>Financial assets at FVTPL</u>

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets (cont'd)

3.7.1.2 Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The combined entities' financial assets at amortised cost include trade and most of the other receivables, amount due from Directors and cash and cash equivalents.

Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. The combined entities may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Net change in fair value is recognised in profit or loss in the period which it arises.

This category includes derivative instruments and listed equity investments which the combined entities had not irrevocably elected to classify FVTOCI. Dividends on listed equity investments are also recognised in the combined statements of profit or loss when the right of payment has been established.

3.7.2 Impairment of financial assets

The combined entities assess on forward-looking basis the expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the combined entities expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the combined entities are exposed to credit risk.

ECLs are measured on either of the following bases:-

- 12-months ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms to which ECLs model applies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.2 Impairment of financial assets (cont'd)

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

For all other financial instruments, the combined entities recognise a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised an impairment gain or loss in profit or loss. The combined entities recognise an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the combined entities determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off.

3.7.3 Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the combined entities designate a financial liability at FVTPL.

At the reporting date, the combined entities have not designated any financial liabilities at FVTPL. The combined entities carry only other financial liabilities measured at amortised cost on its combined statements of financial position.

Other financial liabilities measured at amortised cost

The combined entities' other financial liabilities include borrowings and trade and most of the other payables.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

3.7 **Financial instruments (cont'd)**

3.7.4 **Derecognition**

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the combined entities neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the combined entities recognise their retained interest in the asset and associated liability for amounts it may have to pay. If the combined entities retain substantially all the risks and rewards of ownership of transferred assets, the combined entities continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The combined entities derecognise a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.7.5 **Offsetting of financial instruments**

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

3.8 **Inventories**

Inventories are stated at lower of cost and net realisable value.

The cost of inventories is based on first-in-first-out basis and included invoices value of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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

Write-down to net realisable value and inventory losses are recognised as an expense when it occurred and any reversal is recognised in the profit or loss in the period when the related inventory was subsequently used or was sold above its carrying amount.

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

3.9 **Cash and cash equivalents**

Cash and cash equivalents comprise of short-term deposits with licensed banks, cash on hand and bank balances which are readily convertible to known amount of cash and are not subject to risk of significant changes in value.

3.10 **Foreign currency transactions**

The functional currency of the combined entities is RM and transactions in other currencies are recorded in RM using exchange rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at exchange rate at the reporting date.

Foreign currency differences arising from retranslation are recognised in profit or loss.

3.11 **Equity**

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

Interim dividends are simultaneously proposed and declared, because the articles of association of the combined entities grants the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Retained earnings include all current's and prior financial years' accumulated profits.

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

3.12 **Provisions**

Provisions are recognised if, as a result of past event, the combined entities has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Provisions (cont'd)

Provisions are reviewed at end of each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

Provisions are not recognised for future operating losses. If the combined entities has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.13 Contingencies

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

3.14 Revenue recognition

The combined entities recognise revenue from contracts with customers for goods or services based on the five-step model as set out below:-

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer goods or services to the customers, that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the combined entities expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the combined entities allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the combined entities expect to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the combined entities satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue recognition (cont'd)

The combined entities satisfy a performance obligation and recognises revenue over time if the combined entities' performance:-

i. Do not create an asset with an alternative use to the combined entities and have enforceable right to payment for performance completed to-date; or

ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or

iii. Provide benefits that the customer simultaneously receives and consumes as the combined entities perform.

For performance obligations where any one of the above conditions are not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the combined entities satisfy a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at fair value of consideration received of receivable. The followings describe the performance obligation in contracts with customers.

3.14.1 Sale of goods

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The combined entities shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 21 to the Combined Financial Statements.

3.14.2 Interest income

Interest income is recognised on accrual basis using effective interest method.

3.14.3 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Employee benefits

3.15.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period/year, in which associated services are rendered by employees of the combined entities. Short-term accumulating compensated absences such as paid annual leave are recognised when employees' entitlement to future compensated absences increases. Other short-term non-accumulating compensated absences such as sick leave are recognised as and when it occurred.

3.15.2 Defined contribution plans

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

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the combined entities make such contributions to the Employees Provident Fund ("EPF").

3.16 Borrowing costs

Borrowing costs are interest and other costs incurred by the combined entities in connection with the borrowing of funds. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying assets are recognised in profit or loss using the effective interest method. However, borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets and it ceases or is suspended when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed or interrupted.

3.17 Tax expenses

Tax expenses comprise current and deferred tax. Current and deferred tax are recognised in profit or loss except that it relates to items recognised directly in equity or other comprehensive income.

3.17.1 Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior financial years are recognised in combined statements of financial position as liability (or asset) to the extent that it is unpaid (or refundable).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax expense (cont'd)

3.17.2 Deferred tax

Deferred tax is recognised using liability method for temporary difference between carrying amount of an asset or liability in the combined statements of financial position and its tax base at reporting date. However, deferred tax on temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination is not recognised because they affect neither accounting or taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the combined entities expect, at the end of reporting period/year, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

Unabsorbed tax allowances, being tax incentives that is not a tax base of an asset, is recognised as deferred tax asset to the extent that it is probable that the future taxable profits will be available to offset against the unutilised tax incentive credit.

3.17.3 Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or

- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authorities are included as part of receivables or payables in the combined statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Segment reporting

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

3.19 Earnings per share

The combined entities present basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the net profit attributable to common controlling shareholders by the weighted average number of shares in issue.

Diluted EPS is calculated by dividing the net profit for the financial period/year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted EPS is not applicable as the combined entities do not have potential dilutive equity instruments that would give a diluted effect to the basic EPS.

3.20 Related parties

A related party is a person or entity that is preparing its combined financial statements ("the reporting entity")

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

- (i) Has control or joint control over the combined entities;
- (ii) Has significant influence over the combined entities; or
- (iii) Is a member of the key management personnel of the combined entities.

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

3.20 **Related parties (cont'd)**

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

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

A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

12. ACCOUNTANTS' REPORT *(Cont'd)*

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold buildings	Office equipment	Furniture and fittings	Factory, tools and equipment	Motor vehicles	Plant and machineries	Renovation	Computers and softwares	Electrical installations	Right-of-use assets	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost													
At 1.7.2017	-	3,496,325	276,502	63,157	79,843	49,888	2,307,640	2,476,695	31,220	119,234	2,118,612	1,778,454	12,797,570
Additions	-	329,200	19,797	11,832	8,132	-	125,248	391,495	15,340	9,498	377,497	91,120	1,379,159
Written off	-	-	-	-	-	-	-	-	-	-	(171,759)	-	(171,759)
Reclassification	-	1,869,574	-	-	-	-	-	-	-	-	-	(1,869,574)	-
At 30.6.2018	-	5,695,099	296,299	74,989	87,975	49,888	2,432,888	2,868,190	46,560	128,732	2,324,350	-	14,004,970
Additions	-	30,360	81,506	2,898	84,730	-	579,386	95,060	-	-	671,776	177,182	1,722,898
Disposal	-	-	-	-	-	-	-	-	-	-	(96,000)	-	(96,000)
At 30.6.2019	-	5,725,459	377,805	77,887	172,705	49,888	3,012,274	2,963,250	46,560	128,732	2,900,126	177,182	15,631,868
Additions	-	-	42,722	7,040	1,700	-	349,544	-	-	-	553,335	259,036	1,213,377
Reclassification	-	-	210,220	-	-	-	-	-	-	-	-	(210,220)	-
At 30.6.2020	-	5,725,459	630,747	84,927	174,405	49,888	3,361,818	2,963,250	46,560	128,732	3,453,461	225,998	16,845,245
Additions	-	-	109,870	39,691	2,200	140,000	754,689	61,777	-	-	467,500	422,528	1,998,255
Disposals	-	-	(3,800)	-	-	-	-	-	-	-	-	-	(3,800)
Written off	-	-	(42,495)	(8,787)	(7,819)	-	(174,451)	-	(12,542)	-	-	-	(246,094)
Reclassified from investment properties	8,545,283	-	-	-	-	-	-	-	-	-	-	-	8,545,283
Reclassification	-	340,000	-	-	-	216,090	370,712	-	-	-	(586,802)	(340,000)	-
Expiration of lease contract	-	-	-	-	-	-	-	-	-	-	(42,804)	-	(42,804)
At 30.6.2021	8,545,283	6,065,459	694,322	115,831	168,786	405,978	4,312,768	3,025,027	34,018	128,732	3,291,355	308,526	27,096,085
Additions	-	-	49,956	26,880	30,300	-	1,581,922	-	-	-	1,458,871	97,472	3,245,401
Disposals	-	-	-	-	-	-	(75,000)	-	-	-	-	-	(75,000)
Reclassification	-	-	-	-	-	-	59,728	-	-	-	-	(59,728)	-
Expiration of lease contract	-	-	-	-	-	-	-	-	-	-	(10,223)	-	(10,223)
At 31.12.2021	8,545,283	6,065,459	744,278	142,711	199,086	405,978	5,879,418	3,025,027	34,018	128,732	4,740,003	346,270	30,256,263
Accumulated depreciation													
At 1.7.2017	-	335,486	106,692	20,194	41,342	9,978	1,136,579	1,325,453	23,476	17,217	709,212	-	3,725,629
Charge for the financial year	-	85,317	29,628	7,469	12,333	9,977	390,046	213,869	9,591	12,874	469,845	-	1,240,949
Written off	-	-	-	-	-	-	-	-	-	-	(68,703)	-	(68,703)
At 30.6.2018	-	420,803	136,320	27,663	53,675	19,955	1,526,625	1,539,322	33,067	30,091	1,110,354	-	4,897,875
Charge for the financial year	-	85,925	37,636	7,677	27,801	9,978	492,120	220,300	8,184	12,873	585,010	-	1,487,504
Disposal	-	-	-	-	-	-	-	-	-	-	(96,000)	-	(96,000)
At 30.6.2019	-	506,728	173,956	35,340	81,476	29,933	2,018,745	1,759,622	41,251	42,964	1,599,364	-	6,289,379
Charge for the financial year	-	85,925	63,883	7,916	27,072	9,978	502,315	215,943	5,155	12,298	616,143	-	1,546,628
At 30.6.2020	-	592,653	237,839	43,256	108,548	39,911	2,521,060	1,975,565	46,406	55,262	2,215,507	-	7,836,007
Charge for the financial year	-	85,925	95,361	11,538	31,418	81,196	524,487	205,696	154	12,298	621,431	-	1,669,504
Disposals	-	-	(3,040)	-	-	-	-	-	-	-	-	-	(3,040)
Written off	-	-	(28,056)	(4,343)	(7,019)	-	(171,731)	-	(12,542)	-	-	-	(223,691)
Reclassification	-	-	-	-	-	172,872	370,712	-	-	-	(543,584)	-	-
Expiration of lease contract	-	-	-	-	-	-	-	-	-	-	(42,804)	-	(42,804)
At 30.6.2021	-	678,578	302,104	50,451	132,947	293,979	3,244,528	2,181,261	34,018	67,560	2,250,550	-	9,235,976
Charge for the financial period	-	42,963	52,024	6,711	9,087	14,000	344,712	101,150	-	6,149	365,846	-	942,642
Disposals	-	-	-	-	-	-	(75,000)	-	-	-	-	-	(75,000)
Expiration of lease contract	-	-	-	-	-	-	-	-	-	-	(10,223)	-	(10,223)
At 31.12.2021	-	721,541	354,128	57,162	142,034	307,979	3,514,240	2,282,411	34,018	73,709	2,606,173	-	10,093,395

