

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical combined financial information for the Financial Years Under Review presented below have been extracted from the Accountants' Report included in Section 13 of this Prospectus.

Our combined financial statements have been prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standard Board ("**MFRS Accounting Standards**"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**").

The following selected historical combined financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus and the Accountants' Report in Section 13 of this Prospectus.

12.1.1 Selected historical combined financial information

(i) Selected financial information from the historical combined statements of profit or loss and other comprehensive income

Our financial information for the Financial Years Under Review from our historical combined financial statements of profit or loss and other comprehensive income is as set out in the table below:

	Audited		
	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Revenue	422,486	511,747	591,243
Cost of sales	(164,261)	(202,923)	(202,608)
Gross profit	258,225	308,824	388,635
Other income	4,288	4,014	2,811
Administrative expenses	(161,690)	(243,371)	(294,527)
Selling and distribution expenses	(1,451)	(1,361)	(5,004)
Other expenses	(2,851)	(3,160)	(3,397)
Net losses on impairment of financial instruments	(595)	(245)	(136)
Results from operating activities	95,926	64,701	88,382
Finance income	590	433	608
Finance costs	(5,066)	(9,836)	(14,114)
Share of results of associate/JV	(572)	(415)	107
PBT	90,878	54,883	74,983
Tax expense	(26,345)	(16,368)	(23,387)
Profit for the year	64,533	38,515	51,596
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(190)	93	631
Other comprehensive income/(expenses), net of tax	(190)	93	631
Total comprehensive income for the year	64,343	38,608	52,227

12. FINANCIAL INFORMATION (Cont'd)

	Audited		
	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Profit for the financial years attributable to:			
- Owners of the Company	66,026	38,696	50,797
- Non-controlling interests	(1,493)	(181)	799
	64,533	38,515	51,596
Total comprehensive income for the financial years attributable to:			
- Owners of the Company	65,799	38,798	51,416
- Non-controlling interests	(1,456)	(190)	811
	64,343	38,608	52,227
	FYE 30 June		
	2022	2023	2024
Other selected financial data			
Adjusted EBITDA (RM'000) ⁽¹⁾	123,337	108,188	148,091
Gross profit margin (%) ⁽²⁾	61.1	60.3	65.7
Adjusted EBITDA margin (%) ⁽³⁾	29.2	21.1	25.0
PBT margin (%) ⁽⁴⁾	21.5	10.7	12.7
PATAMI margin (%) ⁽⁴⁾	15.6	7.6	8.6
Effective tax rate (%) ⁽⁵⁾	29.0	29.8	31.2
Basic / Diluted EPS (sen) ⁽⁶⁾	5.7	3.3	4.3

Notes:

(1) Adjusted EBITDA is computed based on the following:

	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
PBT	90,878	54,883	74,983
Add/(Less):			
Finance costs	5,066	9,836	14,114
Depreciation – PPE	12,019	21,617	28,737
Depreciation – ROU assets	14,797	21,599	30,624
Amortisation of intangible assets	-	26	212
Finance income	(590)	(433)	(608)
EBITDA	122,170	107,528	148,062
Add/(Less):			
Share of results of associate/JV	572	415	(107)
Net losses on impairment of financial instruments	595	245	136
Adjusted EBITDA	123,337	108,188	148,091

(2) Gross profit margin is computed based on gross profit divided by revenue.

(3) Adjusted EBITDA margin is computed based on Adjusted EBITDA divided by revenue.

12. FINANCIAL INFORMATION (Cont'd)

- (4) *PBT and PATAMI margins are computed based on PBT divided by revenue and PATAMI divided by revenue, respectively.*
- (5) *Effective tax rate was computed based on tax expenses divided by PBT.*
- (6) *Basic EPS is computed based on the profit for the financial years attributable to owners of our Company divided by our enlarged issued Shares of 1,169,188,203 upon our Listing. Diluted EPS is equivalent to basic EPS as there were no potentially dilutive equity instruments in issue.*

EBITDA, Adjusted EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with the IFRS and MFRS. Furthermore, EBITDA and Adjusted EBITDA are not measures of our financial performance or liquidity under the IFRS and MFRS and should not be considered as an alternative to net profit, operating profit or any other performance measures derived in accordance with the IFRS or MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA and Adjusted EBITDA are not standardised terms, and hence, a direct comparison of EBITDA and Adjusted EBITDA between companies may not be meaningful. Other companies may calculate EBITDA and Adjusted EBITDA differently from us, limiting its usefulness as a comparative measure.