12. ACCOUNTANTS' REPORT *(Cont'd)*

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM	Freehold buildings RM	Office equipment RM	Furniture and fittings RM	Factory, tools and equipment RM	Motor vehicles RM	Plant and machineries RM	Renovation RM	Computers and softwares RM	Electrical installations RM	Right-of-use assets RM	Capital work-in-progress RM	Total RM
Accumulated impairment loss													
At 1.7.2017/30.6.2018/30.6.2019/30.6.2020	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the financial year	705,283	340,009	-	-	-	-	-	-	-	-	-	-	1,045,292
At 30.6.2021/31.12.2021	705,283	340,009	-	-	-	-	-	-	-	-	-	-	1,045,292
Net carrying amount													
At 31.12.2021	7,840,000	5,003,909	390,150	85,549	57,052	97,999	2,365,178	742,616	-	55,023	2,133,830	346,270	19,117,576
At 30.6.2021	7,840,000	5,046,872	392,218	65,380	35,839	111,999	1,068,240	843,766	-	61,172	1,040,805	308,526	16,814,817
At 30.6.2020	-	5,132,806	392,908	41,671	65,857	9,977	840,758	987,685	154	73,470	1,237,954	225,998	9,009,238
At 30.6.2019	-	5,218,731	203,849	42,547	91,229	19,955	993,529	1,203,628	5,309	85,768	1,300,762	177,182	9,342,489
At 30.6.2018	-	5,274,296	159,979	47,326	34,300	29,933	906,263	1,328,868	13,493	98,641	1,213,996	-	9,107,095
Unaudited													
Cost													
At 1.7.2020	-	5,725,459	630,747	84,927	174,405	49,888	3,361,818	2,963,250	46,560	128,732	3,453,461	225,998	16,845,245
Additions	-	-	26,080	27,636	-	-	115,370	-	-	-	-	50,000	219,086
Disposal	-	-	-	-	-	-	(170,321)	-	-	-	-	-	(170,321)
At 31.12.2020	-	5,725,459	656,827	112,563	174,405	49,888	3,306,867	2,963,250	46,560	128,732	3,453,461	275,998	16,894,010
Accumulated depreciation													
At 1.7.2020	-	592,653	237,839	43,256	108,548	39,911	2,521,060	1,975,565	46,406	55,262	2,215,507	-	7,836,007
Charge for the financial period	-	42,963	38,465	5,970	25,485	4,989	260,335	100,473	154	-	221,885	-	700,719
Disposal	-	-	-	-	-	-	(170,321)	-	-	-	-	-	(170,321)
At 31.12.2020	-	635,616	276,304	49,226	134,033	44,900	2,611,074	2,076,038	46,560	55,262	2,437,392	-	8,366,405
Net carrying amount													
At 31.12.2020	-	5,089,843	380,523	63,337	40,372	4,988	695,793	887,212	-	73,470	1,016,069	275,998	8,527,605

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(a) Assets pledged as securities to licensed banks

The net carrying amount of assets pledged as security to licensed banks for banking facilities of the combined entities are as follows:-

	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM
Freehold land	7,840,000	-	7,840,000	-	-	-
Freehold buildings	5,003,909	5,089,843	5,046,872	5,132,806	5,218,731	5,274,296
	12,843,909	5,089,843	12,886,872	5,132,806	5,218,731	5,274,296

(b) Right-of-use assets

As lessee

The combined entities have lease contracts with lease terms of 2 to 5 years for hostels, motor vehicles and plant and machinery used for its operations purposes.

The combined entities have certain leases of premises with lease terms of 12 months. The combined entities applies the 'short-term lease' recognition exemptions for these leases.

Set out below are net carrying amount of right-of-use assets recognised and the movements during the financial years/periods:-

	Hostels RM	Motor vehicles RM	Plant and machinery RM	Total RM
Audited				
At 1 July 2017	5,447	691,597	712,356	1,409,400
Additions	20,228	357,269	-	377,497
Written off *	-	(103,056)	-	(103,056)
Depreciation for the financial year	(10,110)	(244,575)	(215,160)	(469,845)
At 30 June 2018	15,565	701,235	497,196	1,213,996
Additions	-	138,137	533,639	671,776
Depreciation for the financial year	(10,120)	(253,002)	(321,888)	(585,010)
At 30 June 2019	5,445	586,370	708,947	1,300,762
Additions	20,228	-	533,107	553,335
Depreciation for the financial year	(10,104)	(253,002)	(353,037)	(616,143)
At 30 June 2020	15,569	333,368	889,017	1,237,954
Additions	-	467,500	-	467,500
Depreciation for the financial year	(10,121)	(256,942)	(354,368)	(621,431)
Reclassification	-	(43,218)	-	(43,218)
At 30 June 2021	5,448	500,708	534,649	1,040,805
Additions	77,075	-	1,381,796	1,458,871
Depreciation for the financial period	(24,701)	(96,291)	(244,854)	(365,846)
At 31 December 2021	57,822	404,417	1,671,591	2,133,830

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

(b) Right-of-use assets (cont'd)

As lessee (cont'd)

Set out below are net carrying amount of right-of-use assets recognised and the movements during the financial years/periods (cont'd):-

	Hostels RM	Motor vehicles RM	Plant and machinery RM	Total RM
Unaudited				
As 1 July 2020	15,569	333,368	889,017	1,237,954
Depreciation for the financial period	(5,060)	(103,330)	(113,495)	(221,885)
At 31 December 2020	10,509	230,038	775,522	1,016,069

* The asset written off due to the asset is damaged and unable to function at a proper manner.

The following are the amounts relating to right-of-use assets recognised in profit or loss:-

	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Depreciation expense of right-of-use assets	365,846	221,885	621,431	616,143	585,010	469,845
Expenses relating to short-term leases	8,863	7,706	17,628	5,143	4,158	4,450

(c) The motor vehicles of the combined entities including motor vehicles under right-of-use assets with net carrying amount of with net carrying amount of RMNil (30.6.2021: RMNil, 31.12.2020: RM26,598, 30.6.2020: RM53,196, 30.6.2019: RM106,391 and 30.6.2018: RM159,587) are held in trust by the Directors.

(d) The motor vehicles and plant and machinery of the combined entities with net carrying amount of RM404,417 (30.6.2021: RM500,708, 31.12.2020: RM230,038, 30.6.2020: RM333,368, 30.6.2019: RM586,370 and 30.6.2018: RM701,235) and RM1,671,591 (30.6.2021: RM534,649, 31.12.2020: RM775,522, 30.6.2020: RM889,017, 30.6.2019: RM708,947 and 30.6.2018: RM497,196) respectively are held under finance leases.

5. INVESTMENT PROPERTIES

	Freehold land and buildings RM	Capital work-in-progress RM	Total RM
Cost			
At 1 July 2017	618,766	1,438,514	2,057,280
Additions	8,545,283	74,900	8,620,183
Reclassification	1,513,414	(1,513,414)	-
At 30 June 2018/2019/2020	10,677,463	-	10,677,463
Reclassified to property, plant and equipment	(8,545,283)	-	(8,545,283)
At 30 June 2021/31 December 2021	2,132,180	-	2,132,180
Accumulated depreciation			
At 1 July 2017	11,918	-	11,918
Charge for the financial year	12,376	-	12,376
At 30 June 2018	24,294	-	24,294
Charge for the financial year	42,644	-	42,644
At 30 June 2019	66,938	-	66,938
Charge for the financial year	42,761	-	42,761
At 30 June 2020	109,699	-	109,699
Charge for the financial year	42,645	-	42,645
At 30 June 2021	152,344	-	152,344
Charge for the financial period	21,319	-	21,319
At 31 December 2021	173,663	-	173,663
Net carrying amount			
At 31 December 2021	1,958,517	-	1,958,517
At 30 June 2021	1,979,836	-	1,979,836
At 30 June 2020	10,567,764	-	10,567,764
At 30 June 2019	10,610,525	-	10,610,525
At 30 June 2018	10,653,169	-	10,653,169
Unaudited			
Cost			
At 1 July 2020/31 December 2020	10,677,463	-	10,677,463
Accumulated depreciation			
At 1 July 2020	109,699	-	109,699
Charge for the financial period	21,322	-	21,322
At 31 December 2020	131,021	-	131,021
Net carrying amount			
At 31 December 2020	10,546,442	-	10,546,442

5. INVESTMENT PROPERTIES (CONT'D)

	Freehold land and buildings RM	Capital work-in-progress RM	Total RM
Fair value based on similar properties at proximity area:-			
At 31 December 2021	2,049,567	-	2,049,567
At 30 June 2021	2,049,567	-	2,049,567
At 30 June 2020	10,967,300	-	10,967,300
At 30 June 2019	10,967,300	-	10,967,300
At 30 June 2018	10,932,300	-	10,932,300
Unaudited			
At 31 December 2020	10,967,300	-	10,967,300

Investment properties of the combined entities comprise of freehold land and buildings.

The fair value of the investment properties of the combined entities was estimated by the Directors based on the recent transacted prices in the market of property with similar conditions and location. If the combined entities' investment properties carried at fair value, it will classify as at Level 3 fair value item for the purpose of fair value hierarchy disclosure.

The investment properties have been pledged to a licensed bank for credit facilities granted to the combined entities as disclosed in Note 17 to the Combined Financial Statements.

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

	Audited	Unaudited	← Audited			→
	1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM	1.7.2020 to 30.6.2021 RM	1.7.2019 to 30.6.2020 RM	1.7.2018 to 30.6.2019 RM	1.7.2017 to 30.6.2018 RM
Rental income	(22,000)	(37,450)	(56,800)	(114,000)	(120,000)	(38,302)
Direct operating expenses						
- Income generating investment properties	36,879	1,706	20,933	4,793	4,793	4,793
- Non-income generating investment properties	-	-	-	59,492	60,605	56,869

6. INTANGIBLE ASSET

	Website development cost RM	Total RM
Cost		
At 1 July 2017/30 June 2018	-	-
Additions	55,332	55,332
At 30 June 2019/30 June 2020/30 June 2021/31 December 2021	55,332	55,332
Accumulated amortisation		
At 1 July 2017/30 June 2018	-	-
Charge for the financial year	18,260	18,260
At 30 June 2019	18,260	18,260
Charge for the financial year	18,260	18,260
At 30 June 2020	36,520	36,520
Charge for the financial year	18,260	18,260
At 30 June 2021	54,780	54,780
Charge for the financial period	552	552
At 31 December 2021	55,332	55,332
Net carrying amount		
At 31 December 2021	-	-
At 30 June 2021	552	552
At 30 June 2020	18,812	18,812
At 30 June 2019	37,072	37,072
At 30 June 2018	-	-
Unaudited		
Cost		
At 1 July 2020/31 December 2020	55,332	55,332
Accumulated depreciation		
At 1 July 2020	36,520	36,520
Charge for the financial period	9,129	9,129
At 31 December 2020	45,649	45,649
Net carrying amount		
At 31 December 2020	9,683	9,683

7. DEFERRED TAX ASSETS/(LIABILITIES)

	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM
Deferred tax assets	-	-	-	-	-	11,000
Deferred tax liabilities	(297,000)	(24,000)	(139,000)	(24,000)	(14,000)	(30,000)
	(297,000)	(24,000)	(139,000)	(24,000)	(14,000)	(19,000)

	At beginning of financial year/period RM	Recognised in profit or loss (Note 24) RM	At end of financial period/year RM
Audited			
31.12.2021			
Non-current asset			
Property, plant and equipment	(180,000)	(140,000)	(320,000)
Current asset			
Trade receivables	41,000	(18,000)	23,000
	(139,000)	(158,000)	(297,000)
Unaudited			
31.12.2020			
Non-current asset			
Property, plant and equipment	(51,000)	-	(51,000)
Current asset			
Trade receivables	27,000	-	27,000
	(24,000)	-	(24,000)
Audited			
30.6.2021			
Non-current asset			
Property, plant and equipment	(51,000)	(129,000)	(180,000)
Current asset			
Trade receivables	27,000	14,000	41,000
	(24,000)	(115,000)	(139,000)
30.6.2020			
Non-current asset			
Property, plant and equipment	(40,000)	(11,000)	(51,000)
Current asset			
Trade receivables	26,000	1,000	27,000
	(14,000)	(10,000)	(24,000)

7. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

	At beginning of financial year/period RM	Recognised in profit or loss (Note 24) RM	At end of financial period/year RM
Audited (cont'd)			
30.6.2019			
Non-current asset			
Property, plant and equipment	(52,000)	12,000	(40,000)
Current asset			
Trade receivables	33,000	(7,000)	26,000
	(19,000)	5,000	(14,000)
30.6.2018			
Non-current asset			
Property, plant and equipment	(117,000)	65,000	(52,000)
Current asset			
Trade receivables	-	33,000	33,000
	(117,000)	98,000	(19,000)

8. INVENTORIES

	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM
Raw materials	6,761,649	5,058,760	4,090,167	3,090,444	3,284,593	1,699,427
Finished goods	868,775	594,598	1,076,005	994,457	797,330	682,332
	7,630,424	5,653,358	5,166,172	4,084,901	4,081,923	2,381,759

	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Recognised in profit or loss:-						
Inventories written off	-	-	-	-	125	-
Inventories recognised in cost of sales	24,617,286	18,131,599	35,784,543	22,169,004	19,088,970	17,692,957

9. TRADE RECEIVABLES

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Trade receivables	6,968,943	3,572,831	5,735,887	5,377,532	4,831,019	6,042,134
Less: Allowance for impairment loss	(162,381)	(240,523)	(172,740)	(115,679)	(112,294)	(138,601)
	6,806,562	3,332,308	5,563,147	5,261,853	4,718,725	5,903,533

9.1 Normal trade credit terms granted to customers range from 1 to 60 days (30.6.2021, 31.12.2020, 30.6.2020 and 30.6.2019: 1 to 60 days and 30.6.2018: 1 to 45 days). Trade receivables are recognised at invoice amounts and they are non-interest bearing.

9.2 Analysis by currencies:-

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Renminbi ("RMB")	140,445	221,373	24,014	22,735	-	-
Singapore Dollar ("SGD")	129,108	83,775	54,432	-	-	-
United States Dollar ("USD")	2,013,051	135,335	326,729	-	42,932	-
RM	4,523,958	2,891,825	5,157,972	5,239,118	4,675,793	5,903,533
	6,806,562	3,332,308	5,563,147	5,261,853	4,718,725	5,903,533

9.3 The following table provides information about the credit risk exposure on the combined entities' trade receivables using a provision of matrix:-

		Days past due					
	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
	RM	RM	RM	RM	RM	RM	RM
Audited							
31.12.2021							
Expected credit loss rate	0.00% to 0.65%	0.00% to 0.84%	0.00% to 1.27%	0.00% to 2.31%	0.00%	0.00% to 98.24%	
Gross carrying amount	4,024,164	2,167,057	649,166	17,078	-	111,478	6,968,943
Expected credit loss	25,999	18,213	8,262	394	-	109,513	162,381
Unaudited							
31.12.2020							
Expected credit loss rate	0.00% to 2.06%	0.00% to 1.32%	0.00% to 2.48%	0.00% to 84.50%	0.00% to 77.56%	0.00% to 91.43%	
Gross carrying amount	1,381,076	1,306,485	685,496	27,158	21,112	151,504	3,572,831
Expected credit loss	28,508	17,191	16,978	22,949	16,375	138,522	240,523

9. TRADE RECEIVABLES (CONT'D)

9.3 The following table provides information about the credit risk exposure on the combined entities' trade receivables using a provision of matrix (cont'd):-

	Current	Days past due: 1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
	RM	RM	RM	RM	RM	RM	RM
Audited							
30.6.2021							
Expected credit loss rate	0.00% to 0.71%	0.00% to 0.91%	0.00% to 1.38%	0.00% to 1.75%	0.00% to 2.59%	0.00% to 78.24%	
Gross carrying amount	2,146,934	1,853,881	1,418,796	127,287	38,361	150,628	5,735,887
Expected credit loss	15,206	16,905	19,553	2,224	994	117,858	172,740
30.6.2020							
Expected credit loss rate	0.00% to 1.42%	0.00% to 0.85%	0.00% to 2.04%	0.00% to 79.31%	0.00%	0.00% to 8.21%	
Gross carrying amount	2,310,547	1,731,293	974,211	26,177	-	335,304	5,377,532
Expected credit loss	32,741	14,740	19,911	20,762	-	27,525	115,679
30.6.2019							
Expected credit loss rate	0.00% to 0.98%	0.00% to 1.68%	0.00% to 3.14%	0.00% to 73.77%	0.00% to 85.73%	0.00% to 2.87%	
Gross carrying amount	1,833,640	1,395,235	858,802	31,109	701	711,532	4,831,019
Expected credit loss	17,882	23,459	26,982	22,949	601	20,421	112,294
30.6.2018							
Expected credit loss rate	0.00% to 0.96%	0.00% to 1.22%	0.00% to 3.02%	0.00% to 96.95%	0.00%	0.00% to 17.23%	
Gross carrying amount	1,877,010	2,933,930	1,061,003	29,418	318	140,455	6,042,134
Expected credit loss	18,012	35,819	32,054	28,520	-	24,196	138,601

9.4 The movements in the loss allowance in respect of trade receivables during the financial years/periods were as follows:-

	Audited 1.7.2021 to 31.12.2021	Unaudited 1.7.2020 to 31.12.2020	Audited 1.7.2020 to 30.6.2021	Audited 1.7.2019 to 30.6.2020	Audited 1.7.2018 to 30.6.2019	Audited 1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
At beginning of financial year/ period	172,740	115,679	115,679	112,294	138,601	-
Recognised during the financial year/period	58,706	124,844	115,242	13,564	598	138,601
Reversed during the financial year/period	(69,065)	-	(58,181)	(10,179)	(26,905)	-
At end of financial year/period	162,381	240,523	172,740	115,679	112,294	138,601

10. OTHER RECEIVABLES

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Non-trade receivables	262,903	-	497,830	189,246	437,456	301,545
Deposits	135,225	108,950	135,225	108,950	108,950	229,244
Deposits paid for purchase of property, plant and equipment	772,023	-	538,268	125,906	321,792	-
Prepayments	165,913	131,488	267,143	149,266	54,386	44,729
Prepayment of initial public offering costs	1,483,796	540,484	1,134,766	-	-	-
Goods and Services Tax receivable	-	-	-	-	446,935	452,187
	2,819,860	780,922	2,573,232	573,368	1,369,519	1,027,705

Included in non-trade receivables are an amount of RMNil (30.6.2021: RMNil, 31.12.2020: RMNil, 30.6.2020: RM107,595, 30.6.2019: RM107,595 and 30.6.2018: RM100,485) due from a company in which a Director have interest.

Included in non-trade receivables are an amount of RMNil (30.6.2021: RMNil, 31.12.2020: RMNil, 30.6.2020: RMNil, 30.6.2019: RM224,592 and 30.6.2018: RM189,748) due from persons connected to the Directors.

Included in non-trade receivables are an amount of RMNil (30.6.2021: RMNil, 31.12.2020: RMNil, 30.6.2020: RM8,730, 30.6.2019: RM3,865 and 30.6.2018: RM3,383) due from corporate shareholder.

Included in deposits are an amount of RM1,350 (30.6.2021: RM1,350, 31.12.2020: RM1,350, 30.6.2020: RM1,350, 30.6.2019: RM1,350 and 30.6.2018: RM1,350) paid to a Director in relates to a rental deposit.

These amounts are unsecured, non-interest bearing and repayable on demand.

Analysis by currencies:-

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
RM	2,031,333	780,922	1,870,632	447,462	1,120,274	1,026,122
USD	753,738	-	575,605	125,906	1,701	1,583
Japanese Yen ("JPY")	-	-	2,208	-	-	-
RMB	34,789	-	124,787	-	247,544	-
	2,819,860	780,922	2,573,232	573,368	1,369,519	1,027,705

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
At fair value						
Quoted investment in Malaysia	2,003,166	4,027,502	4,031,611	-	-	-
Market value of quoted investments in Malaysia	2,003,166	4,027,502	4,031,611	-	-	-

12. AMOUNT DUE FROM DIRECTORS

The amount due from Directors are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

13. SHORT-TERM DEPOSITS WITH LICENSED BANKS

The interest rate of short-term deposit with licensed banks at Nil% (30.6.2021: 2.15%, 31.12.2020: Nil%, 30.6.2020: 3.35%, 30.6.2019: Nil% and 30.6.2018: Nil%) per annum with maturity term of 1 month to 12 months.

14. CASH AND BANK BALANCES

Analysis by currencies:-

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
RM	2,460,168	6,270,139	3,414,665	8,021,915	2,435,828	1,513,579
USD	1,200,967	2,362,561	2,206,664	2,643,847	1,265,297	37,348
SGD	15,433	77,737	309,010	-	-	-
RMB	483,069	202,023	197,994	23,789	43,579	92,902
	4,159,637	8,912,460	6,128,333	10,689,551	3,744,704	1,643,829

15. SHARE CAPITAL, INVESTED EQUITIES AND MERGER DEFICIT

	OHSB RM	OMSB RM	OMKTSB RM	EFBSB RM	OHMSB RM	Total RM
1 July 2017	-	200,000	300,003	50,999	350,000	901,002
Issuance of shares	2	-	-	-	-	2
30 June 2018	2	200,000	300,003	50,999	350,000	901,004
Acquired from non-controlling interest	-	-	-	32,501	-	32,501
30 June 2019/30 June 2020/31 December 2020/30 June 2021	2	200,000	300,003	83,500	350,000	933,505
Effect of acquisition	15,120,000	(200,000)	(300,003)	(83,500)	(350,000)	14,186,497
31 December 2021	15,120,002	-	-	-	-	15,120,002

The group structure arising from the restructuring of the combined entities is disclosed in Note 1.4 to the Combined Financial Statements.

Merger deficit

The recognised merger deficit at the acquisition date is derived as follows:-

	Audited 31.12.2021 RM
Total consideration paid by issuance of shares of the combined entities	15,120,000
Less: Nominal value of the combined entities' share capital	(933,503)
Merger deficit	14,186,497

The merger deficit arises as and when the combination take place, it comprises the difference between the cost of merger and the nominal value of shares acquired in combined entities.

16. NON-CONTROLLING INTEREST

On 11 February 2019, owners of combined entities acquired additional 8,000 units of shares which is equivalent to 10% equity interest in EFBSB for RM8,000 in cash consideration, increasing its equity ownership from 61% to 71%.

On 22 April 2019, owners of combined entities acquired additional 24,500 units of shares which equivalent to 29% equity interest in EFBSB for RM24,500 in cash consideration, increasing its equity ownership from 71% to almost 100%.

On 30 June 2020, owners of combined entities acquired balance 1 unit of share in EFBSB for RM1 in cash.