(ii) Selected historical combined statements of financial position

Our financial information for Financial Years Under Review from our historical combined statements of financial position is as set out in the table below:

	Audited		
	As at 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Non-current assets	129,827	233,552	271,876
Current assets	100,096	124,811	120,197
Total assets	229,923	358,363	392,073
Non-current liabilities	65,178	123,900	132,299
Current liabilities	103,518	162,898	166,751
Total liabilities	168,696	286,798	299,050
Net assets	61,227	71,565	93,023
Net current liabilities	3,422	38,087	46,554
Equity			
Share capital	(4)	(4)	(4)
Invested equity	15,300	15,300	15,300
Reserves	47,227	52,708	74,124
Equity attributable to owners of the Company	62,527	68,008	89,424
Non-controlling interests	(1,300)	3,557	3,599
Total equity	61,227	71,565	93,023

12. FINANCIAL INFORMATION (Cont'd)

	Audited		
	As at 30 June		
	2022	2023	2024
Other selected financial data			
Total borrowings (excluding lease liabilities) (RM'000)	14,139	62,657	52,073
Net (cash)/borrowings (RM'000) ⁽¹⁾	(9,675)	24,425	5,123
Gearing ratio (times) ⁽²⁾	0.2	0.9	0.6
Net gearing ratio (times) ⁽³⁾	⁽⁵⁾ N/A	0.3	0.1

Notes:

- (1) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents as at the end of the financial year.
- (2) Computed based on total borrowings (excluding lease liabilities) divided by total equity as at the end of the financial year.
- (3) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents divided by total equity as at the end of the financial year.
- (4) Represents RM2 only.
- (5) Net gearing ratio is not applicable as our Group was in a net cash position.

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

The following discussion and analysis of our Group's financial condition and results of operations is based on our combined financial information for the Financial Years Under Review which have been extracted from the Accountants' Report included in Section 13 of this Prospectus.

There are no accounting policies that are peculiar to our Group because of the nature of our business and industry in which we operate. See Note 1 of the Accountants' Report as set out in Section 13 of this Prospectus for further details on the accounting policies of our Group.

12.2.1 Overview of our business

We own two (2) brands, namely Tealive and Bask Bear, that operate in two (2) segments within the F&B services industry in Malaysia.

According to the estimate stated in the IMR Report, our Tealive brand is the largest F&B services brand in Malaysia by number of stores and the largest player within the tea shops segment by number of stores as at the LPD. On the other hand, according to the estimate stated in the IMR Report, Bask Bear is the largest player within the café segment by number of stores as at the LPD. The operations for these two (2) brands are carried out through our directly-owned stores and our franchised/licenced stores operated and managed by entities outside our Group.

In addition to Tealive and Bask Bear operations, we also sell sparkling water machines and carbonating gas cylinders to businesses and consumers under our SodaXpress brand. We also hold a 35.0% equity interest in each of Wonder Group and WonderBrew, which produce and distribute WonderBrew kombucha, a ready-to-drink fermented tea.

See Section 7 of this Prospectus for further details on our business.

12. FINANCIAL INFORMATION (Cont'd)**12.2.2 Significant factors affecting our financial condition and results of operations**

Our financial condition and results of operations have been, and are expected to be affected by a number of factors, including those set out below:

(i) Growth in our network of Tealive and Bask Bear stores

Our sales correlate directly to the number of stores that we and our franchisees/licensees operate but in particular, our Corporate Stores. F&B sales from our Corporate Stores accounted for 66.1%, 74.3% and 78.8%, and revenue from the supply of goods to our franchisees/licensees under our Tealive and Bask Bear brands and from our SodaXpress brand accounted for 29.0%, 20.4% and 17.3% of our revenue for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024 respectively.

In addition, franchise/licence fees and royalty accounted for 2.9%, 3.7% and 2.4%, and management and marketing income accounted for 2.0%, 1.6% and 1.5% of our revenue for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, respectively.

Since opening our first Tealive Corporate Store in 2017 and Bask Bear Corporate Store in 2019, we have experienced rapid growth, culminating in a network of 831 Tealive stores, comprising 547 Tealive Corporate Stores and 284 Tealive Franchised Stores in Malaysia, and 135 Bask Bear stores, comprising 129 Bask Bear Corporate Stores and six (6) Bask Bear Franchised Stores in Malaysia, as at the LPD. In addition, we also have franchisees/licensees for our Tealive brand internationally, with operations in the Philippines, Myanmar, Brunei, Mauritius, Vietnam, Cambodia and Canada, comprising a total of 121 Tealive Franchised/Licensed Stores across these jurisdictions. Against this backdrop, our revenue has grown steadily for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024. We believe that our ability to generate and grow our revenue in the future is dependent on our ability to continue to expand our network of stores.