16. NON-CONTROLLING INTEREST (CONT'D)

Information of the Orgabio's subsidiary that has non-controlling interest ("NCI") is as follows:-

	EFBSB	Total
Audited		
30.6.2019		
Percentage of ownership interest and voting right (%)	#	
Carrying amount of NCI (RM)	-	-
Net profit allocated to NCI (RM)	9,049	9,049
30.6.2018		
Percentage of ownership interest and voting right (%)	39%	
Carrying amount of NCI (RM)	50,427	50,427
Net profit allocated to NCI (RM)	3,564	3,564

Less than 0.01%

The subsidiary that has non-controlling interest ("NCI") are as follow:-

	Audited	
	30.6.2019	30.6.2018
	EFBSB	EFBSB
	RM	RM
Summarised financial information before intra-group elimination		
Total assets	149,046	145,398
Total liabilities	(145,195)	(99,435)
Net assets	3,851	45,963
Revenue	868,859	712,473
(Loss)/Profit for the financial year	(42,112)	9,138
Total comprehensive (loss)/income	(42,112)	9,138
Cash flow from/(used in) operating activities	29,235	(2,637)
Cash flow used in investing activities	(55,224)	(20,323)
Cash flow (used in)/from financing activities	(50,500)	15,793
Net decrease in cash and cash equivalents	(76,489)	(7,167)

17. BORROWINGS

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Secured						
Current						
Term loans	662,428	533,562	647,837	288,485	503,684	517,798
Bankers' acceptance	909,000	-	-	948,000	844,000	-
	1,571,428	533,562	647,837	1,236,485	1,347,684	517,798

17. BORROWINGS (CONT'D)

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Secured						
Non-current						
Term loans	9,355,673	10,131,402	9,679,992	10,380,126	10,431,720	10,924,784
Total borrowings	10,927,101	10,664,964	10,327,829	11,616,611	11,779,404	11,442,582

The borrowings are secured by the following:-

(a) Legal charge over the investment properties, freehold land and building as disclosed in Notes 4 and 5 to the Combined Financial Statements;
(b) Joint and several guarantee by the Directors of the combined entities; and
(c) Life insurance policy of Directors and shareholders assigned to the banks.

The term loans are repayable on monthly basis and the tenure ranged from 180 to 300 months (30.6.2021, 31.12.2020 and 30.6.2020: 180 to 300 months, 30.6.2019 and 30.6.2018: 24 to 300 months).

The tenure of the bankers' acceptance is 60 days (30.6.2021: Nil day, 31.12.2020: Nil day, 30.6.2020: 60 to 180 days, 30.6.2019: 58 to 60 days and 30.6.2018: Nil day).

Maturity of borrowings of the combined entities are as follows:-

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Within 1 year	1,571,428	533,562	647,837	1,236,485	1,347,684	517,798
Between 2 to 5 years	2,966,760	2,502,701	2,901,219	2,611,264	2,416,129	2,174,368
More than 5 years	6,388,913	7,628,701	6,778,773	7,768,862	8,015,591	8,750,416
	10,927,101	10,664,964	10,327,829	11,616,611	11,779,404	11,442,582

Interest is charged at rates ranging from 3.13% to 6.40% (30.6.2021: 2.85% to 6.40%, 31.12.2020: 2.87% to 6.45%, 30.6.2020: 3.62% to 7.65%, 30.6.2019 and 30.6.2018: 4.40% to 7.65%) per annum.

18. LEASE LIABILITIES

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Current						
- less than 1 year	571,378	540,645	492,606	424,226	374,753	305,927
Non-current						
- between 2 to 5 years	1,461,424	666,846	723,253	930,254	807,999	698,247
	2,032,802	1,207,491	1,215,859	1,354,480	1,182,752	1,004,174

The lease liabilities of the combined entities bear interest at rates ranging from 1.98% to 4.81% (30.6.2021: 1.98% to 4.81%, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2.40% to 4.81%) per annum.

18. LEASE LIABILITIES (CONT'D)

Set out below are the movement of the lease liabilities during the financial years/periods:-

	RM
Audited	
At 1 July 2017	1,085,193
Additions	377,497
Accretion of interests	56,610
Payment of principal and interests	(515,126)
At 30 June 2018	1,004,174
Additions	671,776
Accretion of interests	75,552
Payment of principal and interests	(568,750)
At 30 June 2019	1,182,752
Additions	553,335
Accretion of interests	80,236
Payment of principal and interests	(461,843)
At 30 June 2020	1,354,480
Additions	300,000
Accretion of interests	68,081
Payment of principal and interests	(506,702)
At 30 June 2021	1,215,859
Additions	1,185,247
Accretion of interests	46,604
Payment of principal and interests	(414,908)
At 31 December 2021	2,032,802

	RM
Unaudited	
At 1 July 2020	1,354,480
Accretion of interests	70,493
Payment of principal and interests	(217,482)
At 31 December 2020	1,207,491

The following are the amounts relating to lease liabilities recognised in profit or loss:-

	Audited	Unaudited	← Audited			→
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Interest expense on lease liabilities	46,604	70,493	68,081	80,236	75,552	56,610

19. TRADE PAYABLES

Normal credit terms granted by the suppliers for the combined entities ranged from 1 to 60 days (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 1 to 60 days).

These amounts are unsecured, non-interest bearing and repayable on demand.

Analysis by currencies:-

	Audited	Unaudited	←	Audited		→
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
RM	8,267,682	4,980,164	4,325,444	3,476,222	3,922,334	2,679,383
USD	312,502	3,079	383,338	200,164	169,639	61,572
SGD	533,731	31,525	24,698	42,948	12,225	-
RMB	-	-	881	-	-	-
	9,113,915	5,014,768	4,734,361	3,719,334	4,104,198	2,740,955

20. OTHER PAYABLES

	Audited	Unaudited	←	Audited		→
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Non-trade payables	716,926	393,484	325,734	140,373	259,630	261,018
Contract liabilities	164,912	3,296,228	3,949,593	3,255,275	901,202	-
Deposit received	113,100	103,000	113,100	141,282	229,461	124,500
Accruals	1,018,182	120,920	441,386	334,440	2,389,533	3,502,938
Goods and Services Tax payable	-	-	-	-	234	-
Sales and Services Tax payable	387,808	-	365,234	328,833	123,239	-
	2,400,928	3,913,632	5,195,047	4,200,203	3,903,299	3,888,456

Included in non-trade payables is an amount of RMNil (30.6.2021: RMNil, 31.12.2020: RMNil, 30.6.2020: RM39,938, 30.6.2019: RM40,477 and 30.6.2018: RM41,416) due to a company in which Directors have interest.

Included in non-trade payables is an amount of RMNil (30.6.2021: RM3,990, 31.12.2020: RM3,990, 30.6.2020, 30.6.2019 and 30.6.2018: RMNil) due to a corporate shareholder.

These amount are unsecured, non-interest bearing and repayable on demand.

20. OTHER PAYABLES (CONT'D)

Contract liabilities

	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM
Brought forward	3,949,593	3,255,275	3,255,275	901,202	-	-
Advance received during the financial year/period	70,583	3,251,804	3,905,169	3,255,275	901,202	-
Recognised as revenue during the financial year/period	(3,855,264)	(3,210,851)	(3,210,851)	(901,202)	-	-
Carried forward	164,912	3,296,228	3,949,593	3,255,275	901,202	-
Analysed as:-						
Current	164,912	3,296,228	3,949,593	3,255,275	901,202	-

The contract liability represents advance deposit received from a customer for purchase of goods and expected to be recognised as revenue within 1 year.

21. REVENUE

The combined entities' revenue represents sale of goods which recoginsed at point in time and the geographical market of the revenue generated are as follows:-

	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Geographical markets						
- Malaysia	27,213,220	27,300,385	53,196,684	32,552,586	23,101,513	26,456,129
- Republic of Singapore	712,164	37,351	429,972	2,324,744	2,900,906	111,764
- China	1,337,791	261,409	397,706	1,630,060	5,062,655	5,346,734
- Papua New Guinea	3,950,259	936,090	2,450,844	1,080,654	95,374	-
- United Arab Emirates	261,746	231,570	548,721	714,490	446,534	366,069
- Hong Kong	170,414	-	112,246	641,585	-	81,118
- Trinidad and Tobago	1,197,714	460,340	1,763,028	375,012	-	-
- Others	-	102,914	172,869	53,689	88,895	307,766
	34,843,308	29,330,059	59,072,070	39,372,820	31,695,877	32,669,580

22. FINANCE COSTS

	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Interest expenses						
- lease liabilities	46,604	70,493	68,081	80,236	75,552	56,610
- bankers' acceptances	4,873	19,755	19,755	28,085	29,149	22,103
- term loans	229,334	258,826	474,650	527,090	608,289	525,517
	280,811	349,074	562,486	635,411	712,990	604,230

23. PROFIT BEFORE TAX

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

	Audited 1.7.2021 to 31.12.2021 RM	Unaudited 1.7.2020 to 31.12.2020 RM	Audited 1.7.2020 to 30.6.2021 RM	Audited 1.7.2019 to 30.6.2020 RM	Audited 1.7.2018 to 30.6.2019 RM	Audited 1.7.2017 to 30.6.2018 RM
Property, plant and equipment written off	-	-	22,403	-	-	103,056
Depreciation of right-of-use assets	365,846	221,885	621,431	616,143	585,010	469,845
Depreciation of property, plant and equipment	576,796	478,834	1,048,073	930,485	902,494	771,104
Amortisation of intangible asset	552	9,129	18,260	18,260	18,260	-
(Gain)/Loss on disposal of property, plant and equipment	(8,000)	-	360	-	(30,000)	-
Depreciation of investment properties	21,319	21,322	42,645	42,761	42,644	12,376
Director fee	123,000	-	58,083	-	-	-
Inventories written off	-	-	-	-	125	-

23. PROFIT BEFORE TAX (CONT'D)

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

	Audited	Unaudited	Audited			
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Impairment loss on property, plant and equipment	-	-	1,045,292	-	-	-
Loss allowances on trade receivables	58,706	124,844	115,242	13,564	598	138,601
Reversal of loss allowance on trade receivables	(69,065)	-	(58,181)	(10,179)	(26,905)	-
Bad debts written off	-	39,694	42,303	-	-	115,785
Deposits written off	-	-	-	-	-	985
Foreign exchange (gain)/loss:-						
- Realised	1,719	(7,659)	(43,866)	(15,611)	7,056	(4,005)
- Unrealised	2,315	150,328	71,725	(86,857)	10,703	46,509
Interest income	(21,848)	(32,756)	(49,129)	(54,420)	(11,859)	(68,073)
Short-term leases:-						
- Hostel	6,900	-	4,500	-	-	-
- Equipment	-	5,000	7,500	500	320	1,221
- Pallets	1,963	2,706	5,628	4,643	3,838	3,229
Rental income	(35,450)	(37,450)	(56,800)	(114,000)	(120,000)	(38,302)
Fair value loss/(gain) on financial assets at fair value through profit or loss	48,563	(27,502)	118,618	-	-	-
Dividend income from financial assets at fair value through profit or loss	(62,228)	-	(150,229)	-	-	-
Interest expenses	280,811	349,074	562,486	635,411	712,990	604,230

24. TAX EXPENSE

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Current tax expense						
Current financial period/year	873,710	1,475,444	3,254,384	2,066,035	1,133,109	2,012,884
Under provision in prior financial year	82,489	-	37,530	12,211	7,104	2,614
Total current tax recognised in profit or loss	956,199	1,475,444	3,291,914	2,078,246	1,140,213	2,015,498
Deferred tax expenses						
Origination and reversal of temporary differences	179,000	-	(37,000)	10,000	19,979	(116,190)
(Over)/Under provision of deferred tax in prior financial year	(21,000)	-	152,000	-	(24,979)	18,190
Total deferred tax recognised in profit or loss (Note 7)	158,000	-	115,000	10,000	(5,000)	(98,000)
Total tax expense	1,114,199	1,475,444	3,406,914	2,088,246	1,135,213	1,917,498

24. TAX EXPENSE (CONT'D)

Reconciliation of tax expense applicable to profit before tax at statutory tax rate to tax expense at the effective tax rate of the combined entities are as follows:-

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM	1.7.2020 to 30.6.2021 RM	1.7.2019 to 30.6.2020 RM	1.7.2018 to 30.6.2019 RM	1.7.2017 to 30.6.2018 RM
Profit before tax	3,820,903	6,052,533	11,047,514	7,724,100	3,398,324	7,423,536
Tax at Malaysian statutory tax rate of 24%	917,017	1,452,608	2,651,403	1,853,784	815,598	1,781,649
Tax effects in respect of:-						
Expenses not deductible for tax purposes	185,328	55,197	628,510	323,376	424,679	323,349
Tax savings for the first tranche of chargeable income	(51,404)	(70,281)	(100,445)	(93,445)	(86,469)	(83,249)
Tax incentive obtained from increase of chargeable business income	-	-	-	-	-	(100,670)
Income not subject to tax	(2,231)	-	(4)	-	(8,400)	(24,385)
Movement of deferred tax assets not recognised	4,000	37,920	37,920	(7,680)	7,680	-
Under provision of current tax in prior financial year	82,489	-	37,530	12,211	7,104	2,614
(Over)/Under provision of deferred tax in prior financial year (Note 7)	(21,000)	-	152,000	-	(24,979)	18,190
	1,114,199	1,475,444	3,406,914	2,088,246	1,135,213	1,917,498

24. TAX EXPENSE (CONT'D)

As at 31 December 2021, the combined entities have unabsorbed tax losses and unutilised capital allowances amounting to approximately RM552,000 and RM404,000 (30.6.2021: RM521,000 and RM404,000, 31.12.2020: RM521,000 and RM404,000, 30.6.2020: RM363,000 and RM404,000, 30.6.2019: RM395,000 and RM404,000 and 30.6.2018: RM363,000 and RM404,000) respectively which are available to offset against future taxable profits.