The following table sets out our Group's POS sales from our Tealive stores and the number of Tealive stores that we had at the beginning and end of each of the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
POS sales from Tealive stores (RM'000)	532,017	539,832	569,612
Tealive stores as at the beginning of the year	609	753	829
Tealive stores as at the end of the year	753	829	838

The following table sets out our Group's POS sales from our Bask Bear stores and the number of Bask Bear stores that we had at the beginning and end of each of the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
POS sales from Bask Bear stores (RM'000)	5,893	63,732	101,903
Bask Bear stores as at the beginning of the year	10	24	95
Bask Bear stores as at the end of the year	24	95	128

In the past three (3) financial years, our POS sales grew in line with the growth of the number of our Tealive and Bask Bear stores.

12. FINANCIAL INFORMATION (Cont'd)

As the number of our Corporate Stores grow, our operating expenses and cost of sales such as cost of inventory and equipment, employee benefits expenses, utilities and depreciation on PPE and ROU assets will also increase. However, we leverage on our low cost and high access model to open new stores efficiently. We keep the setup, operating and maintenance costs of each store relatively low by adopting efficient store layouts, minimising renovation expenses, implementing lean staffing models and centralising administrative functions. At the same time, we prioritise opening of new stores in strategic and high-visibility locations such as transportation hubs, residential clusters or popular shopping districts where high foot traffic and easy accessibility help drive customer visits without significant marketing spend.

The increased scale of our operations allows us to benefit through economies of scale, for example, through our ability to secure more favourable terms from our suppliers as we have more relative bargaining power. In addition, the operational efficiency of our network of stores is enhanced through improved supply chain performance, supported by shared resources and optimised processes. For example, as our network of stores grows, distribution and logistics become more efficient with consolidated deliveries and optimised routes. Shared marketing benefits also arise as marketing campaigns can cover a larger number of stores without a proportional increase in cost.

New stores also help us increase our market share, by allowing us to reach a wider group of customers. The efficiency of our Tealive and Bask Bear operations coupled with the size of our store network provide an effective platform to grow our market share and revenue through new store openings.

Overall, we aim to grow Tealive and Bask Bear's presence within Malaysia, by opening new stores in areas which we believe have growth potential, as well as internationally, through our established processes and criteria for selecting suitable store locations in order to accelerate the growth of our Corporate Stores, as well as our overseas master franchisees. In line with our growth strategy, we have opened 41 new Tealive stores and 10 new Bask Bear stores across Malaysia during the FYE 30 June 2025. In addition, we are committed to opening 55 Tealive stores annually over the next three (3) financial years, and we plan to maintain a well-distributed rollout of 20 new Bask Bear stores annually over the next three (3) financial years.

(ii) Productivity and performance of our stores

The average spend per transaction and the total number of transactions at our stores are the primary drivers for our overall financial performance and have a direct impact on our revenue, financial position and the SSSG of our stores.

Higher customer footfall and increased spending per visit lead to greater sales volume, boosting overall profitability. For Franchised/Licenced Stores, since our revenue is derived from royalty/licence fees which is a percentage of such franchisee's/licensee's POS sales, fluctuations in the average spend per transaction and the total number of transactions at Franchised/Licenced Stores directly influence our revenue and financial performance. The average spend per transaction varies across our stores based on factors such as the product mix offered at the store, our ability to anticipate and respond effectively to consumer preference, consumer buying patterns and economic trends. The product mix for each store is determined by our internal teams and not by individual store operators. This is a collaborative effort involving our marketing, product development and operations teams who work together to align menu offerings with local consumer preferences and purchasing behaviour. The final product mix for each store is also influenced by specific factors such as store format, customer demographics, seasonal trends and promotional campaigns. To maintain a competitive edge, we continually review and refine our product mix to align with changing customer demands and stay ahead of our competitors and new entrants.

12. FINANCIAL INFORMATION (Cont'd)

The total number of transactions at our stores depend primarily on factors such as footfall traffic near each store's location, our ability to provide a diverse product range that generates new and repeat visits to our stores and the overall customer experience and service standards we uphold in our stores.