The potential deferred tax assets of the combined entities are not recognised in the combined financial statements as it is anticipated that the tax effect of such benefits will not be recognised in the foreseeable future.

Effective Year of Assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the combined entities as of 31 December 2021 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded. As announced in the Annual Budget 2022, the unabsorbed business losses will be further extend another 3 years after the expiry of the 7 years.

The expiry of the unabsorbed tax losses is as follows:-

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM	1.7.2020 to 30.6.2021 RM	1.7.2019 to 30.6.2020 RM	1.7.2018 to 30.6.2019 RM	1.7.2017 to 30.6.2018 RM
Year of assessment 2028	363,000	363,000	363,000	363,000	363,000	363,000
Year of assessment 2029	-	-	-	-	32,000	-
Year of assessment 2030	172,000	158,000	158,000	-	-	-
Year of assessment 2031	17,000	-	-	-	-	-
	552,000	521,000	521,000	363,000	395,000	363,000

25. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit for the financial periods/years attributable to ordinary equity holders of the combined entities and a weighted average number of ordinary shares issued calculated as follows:-

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM	1.7.2020 to 30.6.2021 RM	1.7.2019 to 30.6.2020 RM	1.7.2018 to 30.6.2019 RM	1.7.2017 to 30.6.2018 RM
Profit attributable to owners of the combined entities	2,706,704	4,577,109	7,640,600	5,635,854	2,254,062	5,502,474
Weighted average number of shares						
Brought forward	911,934	911,934	911,934	911,934	901,002	901,002
Acquisition of EFBSB	-	-	-	-	10,932	-
Effects of ordinary shares issued during the financial period/year	-	-	-	-	-	*
Effects of acquisition of combined entities						
- issuance of shares	52,195,068	-	-	-	-	-
- shares exchange	(911,934)	-	-	-	-	-
Carried forward	52,195,068	911,934	911,934	911,934	911,934	901,002
Basic earnings per share (sen)	5.19	501.91	837.85	618.01	247.17	610.70

* Less than RM1

Diluted earnings per ordinary share

Diluted earnings per ordinary share is not computed as there were no potentially dilutive equity instruments in issue.

26. DIVIDENDS PAID TO COMMON CONTROL SHAREHOLDERS

	2021 RM	2020 RM
In respect of the financial year ended 30 June 2020		
- First interim single tier dividend of 2,000% of issued and fully paid-up share capital of OMSB declared on 30 June 2020 and paid on 28 August 2020	-	4,000,000
- First interim single tier dividend of 333.33% of issued and fully paid-up share capital of OMKTSB declared on 30 June 2020 and paid on 28 August 2020	-	1,000,000
In respect of the financial year ended 30 June 2021		
- First interim single tier dividend of 1,000% of issued and fully paid-up share capital of OMSB declared on 4 January 2021 and paid on 5 January 2021	2,000,000	-
In respect of the financial period ended 31 December 2021		
- Second interim single tier dividend of 1,250% of issued and fully paid-up share capital of OMSB declared on 23 August 2021 and paid on 23 September 2021	2,500,000	-
	4,500,000	5,000,000

27. EMPLOYEE BENEFIT EXPENSES

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021 RM	1.7.2020 to 31.12.2020 RM	1.7.2020 to 30.6.2021 RM	1.7.2019 to 30.6.2020 RM	1.7.2018 to 30.6.2019 RM	1.7.2017 to 30.6.2018 RM
Salaries, wages and other emoluments	2,533,257	1,907,876	4,427,508	3,401,012	3,312,750	2,718,136
Defined contribution plans	131,161	120,483	277,601	227,696	227,790	191,635
Social security contributions	18,121	16,943	36,522	31,390	21,779	16,820
Other benefits	51,218	20,763	31,267	2,169	1,894	775
	2,733,757	2,066,065	4,772,898	3,662,267	3,564,213	2,927,366

27. EMPLOYEE BENEFIT EXPENSES (CONT'D)

Included in the employee benefits expenses are aggregate amount of remuneration received and receivable by the Executive Directors of the combined entities during the financial years/periods as below:-

	Audited	Unaudited	Audited			
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Salaries, wages and other emoluments	359,555	319,033	809,192	610,536	634,668	525,050
Defined contribution plans	23,232	24,168	53,114	46,958	53,430	49,955
Social security contributions	1,555	1,663	3,274	4,307	4,265	3,846
Other benefits	96	122	28	288	285	119
	384,438	344,986	865,608	662,089	692,648	578,970

Included in the employee benefits expenses are aggregate amount of remuneration received and receivable by the key management personnel of the combined entities during the financial years/periods as below:-

	Audited	Unaudited	Audited			
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Key management personnel remuneration						
Salaries, wages and other emoluments	201,376	216,409	383,201	299,576	183,190	128,072
Defined contribution plans	21,540	19,256	46,491	33,482	21,580	16,874
Social security contributions	1,242	1,086	2,329	2,068	1,446	1,239
Other benefits	144	124	267	142	166	23
	224,302	236,875	432,288	335,268	206,382	146,208

28. RELATED PARTY DISCLOSURES

(a) The related party transactions of the combined entities during the financial years/periods were as follows:-

	Audited	Unaudited	←	Audited		→
	1.7.2021 to 31.12.2021	1.7.2020 to 31.12.2020	1.7.2020 to 30.6.2021	1.7.2019 to 30.6.2020	1.7.2018 to 30.6.2019	1.7.2017 to 30.6.2018
	RM	RM	RM	RM	RM	RM
Leases paid to a Director of combined entities	2,700	2,700	5,400	5,400	5,400	5,400
Dividend declared to common control shareholders	-	-	-	5,000,000	-	-
Dividend declared to a corporate shareholder	2,500,000	-	2,000,000	-	-	-
Purchase of property, plant and equipment from a person who connected to Directors	-	-	140,000	-	-	-

(b) Outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 9, 10, 12 and 20 to the Combined Financial Statements.

(c) Key management personnel are defined as the person having authority and responsibility for planning, directing and controlling the activities of the combined entities either directly or indirectly. Remuneration of key management personnel and Directors are disclosed in Note 27 to the Combined Financial Statements.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

(a) Financial assets measured at amortised cost ("FA");
(b) Financial assets designated at fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Audited				
31.12.2021				
Financial assets				
Trade receivables	6,806,562	6,806,562	-	-
Other receivables	1,170,151	1,170,151	-	-
Financial assets at fair value through profit or loss	2,003,166	-	2,003,166	-
Cash and bank balances	4,159,637	4,159,637	-	-
	14,139,516	12,136,350	2,003,166	-
Financial liabilities				
Trade payables	9,113,915	-	-	9,113,915
Other payables	1,848,208	-	-	1,848,208
Borrowings	10,927,101	-	-	10,927,101
	21,889,224	-	-	21,889,224
Unaudited				
31.12.2020				
Financial assets				
Trade receivables	3,332,308	3,332,308	-	-
Other receivables	108,950	108,950	-	-
Financial assets at fair value through profit or loss	4,027,502	-	4,027,502	-
Cash and bank balances	8,912,460	8,912,460	-	-
	16,381,220	12,353,718	4,027,502	-
Financial liabilities				
Trade payables	5,014,768	-	-	5,014,768
Other payables	617,404	-	-	617,404
Borrowings	10,664,964	-	-	10,664,964
	16,297,136	-	-	16,297,126

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

(a) Financial assets measured at amortised cost ("FA");
(b) Financial assets designated at fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Audited				
30.6.2021				
Financial assets				
Trade receivables	5,563,147	5,563,147	-	-
Other receivables	1,171,323	1,171,323	-	-
Financial assets at fair value through profit or loss	4,031,611	-	4,031,611	-
Cash and bank balances	6,128,333	6,128,333	-	-
	16,894,414	12,862,803	4,031,611	-
Financial liabilities				
Trade payables	4,734,361	-	-	4,734,361
Other payables	880,220	-	-	880,220
Borrowings	10,327,829	-	-	10,327,829
	15,942,410	-	-	15,942,410
30.6.2020				
Financial assets				
Trade receivables	5,261,853	5,261,853	-	-
Other receivables	424,102	424,102	-	-
Short-term deposits with licensed banks	1,018,718	1,018,718	-	-
Cash and bank balances	10,689,551	10,689,551	-	-
	17,394,224	17,394,224	-	-
Financial liabilities				
Trade payables	3,719,334	-	-	3,719,334
Other payables	616,095	-	-	616,095
Dividend payable	5,000,000	-	-	5,000,000
Borrowings	11,616,611	-	-	11,616,611
	20,952,040	-	-	20,952,040

29. FINANCIAL INSTRUMENTS (CONT'D)

Categories of financial instruments (cont'd)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

(a) Financial assets measured at amortised cost ("FA");
(b) Financial assets designated at fair value through profit or loss ("FVTPL"); and
(c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
Audited (cont'd)				
30.6.2019				
Financial assets				
Trade receivables	4,718,725	4,718,725	-	-
Other receivables	868,198	868,198	-	-
Amount due from Directors	908,691	908,691	-	-
Cash and bank balances	3,744,704	3,744,704	-	-
	10,240,318	10,240,318	-	-
Financial liabilities				
Trade payables	4,104,198	-	-	4,104,198
Other payables	2,878,624	-	-	2,878,624
Borrowings	11,779,404	-	-	11,779,404
	18,762,226	-	-	18,762,226
30.6.2018				
Financial assets				
Trade receivables	5,903,533	5,903,533	-	-
Other receivables	530,789	530,789	-	-
Amount due from Directors	959,236	959,236	-	-
Cash and bank balances	1,643,829	1,643,829	-	-
	9,037,387	9,037,387	-	-
Financial liabilities				
Trade payables	2,740,955	-	-	2,740,955
Other payables	3,888,456	-	-	3,888,456
Borrowings	11,442,582	-	-	11,442,582
	18,071,993	-	-	18,071,993

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies

29.1 Financial risks

The combined entities are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the combined entities' business whilst managing its risks. The combined entities operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows:-

29.1.1 Credit risk

Credit risk is the risk of a financial loss to the combined entities if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The combined entities' exposure to credit risk is monitored on an ongoing basis. The credit risk is controlled by monitoring procedures. An internal credit review is conducted if the credit risk is material. The combined entities do not require collateral in respect of financial assets.

The areas where the combined entities are exposed to credit risk are as follows:-

Receivables

Receivables are monitored on an ongoing basis to mitigate risk of bad debts. The combined entities' exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The combined entities have adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institution with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

Information regarding the combined entities' exposure to credit risk and ECLs for trade receivable is disclosed in Note 9.3 to the Combined Financial Statements.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.1 Credit risk (cont'd)

The areas where the combined entities are exposed to credit risk are as follows (cont'd):-

Receivables (cont'd)

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the combined entities' total credit exposure. The combined entities' portfolio of financial instrument is broadly diversified along geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

In respect of trade receivables, the combined entities are not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics except for 72% (30.6.2021: 71%, 31.12.2020: 75%, 30.6.2020: 83%, 30.6.3019: 75% and 30.6.2018: 87%) of the combined entities' trade receivables were due from four (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: two) major customers respectively.

In respect of other receivables, the combined entities are not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

The net carrying amount of receivables is considered a reasonable approximate of its fair value. The maximum exposure to credit risk is the carrying value of each class of receivables as disclosed in Notes 9 and 10 to the Combined Financial Statements.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the combined entities. The combined entities use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.1 Credit risk (cont'd)

The areas where the combined entities are exposed to credit risk are as follows (cont'd):-

Corporate gurantees

The maximum exposure to credit risk of RMNil (30.6.2021: RMNil, 31.12.2020: RM1,247,814, 30.6.2020: RM1,241,616, 30.6.2019: RM1,249,717 and 30.6.2018: RM1,272,681) is represented by the outstanding banking facilities utilised by a company in which Directors have interest as at end of the reporting period/year.

The combined entities provide financial guarantees to bank in respect of banking facilities granted to a company in which Directors have interest. The combined entities monitor on an ongoing basis the result of the borrowers and their repayments to the bank. As at the end of the reporting period/year, there was no indication that a company in which Directors have interest will default in repayments.

The financial guarantees were discharged on 7 January 2021.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

29.1.2 Liquidity risk

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

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

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

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.2 Liquidity risk (cont'd)

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

	Current	← **Non-current**	→	
	Within 1 year	2 to 5 years	More than 5 years	Total contractual cash flows
	RM	RM	RM	RM
Audited				
31.12.2021				
Borrowings	1,997,844	4,355,376	7,449,222	13,802,442
Lease liabilities	726,942	1,505,407	-	2,232,349
Trade payables	9,113,915	-	-	9,113,915
Other payables	1,848,208	-	-	1,848,208
Total undiscounted financial liabilities	13,686,909	5,860,783	7,449,222	26,996,914
Financial guarantee*	-	-	-	-
Unaudited				
31.12.2020				
Borrowings	1,088,844	4,355,376	9,378,534	14,822,754
Lease liabilities	572,142	748,164	-	1,320,306
Trade payables	5,014,768	-	-	5,014,768
Other payables	617,404	-	-	617,404
Total undiscounted financial liabilities	7,293,158	5,103,540	9,378,534	21,775,232
Financial guarantee*	1,247,814	-	-	1,247,814
Audited				
30.6.2021				
Borrowings	1,088,844	4,355,376	7,983,190	13,427,410
Lease liabilities	572,739	731,658	-	1,304,397
Trade payables	4,734,361	-	-	4,734,361
Other payables	880,220	-	-	880,220
Total undiscounted financial liabilities	7,276,164	5,087,034	7,983,190	20,346,388
Financial guarantee*	-	-	-	-

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

Financial risk management objective and policies (cont'd)

29.1 **Financial risks (cont'd)**

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.2 **Liquidity risk (cont'd)**

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

	Current	← **Non-current**	→	
	Within 1 year RM	2 to 5 years RM	More than 5 years RM	Total contractual cash flows RM
Audited (cont'd)				
30.6.2020				
Borrowings	1,764,806	4,355,376	10,547,097	16,667,279
Lease liabilities	482,361	977,777	-	1,460,138
Trade payables	3,719,334	-	-	3,719,334
Other payables	616,095	-	-	616,095
Dividend payable	5,000,000	-	-	5,000,000
Total undiscounted financial liabilities	11,582,596	5,333,153	10,547,097	27,462,846
Financial guarantee*	1,241,616	-	-	1,241,616
30.6.2019				
Borrowings	1,927,339	4,415,808	10,471,740	16,814,887
Lease liabilities	430,266	863,729	-	1,293,995
Trade payables	4,104,198	-	-	4,104,198
Other payables	2,878,624	-	-	2,878,624
Total undiscounted financial liabilities	9,340,427	5,279,537	10,471,740	25,091,704
Financial guarantee*	1,249,717	-	-	1,249,717
30.6.2018				
Borrowings	1,160,262	4,395,195	11,575,692	17,131,149
Lease liabilities	352,247	744,717	-	1,096,964
Trade payables	2,740,955	-	-	2,740,955
Other payables	3,888,456	-	-	3,888,456
Total undiscounted financial liabilities	8,141,920	5,139,912	11,575,692	24,857,524
Financial guarantee*	1,272,681	-	-	1,272,681

* This exposure is included in liquidity risk for illustration only. No financial guarantee was called upon by the holders as at the end of the reporting period/year.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.3 Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the combined entities. The combined entities' interest rate management objective is to manage the interest expenses to be consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The combined entities' borrowings at variable interest rates exposed to the risk of change in cash flow due to changes in interest rate. Short term receivables and payables are not significantly exposed to any interest rate risk.

Interest rate sensitivity analysis

The combined entities are exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates. The following is interest rate profile of the significant interest-bearing financial instrument, based on carrying amounts as at the reporting date:-

	Audited	Unaudited	←	Audited		→
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Fixed rate instruments						
Financial asset						
Short-term deposits with licensed banks	-	-	-	1,018,718	-	-
Financial liabilities						
Lease liabilities	(2,032,802)	(1,207,491)	(1,215,859)	(1,354,480)	(1,182,752)	(1,004,174)
Banker's acceptance	(909,000)	-	-	(948,000)	(844,000)	-
	(2,941,802)	(1,207,491)	(1,215,859)	(2,302,480)	(2,026,752)	(1,004,174)
	(2,941,802)	(1,207,491)	(1,215,859)	(1,283,762)	(2,026,752)	(1,004,174)
Floating rate instruments						
Financial liability						
Term loans	(10,018,101)	(10,664,964)	(10,327,829)	(10,668,611)	(10,935,404)	(11,442,582)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.3 Interest rate risk (cont'd)

Interest rate sensitivity analysis (cont'd)

The combined entities do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the combined entities do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 25 (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: +/- 25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Effect on profit for the financial years/periods	
	25bp increase	25bp decrease
	RM	RM
31.12.2021	(25,045)	25,045
31.12.2020	(26,662)	26,662
30.6.2021	(25,820)	25,820
30.6.2020	(26,672)	26,672
30.6.2019	(27,339)	27,339
30.6.2018	(28,606)	28,606

29.1.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The combined entities are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the combined entities. The currencies giving rise to these risks are primarily USD, RMB, SGD and JPY.

The combined entities' exposure to foreign currency risk, based on carrying amounts as at the reporting date was disclosed in the respective financial assets and financial liabilities note to the financial statements.

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.4 Foreign currency risk (cont'd)

To mitigate the combined entities' exposure to foreign currency risk, where necessary, the combined entities enter into forward foreign currency exchange contracts to hedge the risk exposure on the receivables and payables. The combined entities also maintain gross profit margin levels that is sufficient to absorb the cost of purchases denominated in foreign currencies.

Carrying amounts of the combined entities' exposure to foreign currency risk are as follows:-

	SGD RM	RMB RM	USD RM	JPY RM
Audited				
31.12.2021				
Financial assets				
Trade receivables	129,108	140,445	2,013,051	-
Other receivables	-	34,789	753,738	-
Cash and bank balances	15,433	483,069	1,200,967	-
Financial liability				
Trade payables	(533,731)	-	(312,502)	-
Net exposure	(389,190)	658,303	3,655,254	-
Unaudited				
31.12.2020				
Financial assets				
Trade receivables	83,775	221,373	135,335	-
Cash and bank balances	77,737	202,023	2,362,561	-
Financial liability				
Trade payables	(31,525)	-	(3,079)	-
Net exposure	129,987	423,396	2,494,817	-

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.4 Foreign currency risk (cont'd)

Carrying amounts of the combined entities' exposure to foreign currency risk are as follows (cont'd):-

	SGD RM	RMB RM	USD RM	JPY RM
Audited				
30.6.2021				
Financial assets				
Trade receivables	54,432	24,014	326,729	-
Other receivables	-	124,787	575,605	2,208
Cash and bank balances	309,010	197,994	2,206,664	-
Financial liability				
Trade payables	(24,698)	(881)	(383,338)	-
Net exposure	338,744	345,914	2,725,660	2,208
30.6.2020				
Financial assets				
Trade receivables	-	22,735	-	-
Other receivables	-	-	125,906	-
Cash and bank balances	-	23,789	2,643,847	-
Financial liability				
Trade payables	(42,948)	-	(200,164)	-
Net exposure	(42,948)	46,524	2,569,589	-
30.6.2019				
Financial assets				
Trade receivables	-	-	42,932	-
Other receivables	-	247,544	1,701	-
Cash and bank balances	-	43,579	1,265,297	-
Financial liability				
Trade payables	(12,225)	-	(169,639)	-
Net exposure	(12,225)	291,123	1,140,291	-

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

Financial risk management objective and policies (cont'd)

29.1 **Financial risks (cont'd)**

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.4 **Foreign currency risk (cont'd)**

Carrying amounts of the combined entities' exposure to foreign currency risk are as follows (cont'd):-

	SGD RM	RMB RM	USD RM	JPY RM
Audited (cont'd)				
30.6.2018				
Financial assets				
Other receivables	-	-	1,583	-
Cash and bank balances	-	92,902	37,348	-
Financial liability				
Trade payables	-	-	(61,572)	-
Net exposure	-	92,902	(22,641)	-

Foreign currency sensitivity analysis

Exposures to foreign exchange rates vary during the financial periods/years depending on the volume of overseas transactions.

The following table demonstrates the sensitivity to profit or loss with regards to the combined entities' financial instruments to a reasonably possible change in the SGD, RMB, USD and JPY exchange rates against the functional currency of the combined entities, with all other variables held constant.

	Effect on profit or loss					
	Audited	Unaudited	Audited			
	31.12.2021 RM	31.12.2020 RM	30.6.2021 RM	30.6.2020 RM	30.6.2019 RM	30.6.2018 RM
SGD/RM - strengthened 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	(7,784)	2,600	6,775	(859)	(245)	-
- weakend 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	7,784	(2,600)	(6,775)	859	245	-

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.4 Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

The following table demonstrates the sensitivity to profit or loss with regards to the combined entities' financial instruments to a reasonably possible change in the SGD, RMB, USD and JPY exchange rates against the functional currency of the combined entities, with all other variables held constant (cont'd).

	Effect on profit or loss					
	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
RMB/RM - strengthened 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	13,166	8,468	6,918	930	5,822	1,858
- weakend 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	(13,166)	(8,468)	(6,918)	(930)	(5,822)	(1,858)
USD/RM - strengthened 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	73,105	49,896	54,513	51,392	22,806	(453)
- weakend 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	(73,105)	(49,896)	(54,513)	(51,392)	(22,806)	453
JPY/RM - strengthened 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	-	-	44	-	-	-
- weakend 2% (30.6.2021, 31.12.2020, 30.6.2020, 30.6.2019 and 30.6.2018: 2%)	-	-	(44)	-	-	-

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objective and policies (cont'd)

29.1 Financial risks (cont'd)

The main areas of financial risks faced by the combined entities and the policy of the major areas of treasury activity are set out as follows (cont'd):-

29.1.4 Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

The assumed movement in the above foreign currency rate for the foreign currency exchange rate sensitivity analysis is based on the prudent estimate of the current market environment.

The exposure to foreign exchange risk varies during the financial periods/years depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the combined entities' exposure to foreign currency risk.

30. FAIR VALUE MEASUREMENT

The carrying amounts of financial assets of the combined entities at the reporting date approximate their fair value because it is floating rate instrument which is re-priced to market rates on or near reporting date or it has a short maturity period.