The following table sets out the ADSS, average spend per transaction and average number of transactions per store per day for our Tealive stores in Malaysia for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
Number of stores operating during the financial year			
<i>Directly-owned</i>	431	496	519
<i>Franchised/Licenced</i>	322	333	319
Total	753	829	838
POS sales (RM'000)			
<i>Directly-owned</i>	265,296	296,362	337,505
<i>Franchised/Licenced</i>	266,721	243,470	232,107
Total	532,017	539,832	569,612
Average spend per transaction (RM)⁽¹⁾			
<i>Directly-owned</i>	16.49	16.54	16.83
<i>Franchised/Licenced</i>	16.98	16.63	16.86
<i>Directly-owned and Franchised/Licenced</i>	16.73	16.58	16.84
Average number of transactions per store per day⁽²⁾			
<i>Directly-owned</i>	116	104	106
<i>Franchised/Licenced</i>	139	122	119
<i>Directly-owned and Franchised/Licenced</i>	126	112	111
ADSS (RM)⁽³⁾			
<i>Directly-owned</i>	1,905	1,724	1,792
<i>Franchised/Licenced</i>	2,364	2,036	2,000
<i>Directly-owned and Franchised/Licenced</i>	2,110	1,852	1,871

Notes:

- (1) The average spend per transaction is calculated by dividing (a) total POS sales generated by the total number of our stores during the financial year, by (b) total number of transactions at such stores during the financial year.
- (2) The average number of transactions per store per day is calculated as the aggregate of our stores' number of transactions per day during the financial year divided by the number of stores operating at any time during the financial year. Our stores' number of transactions per day during the financial year is calculated by aggregating the result of dividing the number of transactions generated by each store during the financial year with the number of operating days for that store during the financial year.

12. FINANCIAL INFORMATION (Cont'd)

- (3) *ADSS is the total POS sales generated from our total stores in Malaysia for that financial year, divided by the number of total stores, and divided by the number of days in that financial year.*

The following table sets out the ADSS, average spend per transaction and average number of transactions per store per day for our Bask Bear stores in Malaysia for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
Number of stores operating during the financial year			
<i>Directly-owned</i>	20	91	123
<i>Licenced</i>	4	4	5
Total	24	95	128
POS sales (RM'000)			
<i>Directly-owned</i>	5,801	59,550	96,088
<i>Licenced</i>	92	4,182	5,815
Total	5,893	63,732	101,903
Average spend per transaction (RM)⁽¹⁾			
<i>Directly-owned</i>	24.02	26.89	26.40
<i>Licenced</i>	20.65	32.65	30.29
<i>Directly-owned and licenced</i>	23.96	27.20	26.59
Average number of transactions per store per day⁽²⁾			
<i>Directly-owned</i>	55	107	90
<i>Licenced</i>	15	120	110
<i>Directly-owned and licenced</i>	53	108	91
ADSS (RM)⁽³⁾			
<i>Directly-owned</i>	1,330	2,880	2,376
<i>Licenced</i>	300	3,918	3,345
<i>Directly-owned and licenced</i>	1,263	2,931	2,416

Notes:

- (1) *The average spend per transaction is calculated by dividing (a) total POS sales generated by the total number of our stores during the financial year, by (b) total number of transactions at such stores during the financial year.*
- (2) *The average number of transactions per store per day is calculated as the aggregate of our stores' number of transactions per day during the financial year divided by the number of stores operating at any time during the financial year. Our stores' number of transactions per day during the financial year is calculated by aggregating the result of dividing the number of transactions generated by each store during the financial year with the number of operating days for that store during the financial year.*
- (3) *ADSS is the total POS sales generated from our total stores in Malaysia for that financial year, divided by the number of total stores, and divided by the number of days in that financial year.*

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We also track the productivity and performance of our stores using a variety of key performance indicators and metrics, including the SSSG of such stores, as well as the Same Stores ADSS. We record the sales at each of our stores daily through our POS systems installed at each store.

The SSSG of our stores directly affects our revenue and gross profit. SSSG is used as an indicator to monitor store performance by measuring the organic growth of existing stores, as it excludes the impact of new store openings or closures. SSSG is calculated based on our Same Stores. As such, monitoring SSSG allows businesses to have a more accurate insight on store health, ensuring that growth is sustainable rather than driven by store expansion.