The following table summaries the method used in determining the fair value of financial assets on a recurring basis as at 31 December 2021, 31 December 2020, 30 June 2021, 30 June 2020, 30 June 2019 and 30 June 2018:-

Financial assets	Fair value as at years/periods ended						Fair value hierarchy	Valuation techniques and key inputs
	Audited 31.12.2021 RM	Unaudited 31.12.2020 RM	Audited 30.6.2021 RM	Audited 30.6.2020 RM	Audited 30.6.2019 RM	Audited 30.6.2018 RM		
Financial assets at fair value through profit or loss	2,003,166	4,027,502	4,031,611	-	-	-	Level 1	Quoted bid prices in an active market

31. CAPITAL COMMITMENTS

	Audited	Unaudited	Audited			
	31.12.2021	31.12.2020	30.6.2021	30.6.2020	30.6.2019	30.6.2018
	RM	RM	RM	RM	RM	RM
Authorised and contracted for:-						
- Plant and machinery	555,229	285,719	577,235	293,779	83,037	-
- Software	2,115,235	40,000	2,135,235	90,000	129,999	-
- Freehold building	109,250	68,000	100,000	214,812	-	-
	2,779,714	393,719	2,812,470	598,591	213,036	-

32. OPERATING SEGMENTS

For management purposes, majority of the operations of the combined entities are involved in the manufacturing and sales of health supplements and beverage. There were no separate business units for the purpose of making decisions about resource allocation and performance assessment by the Managing Director.

Geographical information

Revenue information based on the geographical location of customers are disclosed in Note 21 to the Combined Financial Statements.

The combined entities' non-current assets are all located in Malaysia.

Major customers

Revenue from two (30.6.2021, 30.6.2020 and 30.6.2019: two, 31.12.2020: two and 30.6.2018: three) major customers amount to RM38,295,313 (30.6.2021: RM44,749,089, 31.12.2020: RM24,321,390, 30.6.2020: RM27,394,547, 30.6.2019: RM17,703,359 and 30.6.2018: RM22,399,503) of the combined entities'.

33. CAPITAL MANAGEMENT

The combined entities' objective when managing capital are to safeguard the combined entities' ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the combined entities may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital managed in the combined entities is the shareholder's funds as shown in the combined statements of financial position. There were no changes in the combined entities' approach to capital management during the financial years.

34. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL PERIOD/YEAR

Coronavirus Disease 2019

The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since end 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysia Government imposed the Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO"), Recovery Movement Control Order ("RMCO"), Full Movement Control Order ("FMCO") and Enhanced Movement Control Order ("EMCO") at various stages in various states from 18 March 2020 up to the date of this report. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy. The deterioration of world economy has also created additional uncertainties to the business of the combined entities.

34. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL PERIOD/YEAR (CONT'D)

Coronavirus Disease 2019 (cont'd)

As at the date of this report, the management of the combined entities have assessed the overall impact of the situation on the combined entities' operations and financial position, and it is concluded that there are no material effects on the financial statements for the financial period ended 31 December 2021. The management is unable to reliably estimate the financial impact of COVID-19 on the combined entities' financial results for the financial year ending 30 June 2021 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending 30 June 2022.

Initial Public Offering ("IPO")

In conjunction with the IPO of the combined entities which entails public issue of 96,668,000 new ordinary shares ("Shares") in the Company of which 12,393,400 new shares available for application by the Malaysian Public, 6,196,700 new shares available for application by the eligible Directors and employees of the combined entities as well as persons who have contributed to the success of the combined entities and 78,077,900 new shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry and selected investors.

ORGABIO HOLDINGS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the combined entities, do hereby state that, in our opinion, the combined financial statements set out on the pages 4 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 31 December 2021, 31 December 2020, 30 June 2021, 30 June 2020, 30 June 2019 and 30 June 2018, and of its combined financial performance and cash flows for the financial years ended 30 June 2021, 30 June 2020, 30 June 2019, 30 June 2018 and financial periods ended 31 December 2021 and 31 December 2020.

....	....
DATO' EAN YONG TIN SIN	EAN YONG HIEN VOON

Kuala Lumpur
17 May 2022

ORGABIO HOLDINGS BERHAD
(Registration No.: 201801016797 (1278813-M))
(Incorporated in Malaysia)

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member Firm of Grant Thornton International Ltd.

GrantThornton

REPORTING ACCOUNTANTS' ASSURANCE REPORT ON COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
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F +603 2691 5229

Date: 17 May 2022

The Board of Directors
Orgabio Holdings Berhad
Lot 83, Jalan Kesuma 2/3, Phase 5D
Bandar Tasik Kesuma Techno Park
43700 Beranang
Selangor Darul Ehsan

Dear Sirs,

REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of Orgabio Holdings Berhad and of its subsidiaries (collectively known as "the combined entities" or "Orgabio Group") as at 31 December 2021 together with the accompanying notes are prepared by the Board of Directors of Orgabio Group for inclusion in the prospectus of the Company ("the Prospectus") in connection with the proposed listing of and quotation for the entire enlarged issued share capital of Orgabio Group on the ACE Market of Bursa Malaysia Securities Berhad and have been stamped by us for identification purposes.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors based on the applicable criteria as specified in the Chapter 9, Part II Division 1, Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Combined Statements of Financial Position issued by the Malaysian Institute of Accountants and described in the notes as set out in Basis of Preparation of Pro Forma Combined Statements of Financial Position ("Applicable Criteria").

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors for illustrative purposes only and for inclusion into the prospectus of Orgabio Group in connection with the proposed listing of and quotation for the entire enlarged issued share capital of Orgabio Group on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing").

As part of this process, information about the combined entities' combined financial position has been extracted by the Directors from the audited statements of financial position of the combined entities as at 31 December 2021, on which was reported by us to the members of the combined entities on 17 May 2022 without any modification.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The Directors are responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis of the Applicable Criteria.

Our Independence and Quality Control

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

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion as required by the Securities Commission, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the impact of a significant event or transaction or unadjusted financial information on the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

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Our Responsibility (cont'd)

The procedures selected depend on our judgement, having regard to our understanding of the nature of the combined entities, the event or transaction in respect of which the Pro Forma Combined Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria.

Other matters

This letter has been prepared at your request for inclusion in the Prospectus of Orgabio Holdings Berhad in connection with the Proposed Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT	LEE YIK LOONG
(201906003682 & LLP0022494-LCA)	(NO: 03630/12/2023 J)
CHARTERED ACCOUNTANTS (AF 0737)	CHARTERED ACCOUNTANT

Kuala Lumpur

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION *(Cont'd)*

ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

The Pro Forma Combined Statements of Financial Position of Orgabio Group as at 31 December 2021 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 December 2021, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

		At 31 December 2021	Adjustments for Proposed Public Issue ("IPO")	Proforma I After Proposed Public Issue ("IPO")	Adjustments for Proposed Utilisation of Proceeds from IPO	Proforma II After Proposed Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM
ASSETS						
Non-current assets						
Property, plant and equipment	3.01	19,117,576	-	19,117,576	18,230,000	37,347,576
Investment properties	3.02	1,958,517	-	1,958,517	-	1,958,517
Total non-current assets		21,076,093		21,076,093		39,306,093
Current assets						
Inventories	3.03	7,630,424	-	7,630,424	-	7,630,424
Trade receivables	3.04	6,806,562	-	6,806,562	-	6,806,562
Other receivables	3.05	2,819,860	-	2,819,860	-	2,819,860
Tax recoverable	3.06	1,255,646	-	1,255,646	-	1,255,646
Financial assets at fair value through profit or loss	3.07	2,003,166	-	2,003,166	-	2,003,166
Cash and bank balances	3.08	4,159,637	29,967,080	34,126,717	(21,830,000)	12,296,717
Total current assets		24,675,295		54,642,375		32,812,375
Total assets		45,751,388		75,718,468		72,118,468
EQUITY AND LIABILITIES						
Equity						
Equity attributable to owners of Orgabio Holdings Berhad:-						
Share capital	3.09	15,120,002	29,967,080	45,087,082	(1,264,827)	43,822,255
Merger deficit	3.10	(14,186,497)	-	(14,186,497)	-	(14,186,497)
Retained earnings	3.11	20,046,137	-	20,046,137	(2,335,173)	17,710,964
Total equity		20,979,642		50,946,722		47,346,722

ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

The Pro Forma Combined Statements of Financial Position of Orgabio Group as at 31 December 2021 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 December 2021, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position (cont'd).

		At 31 December 2021	Adjustments for Proposed Public Issue ("IPO")	Proforma I After Proposed Public Issue ("IPO")	Adjustments for Proposed Utilisation of Proceeds from IPO	Proforma II After Proposed Utilisation of Proceeds from IPO
		RM	RM	RM	RM	RM
EQUITY AND LIABILITIES (CONT'D)						
LIABILITIES						
Non-current liabilities						
Borrowings	3.12	9,355,673	-	9,355,673	-	9,355,673
Lease liabilities	3.13	1,461,424	-	1,461,424	-	1,461,424
Deferred tax liabilities	3.14	297,000	-	297,000	-	297,000
Total non-current liabilities		11,114,097		11,114,097		11,114,097
Current liabilities						
Trade payables	3.15	9,113,915	-	9,113,915	-	9,113,915
Other payables	3.16	2,400,928	-	2,400,928	-	2,400,928
Borrowings	3.12	1,571,428	-	1,571,428	-	1,571,428
Lease liabilities	3.13	571,378	-	571,378	-	571,378
Total current liabilities		13,657,649		13,657,649		13,657,649
Total liabilities		24,771,746		24,771,746		24,771,746
Total equity and liabilities		45,751,388		75,718,468		72,118,468
Issued ordinary share capital (Unit)	3.09	151,200,000	96,668,000	247,868,000	-	247,868,000
Net assets per share (RM)		0.14		0.21		0.19
Borrowing		12,959,903		12,959,903		12,959,903
Gearing ratio (times)		0.62		0.25		0.27

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ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

1. **BASIS OF PREPARATION**

The Pro Forma Combined Statements of Financial Position of Orgabio Group has been prepared for illustrative purposes and on the assumptions that all the transactions mentioned as per Note 2 to the Pro Forma Combined Statements of Financial Position had taken place on 31 December 2021.

The Applicable Criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are as describe below and are prepared in accordance with the requirements of Chapter 9, Part II Division 1, Equity of the Prospectus Guidelines as issued by Securities Commission Malaysia and the Guideline Note for Issuers of Pro Forma Combined Statements of Financial Position issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited Combined Financial Statements of the combined entities for the financial period ended 31 December 2021 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Prospectus Guidelines.

The audited Combined Financial Statements of the Orgabio Group for the financial period ended 31 December 2021 was not subject to any audit qualification.

2. **LISTING SCHEME**

(i) **Pro Forma I: Proposed Public Issue ("IPO")**

The IPO involves a public issue of 96,668,000 new ordinary shares in Orgabio Group at an indicative issue price of RM0.31 per share.

In conjunction with the IPO, the Company would seek the listing and quotation of its entire enlarged issued share capital comprising 247,868,000 ordinary shares in Orgabio Group on the ACE Market of Bursa Malaysia Securities Berhad.

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ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

2. **LISTING SCHEME (CONT'D)**

(ii) **Pro Forma II: Proposed Utilisation of Proceeds from IPO**

Gross proceeds from the IPO of RM29,967,080 are expected to be utilised as follows:-

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM	% of total gross proceeds from the Public Issue
Construction of new factory	March 2023	**16,000,000**	**53.39%**
Acquisition of machinery	4 months (1)	**2,230,000**	**7.44%**
General working capital	12 months (2)	**8,137,080**	**27.15%**
Estimated listing expenses*	1 month (2)	**3,600,000**	**12.02%**
Total estimated proceeds		**29,967,080**	**100.00%**

(1) From the estimated completion of construction our new factory.
(2) From the date of listing of the Shares.

* If the actual proceeds are higher than budgeted above, the excess will be used for working capital. Conversely, if the actual proceeds are lower than budgeted above, the proceeds allocated for working capital will be reduced accordingly.