Same Stores ADSS, which indicates the amounts customers are spending to purchase or order products via delivery from a store, enables us to measure store productivity on a daily basis. Same Stores ADSS may be affected by various factors, including economic conditions, our product mix and pricing, changes in customers' discretionary spending patterns as well as consumer tastes and preferences. Same Stores ADSS serves as an indication of the productivity of our stores over time to detect seasonal trends, market shifts or operational issues. It also aids in evaluating the impact of marketing campaigns or promotional efforts.

The following table sets out the SSSG and Same Stores ADSS of our Tealive stores in Malaysia for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
Directly-owned			
Number of Same Stores	312	429	498
POS sales (RM'000)	186,490	225,464	290,374
SSSG (%)⁽¹⁾	0.8	(10.9)	2.1
Same Stores ADSS (RM)⁽²⁾	1,873	1,718	1,783
Franchised/Licenced			
Number of Same Stores	294	319	327
POS sales (RM'000)	230,215	225,568	220,650
SSSG (%)⁽¹⁾	(1.5)	(14.1)	(4.5)
Same Stores ADSS (RM)⁽²⁾	2,358	2,055	1,992
Directly-owned and Franchised/Licenced			
Number of Same Stores	606	748	825
POS sales (RM'000)	416,705	451,032	511,024
SSSG (%)⁽¹⁾	(0.5)	(12.5)	(0.8)
Same Stores ADSS (RM)⁽²⁾	2,113	1,872	1,868

Notes:

- (1) The SSSG of our stores for each financial year is calculated by dividing (a) the POS sales generated by our Same Stores during such financial year after deducting the POS sales generated by those Same Stores during the immediately preceding financial year, by (b) the POS sales generated by those Same Stores for the financial year during the immediately preceding financial year.
- (2) Same Stores ADSS is the POS sales over the financial year generated from our Same Stores in Malaysia, divided by the number of Same Stores, and divided by the number of days in that financial year.

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Tealive brand recorded Same Stores ADSS of RM2,113 for the FYE 30 June 2022 which is slightly lower than the Same Stores ADSS of RM2,124 for the FYE 30 June 2021. The higher Same Stores ADSS for the FYE 30 June 2021 was supported by the early adoption of a delivery model, leveraging strategic store formats and retail presence to capture the surge in delivery orders ahead of competitors during the COVID-19 pandemic. The slight decline in Same Stores ADSS resulted in an SSSG of -0.5% for the FYE 30 June 2022.

Tealive brand recorded lower Same Stores ADSS of RM1,872 for the FYE 30 June 2023 compared to Same Stores ADSS of RM2,139 for the FYE 30 June 2022. The decline was mainly due to a shift in consumer behavior, leading to an adjustment in Same Stores ADSS as economic activity normalised following the COVID-19 pandemic. During the lockdown period in the FYE 30 June 2022, consumer footfall and spending patterns were heavily influenced by movement restrictions and work-from-home arrangements, which increased reliance on delivery platforms. However, as the economy reopened and consumer routines returned to pre-pandemic norms (i.e. in the FYE 30 June 2023) such as increased out-of-home mobility, return to offices, and greater social activity, there was a noticeable decline in demand on delivery platform as consumers resumed visiting malls, city centres and other commercial hubs.

Additionally, post-pandemic inflationary pressures and cautious spending behaviours also contributed to reduced discretionary spending, particularly among younger consumers, who form a key segment of Tealive's customer base. This shift in consumer sentiment and combined with greater competition, placed further pressure on maintaining historical Same Stores ADSS levels.

As a result, despite the recovery of overall foot traffic in the retail and F&B sectors, the change in consumption patterns and store dynamics led to a modest but measurable decline in same-store sales performance. Changes in consumer preferences for F&B offerings, together with changes in store dynamics due to competitors establishing stores in close proximity to our stores, particularly in high density retail areas, have had an impact on our customer footfall and revenue. Tealive brand recorded an SSSG of -12.5% for the FYE 30 June 2023, reflecting the gradual reversion of Same Stores ADSS towards the pre-COVID-19 levels of approximately RM1,800, recorded in the FYE 30 June 2017 and FYE 30 June 2018.

Tealive brand recorded Same Stores ADSS of RM1,868 for the FYE 30 June 2024 compared to Same Stores ADSS of RM1,884 for the FYE 30 June 2023, reflecting stable sales trends following post COVID-19 pandemic adjustments and a normalised business environment. SSSG was -0.8% for the FYE 30 June 2024.

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The following table sets out the SSSG and Same Stores ADSS of our Bask Bear stores in Malaysia for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
Directly-owned			
Number of Same Stores	6	21	90
POS sales (RM'000)	1,156	7,384	48,544
SSSG (%)⁽¹⁾	19.7	38.1	(18.3)
Same Stores ADSS (RM)⁽²⁾	776	2,558	2,489
Licenced			
Number of Same Stores	1	1	5
POS sales (RM'000)	76	131	3,811
SSSG (%)⁽¹⁾	41.0	2829.4	(8.1)
Same Stores ADSS (RM)⁽²⁾	314	4,354	2,780
Directly-owned and licenced			
Number of Same Stores	7	22	95
POS sales (RM'000)	1,233	7,514	52,355
SSSG (%)⁽¹⁾	20.9	40.4	(17.6)
Same Stores ADSS (RM)⁽²⁾	711	2,576	2,508

Notes:

- (1) The SSSG of our stores for each financial year is calculated by dividing (a) the POS sales generated by our Same Stores during such financial year after deducting the POS sales generated by those Same Stores during the immediately preceding financial year, by (b) the POS sales generated by those Same Stores for the financial year during the immediately preceding financial year.
- (2) Same Stores ADSS is the POS sales over the financial year generated from our Same Stores in Malaysia, divided by the number of Same Stores, and divided by the number of days in that financial year.

Bask Bear brand recorded Same Stores ADSS of RM711 for the FYE 30 June 2022, an increase from RM588 for the FYE 30 June 2021, reflecting a period of heavy reliance on virtual sales channels, operating with a limited physical presence, where growth was primarily driven by a small store base, which resulted in an SSSG of 20.9% for the FYE 30 June 2022.

Bask Bear recorded higher Same Stores ADSS of RM2,576 for the FYE 30 June 2023 compared to Same Stores ADSS of RM1,835 for the FYE 30 June 2022. This growth was driven by the successful introduction of Toasties in the FYE 30 June 2023, which garnered strong consumer interest supported by marketing efforts. Additionally, our Group ramped up our Bask Bear Corporate Store expansion amid rising demand and transitioned from a coffee-centric model to a dual-core focus on beverages and food, which contributed to the substantial increase in sales. As a result, SSSG for the FYE 30 June 2023 stood at 40.4%.

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Bask Bear recorded Same Stores ADSS of RM2,508 for the FYE 30 June 2024 compared to Same Stores ADSS of RM3,044 for the FYE 30 June 2023, reflecting the stabilisation of business and a successful long-term repositioning of the brand. This followed the initial surge from the Toasties launch in the FYE 30 June 2023 which had settled, with sustained consumer interest supported by the continued expansion of the food menu. The launch of Bask Bear toasties in the FYE 30 June 2023 generated a strong initial sales surge, driven by consumer curiosity, effective marketing campaigns and the novelty factor of introducing hot food offerings to complement the brand's coffee beverage range. As expected, this surge tapered off and normalised in the subsequent financial year (i.e. in the FYE 30 June 2024) as the product transitioned from a new offering to a regular part of the menu. While the initial hype tapered off, consumer interest in toasties remained resilient, supported by ongoing food menu enhancements. As growth normalised post-launch, SSSG for the FYE 30 June 2024 was -17.6%.

(iii) Product mix

The sales performance of our stores depends largely on our ability to identify a suitable mix of products, and to adapt our offerings to changes in consumer preferences, consumer demands as well as varying preferences across different localities and demographics. As a result, we strive to respond to the changing tastes and preferences of our customers by optimising the range of products we offer in order to attract and maintain a large pool of customers. For example, the mix of products which we carry at certain stores may differ depending on factors such as store size and formats.

Our ability to maintain our stores' sales performance is dependent on our continued ability to offer a diverse array of food and beverage that cater to the varied consumption demands of different consumer groups. To this end, as at the LPD, we offer over 120 types of MTO beverages and a variety of food on both our Tealive and Bask Bear menus. Our dedicated product development team also regularly creates and tests new food products and beverage flavours to be introduced at our stores, as we recognise the importance of offering new menu items from time to time in response to taste preferences of customers, F&B trends, seasonality and customer feedback. To do so, we engage in product and brand development activities such as experimenting with new drink flavours and toppings, and engaging with selected suppliers or ingredient manufacturers to formulate new beverage concepts. We have strived to consistently introduce new products to our menus. Some of these new products which were popular among our customers, such as our milk tea, "Signature Bang Bang", "Coco", smoothies, coffee and fruit tea, generated high volumes of sales following their launch and contributed to our growth in sales.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Cost of ingredients, packaging materials and consumables**

We regularly purchase ingredients, packaging materials and consumables to support the operations of our stores.