The listing expenses are estimated at RM3,600,000 and will be set off against the share capital and profit or loss accordingly. The apportionment is disclosed in Notes 3.09 and 3.11.

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ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

3.01 PROPERTY, PLANT AND EQUIPMENT

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

	RM
At 31 December 2021/As per Pro Forma I	19,117,576
Pursuant to Utilisation of Proceeds from IPO	
- Capital expenditure	18,230,000
As per Pro Forma II	37,347,576

3.02 INVESTMENT PROPERTIES

The movements in investment properties are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	1,958,517

3.03 INVENTORIES

The movements in inventories are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	7,630,424

3.04 TRADE RECEIVABLES

The movements in trade receivables are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	6,806,562

3.05 OTHER RECEIVABLES

The movements in other receivables are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	2,819,860

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ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.06 TAX RECOVERABLE

The movements in tax recoverable are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	1,255,646

3.07 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The movements in financial assets at fair value through profit or loss are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	2,003,166

3.08 CASH AND BANK BALANCES

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

	RM
At 31 December 2021	4,159,637
Pursuant to Proposed Public Issue ("IPO")	29,967,080
As per Pro Forma I	34,126,717
Pursuant to Utilisation of Proceeds from IPO	
- Construction of new factory and renovation	(16,000,000)
- Purchase of plant and machineries	(2,230,000)
- Listing expenses	(3,600,000)
As per Pro Forma II	12,296,717

ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.09 SHARE CAPITAL

The movements in share capital are as follows:-

	RM
At 31 December 2021	15,120,002
Pursuant to Proposed Public Issue ("IPO")	29,967,080
As per Pro Forma I	45,087,082
Pursuant to Utilisation of Proceeds from IPO	(1,264,827)
As per Pro Forma II	43,822,255

3.10 MERGER DEFICIT

The movements in merger deficit are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	(14,186,497)

3.11 RETAINED EARNINGS

The movements in retained earnings are as follows:-

	RM
At 31 December 2021/As per Pro Forma I	20,046,137
Pursuant to Utilisation of Proceeds from IPO	
- Estimated listing expenses	(2,335,173)
As per Pro Forma II	17,710,964

3.12 BORROWINGS

The movements in borrowings are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	
- Non-current liabilities	9,355,673
- Current liabilities	1,571,428
	10,927,101

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ORGABIO HOLDINGS BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (CONT'D)

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.13 LEASE LIABILITIES

The movements in lease liabilities are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	
- Non-current liabilities	1,461,424
- Current liabilities	571,378
	2,032,802

3.14 DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	297,000

3.15 TRADE PAYABLES

The movements in trade payables are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	9,113,915

3.16 OTHER PAYABLES

The movements in other payables are as follows:-

	RM
At 31 December 2021/As per Pro Forma I to II	2,400,928

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GRANT THORNTON MALAYSIA PLT

14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

(i) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.

(ii) Save for 6,196,700 Shares under the Pink Form Allocations as disclosed in Sections 4.4.1(ii),

(a) no Director, employee or business associate of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(iii) Save for the new Shares issued and to be issued pursuant to the Acquisition of Subsidiaries and the Public Issue as disclosed in Sections 6.2.2 and 4.4.1 respectively and the 2 Shares held by Low Wei Leong and Ong Boon Fern, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(iv) Other than our Public Issue as disclosed in Section 4.4.1, there is no intention on the part of our Directors to further issue any Shares.

(v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

14.2 CONSTITUTION

The following provisions are extracted from our Company's Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Company's Constitution are based on the current Listing Requirements and the Act.

(i) Remuneration, voting and borrowing power of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing power of Directors are as follows:

Clause	Details	Subject
126.	The fees and any benefits payable to the Directors from time to time, be determined by an ordinary resolution in the general meeting of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, Provided Always that:	Remuneration

Clause		Details	Subject
		(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;	
		(b) salaries and other emoluments payable to executive Directors pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover;	
		(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and	
		(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of that Director.	
127.	(1)	The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise, howsoever, in or about the business of the Company in the course of the performance of their duties as Directors.	Reimbursement and Special Remuneration
	(2)	If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular, without limiting to the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided by the Directors.	
166.		The remuneration of a Director holding an executive officer pursuant to this Constitution shall subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.	Remuneration of Director Holding Executive Office

Clause		Details	Subject
131.	(1)	The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party, Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.	Directors' Borrowing Powers
	(2)	The Directors shall cause a proper register to be kept in accordance with the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.	
	(3)	If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.	
143.		A meeting of the Directors, for the time being at which a quorum is present, shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution, vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.	Proceedings of Meeting
144.		In case of equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the question at issue, or at the meeting where only two (2) Directors form the quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue.	Chairman Has Casting Vote
152.		A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested, either as an officer of that other company or as a holder of shares or other securities in that other company.	Directors Retained from Voting in Interested Transactions
155.		Subject to relevant provisions of this Constitution, a Director may vote in respect of: (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by	Director May Vote on The Giving of Security or Indemnity Where He is Interested

Clause	Details	Subject
	him to or obligations undertaken by him for the benefit of the Company; or	
	(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.	
	By an ordinary resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and, either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause, may be ratified.	

(ii) Changes to Share Capital

Clause	Details	Subject
69.	The Company may, from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.	Increase of Share Capital
70.	Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.	Issue of New Shares to Existing Members

Clause	Details	Subject
71.	The Company may alter its share capital by passing an ordinary resolution to: (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived; or (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.	Alteration of Share Capital
72.	The Company may, subject to the Act, by special resolution, reduce its share capital in any manner authorised by law.	Capital Reduction

(iii) Transfer of securities

Clause	Details	Subject
54.	The transfer of any listed security or class of listed security in the Company shall be by way of book entry by the Depository in accordance with the Rules, subject to the provisions of the Act and any exemption that may be made from compliance with provisions of the Act, the Company shall be precluded from registering and effecting any transfer of listed security.	Transfer of Securities
55.	Every instrument of transfer (for any share not being a deposited security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the transfer, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.	Instrument of Transfer
56.	No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.	Person Under Disability
57.	Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Twelve (12) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Depository to prepare the appropriate Record of Depositors.	Suspension Registration

Clause		Details	Subject
58.		The Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.	Refusal to Register Transfer
59.		Subject to the provisions of the Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.	Renunciation
60.		Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.	Non-Liability of the Company, its Directors and Officers in Respect of Transfer

(iv) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause		Details	Subject
12.		The Company shall have power to issue preference capital ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.	Power to Issue Preference
13.	(1)	Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings of the Company.	Rights of Preference Shareholders
	(2)	Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital of the Company or sanctioning a disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or on a proposal to wind up the Company or during the winding up of the Company, but shall have no other rights whatsoever.	

Clause	Details	Subject
(3)	The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.	
21.	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to provisions of this Constitution, the Act, and any other requirements under the Listing Requirements, the Central Depositories Act and/or the Rules, the Company in general meeting may by ordinary resolution give the power to the Directors to exercise specific allotments. With prior approval of the Company in a general meeting, the Directors may allot, grant options over or otherwise dispose the share capital of the Company to such persons, at such times, and on such terms as they think proper, but so that no shares shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting. No shares shall be issued at a discount, except in accordance with the Act.	Issue of Securities
26.	If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes, the repayment of such preferred capital or all or any of the rights and privileges attached to each class of shares may subject to the provisions of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by resolution passed by the holders of at least three-fourth (3/4) of the issued shares of that class at a separate meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum hereof shall be two (2) persons at least holding or representing by proxy one third of the issued shares of the class. Provided however that in the event of the necessary majority for such a resolution not having been obtained in the manner aforesaid consent in writing may be secured by members holding at least three-fourths (3/4) of the issued shares of the class and such consent if obtained within two (2) months from the date of the separate meeting shall have the force and validity of a resolution duly carried. To every such resolution the provisions of the Act, shall with such adaptations as are necessary apply.	Modification of Rights
27.	The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.	Special Right to Any Class of Share

14.3 GENERAL INFORMATION

(i) Save for the purchase consideration paid to the shareholders of our subsidiaries pursuant to the Acquisition of Subsidiaries as disclosed in Section 6.2, Directors' remuneration as disclosed in Section 5.2.4, dividends paid to our Promoter as disclosed in Section 11.13, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoter, Director or substantial shareholder.

(ii) Save as disclosed in Section 9.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 15.

(iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.4 CHANGES IN SHARE CAPITAL

As at the LPD, our share capital is RM15,120,001.80 comprising 151,200,000 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration RM	Cumulative share capital RM
2 May 2018	2	2.00	2.00
28 August 2021	151,199,998	15,119,999.80	15,120,001.80

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will be increased to RM45,087,081.80 comprising 247,868,000 Shares from the issuance of 96,668,000 Issue Shares.

The share capital of our subsidiaries is as follows.

14.4.1 Orgabio Manufacturing

As at the LPD, Orgabio Manufacturing's share capital is RM200,000.00 comprising 200,000 ordinary shares.

The changes in the share capital of Orgabio Manufacturing since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
10 May 2006	3	3.00	3.00
17 July 2009	80,000	80,000.00	80,003.00
13 April 2011	19,997	19,997.00	100,000.00
24 December 2013	100,000	100,000.00	200,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Orgabio Manufacturing. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.2 Orgapharma Herbal

As at the LPD, Orgapharma Herbal's share capital is RM350,000.00 comprising 350,000 ordinary shares.

The changes in the share capital of Orgapharma Herbal since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
31 May 2002	3	3.00	3.00
19 August 2002	99,997	99,997.00	100,000.00
29 August 2009	150,000	150,000.00	250,000.00
25 November 2009	100,000	100,000.00	350,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Orgapharma Herbal. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.3 Orgapharma Marketing

As at the LPD, Orgapharma Marketing's share capital is RM300,003.00 comprising 300,003 ordinary shares.

The changes in the share capital of Orgapharma Marketing since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
09 June 2003	3	3.00	3.00
29 November 2010	300,000	300,000.00	300,003.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Orgapharma Marketing. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.4 Everyday F&B

As at the LPD, Everyday F&B's share capital is RM83,500.00 comprising 83,500 ordinary shares.

The changes in the share capital of Everyday F&B since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
2 March 2016	2	2.00	2.00
28 June 2017	83,498	83,498.00	83,500.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Everyday F&B. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.5 CONSENTS

(i) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(ii) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the Pro forma Consolidated Financial Information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(iii) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report titled "Independent Market Research Report on the Instant Beverage Premix Industry in Malaysia", in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

14.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(i) Constitution of our Company;

(ii) The audited financial statements of the Orgabio Holdings Group for the FYEs 2018, 2019, 2020 and 2021 as well as the audited financial statements of the Orgabio Holdings for the FPE 2022;

(iii) The Accountants' Report as set out in Section 12;

(iv) The Reporting Accountants' reports relating to our pro forma consolidated statements of financial information as set out in Section 13;

(v) The IMR Report as set out in Section 7;

(vi) The material contracts as set out in Section 6.16; and

(vii) The letters of consent as set out in Section 14.5.

14.7 RESPONSIBILITY STATEMENTS

Our Directors and Promoter have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledge 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.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M. ON 15 JUNE 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M. ON 21 JUNE 2022

In the event there is any change to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees as well as persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

15.2.2 Placement

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera Investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) A Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) A corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) A superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form;

(b) Electronic Share Application; or

(c) Internet Share Application.

15.3.3 Application by our eligible Directors and employees as well as persons who have contributed to the success of our Group

Our eligible Directors and employees as well as persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.31 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO 708"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) Despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

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

(ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in box provided at the following address:

Tricor Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 21 June 2022 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) Reject Applications which:

(a) Do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) Are illegible, incomplete or inaccurate; or

(c) Are accompanied by an improperly drawn up, or improper form of, remittance; or

(ii) Reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) Bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.8.1 For applications by way of Application Forms

(i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.8.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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