Cost of ingredients, packaging materials and consumables is a major component of our operating costs. For the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, we recorded total purchases of ingredients, packaging materials and consumables amounting to around RM180.0 million, RM189.2 million and RM192.7 million, respectively, representing 42.6%, 37.0% and 32.6%, respectively, of our revenue for each such financial year. Our Group has not entered into any long-term contracts with our suppliers of ingredients, packaging materials and consumables. We purchase ingredients, packaging materials and consumables on an order by order basis. While the purchase price is generally fixed, it is subject to periodic revisions based on the prevailing market conditions, such as increase in raw material prices, inflation, or associated shipping costs. Although our Group will continue to monitor the cost of ingredients, packaging materials and consumables, and take steps to maintain a stable supply of ingredients, packaging materials and consumables at stable prices, the fluctuations in the price of ingredients, packaging materials and consumables may nonetheless significantly affect our operating results.

Our business and results of operations are also highly dependent on a sufficient supply of ingredients, packaging materials and consumables that meet our quality requirements. We purchase from third party suppliers, our supply of ingredients, packaging materials and consumables, and we centralise the purchase of most of our ingredients, packaging materials and consumables through our wholly-owned subsidiary, LRTS Retail. Centralising our purchases allows us to obtain the best prices and achieve economies of scale. We have developed a close and stable relationship with our key suppliers, which allows us to maintain a stable supply of ingredients, packaging materials and consumables that meet our quality control standards, at a commercially acceptable price. However, we are still exposed to the risk that any of these suppliers may be unable to deliver sufficient quantities of ingredients, packaging materials and consumables, or the ingredients, packaging materials and consumables of acceptable quality. In that event, failure to identify an alternate source of supply for ingredients, packaging materials and consumables of acceptable quality may, in extreme situations, affect the reputation of our Tealive and Bask Bear brands, and our sales. A failure to procure acceptable ingredients, packaging materials and consumables at comparable prices may also reduce our profit margins.

In addition, the cost of our ingredients, packaging materials and consumables and the resulting profit margins of our products are dependent on the prevailing exchange rates. A number of our ingredients, packaging materials and consumables such as syrup, cocoa powder, fruit concentrate and pulp, tea and pudding powder are procured from overseas suppliers, and payment for such ingredients, packaging materials and consumables is usually denominated in foreign currencies. The value of the RM against such foreign currencies may result in foreign currency translation gains or losses, when the cost of such ingredients, packaging materials and consumables are reflected in our financial statements. Our profitability is therefore also directly linked to fluctuations in exchange rates of the RM against relevant foreign currencies.

(v) Lease payments

Lease payments for our directly-owned stores forms one (1) of our largest expense items in operating a store. We operate all of our Corporate Stores on tenanted properties. Accordingly, the costs of leasing and maintaining our Corporate Stores are reflected in our lease payments. We generally enter into leases which are for an initial term of one (1) to three (3) years, with the option for us to extend, subject to a review of the lease rate.

12. FINANCIAL INFORMATION (Cont'd)

The lease rates for our Corporate Stores vary, depending on the size and location of the relevant store. In addition, the tenancy agreements for some of our tenancies contain a variable component, which is calculated based on the relevant store's POS sales. For every tenancy our Group enters into, we will consider whether the lease rate payable is commercially acceptable. However, our lease payments are nonetheless expected to increase in the future, in line with the planned growth of our network of stores, as well as the expected increase in revenue.

In accordance with MFRS 16 Leases, we account for lease liabilities in respect of our leases for our office and stores, where we are the lessee, as a ROU asset and a lease liability in our combined statements of financial position and recognise the interest expense on the lease liability under finance costs and the depreciation expense on the ROU asset under administrative expenses in our combined statements of profit or loss and other comprehensive income. We account for short-term leases of less than 12 months or leases in respect of low value assets as rental expenses under administrative expenses in our combined statements of profit or loss and other comprehensive income.

Over the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, our variable lease expenses not within the scope of MFRS 16 were RM11.2 million, RM10.4 million and RM10.2 million, which represent 2.6%, 2.0% and 1.7% of our revenue respectively. Our lease payments for short term leases were RM2.9 million, RM2.6 million and RM2.5 million for the FYE 30 June 2022, 2023 and 2024, which represent 0.7%, 0.5% and 0.4% of our revenue respectively. Our interest in relation to lease liabilities were RM3.3 million, RM6.3 million and RM8.5 million for the FYE 30 June 2022, 2023 and 2024, which represent 0.8%, 1.2% and 1.4% of our revenue respectively. Our depreciation on ROU assets were RM14.8 million, RM21.6 million and RM30.6 million for the FYE 30 June 2022, 2023 and 2024, which represent 3.5%, 4.2% and 5.2% of our revenue respectively.

Our operating expenses may be affected if property owners choose to significantly increase lease rates upon renewal, in particular for prime and competitive locations, or if property owners choose not to renew our tenancies and we are forced to secure other tenancies at an increased lease rate. If such circumstances were to arise, we may not be able to operate the affected store competitively, or may be required to relocate to a location with lower footfall, which may affect our sales performance.

(vi) Employee benefit expenses

We operate a service-oriented business and consequently, our success depends on our ability to attract, motivate and retain store managers, other staff members to operate our Corporate Stores, as well as skilled personnel to maintain and further grow our business.

Our employee benefits expenses, which relate to both our Corporate Stores' staff costs as well as our office and administrative staff costs, include, among others, wages, salaries and other allowances, employee provident fund contributions and employee social security contributions payable to our employees, including our office and administrative staff, as well as our Corporate Stores' staff. As at the LPD, we had a total of 4,148 employees. For the FYE 30 June 2022, 30 June 2023 and 30 June 2024, our employee benefit expenses were RM62.3 million, RM89.9 million and RM116.2 million, which represent 14.8%, 17.6% and 19.7% of our revenue respectively. Employee benefit expenses has been, and is expected to remain a major factor affecting our results of operations.

12. FINANCIAL INFORMATION (Cont'd)

The Government of Malaysia has announced that the minimum monthly wage will be raised from RM1,500 to RM1,700 in major cities across Malaysia, effective from 1 February 2025 onwards. As a result, the remuneration for approximately 91.6% or 3,800 of our employees as at the LPD was adjusted accordingly. We expect that our human resource related costs will increase following this rise in the minimum wage, which will also lead to an increase in our operational costs. Furthermore, in order to retain and hire employees, we may need to provide better compensation, which would also increase our overall operating expenses.

Our growth, both in sales and number of stores, may be hindered if we are unable to secure an adequate supply of staff to manage the operations of our new Corporate Stores. If we face a shortage of employees, and are unable to arrange for contractual, part-time and temporary replacement staff in a timely manner, we may experience a loss of sales due to disruptions in the operations of affected Corporate Stores.

(vii) Regulatory and economic environment

Our business activities and results of operations are affected by the regulatory environment in the countries where we operate. Changes in regulations and government policies relating to our industry could significantly impact our sales and cost of sales.

In addition, as the majority of our stores are located in Malaysia, our business depends on, and is expected to continue depending on Malaysian consumer spending and the general state of the Malaysian economy. According to the IMR report, the average monthly household income in Malaysia grew from RM7,901 in 2019 to RM8,479 in 2022 at a CAGR of 2.4%.¹ From 2019 to 2022, the total average monthly household expenditure increased from RM4,609 to RM5,150 at a CAGR of 3.8%. The average monthly expenditure on foods away from home grew from RM508 in 2019 to RM664 in 2022, at a CAGR of 9.3%. As for the expenditure on beverages away from home, the monthly average rose from RM96 in 2019 to RM126 in 2022, at a CAGR of 9.5%.² Rising household income may contribute to increased out-of-home food expenditure as families have more disposable income to spend on dining experiences and convenience. Although the F&B services industry in Malaysia is highly competitive, with a large number of chain and independent F&B service providers, F&B services industry in Malaysia is expected to expand further in the period from 2024 to 2029. Population and middle-income class growth, ongoing urbanisation, and changing lifestyle patterns, are key factors catalysing the expansion. The economic conditions in Malaysia, as reflected by the level of disposable income of the Malaysian population in particular, has a significant impact on our results of operations.

12.2.3 Significant accounting estimates and judgements

The preparation of the combined financial statements in conformity with MFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

¹ DOSM, Household Income Survey Report 2022

² DOSM, Household Expenditure Survey Report 2022

12. FINANCIAL INFORMATION (Cont'd)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed in the following notes:

(i) Change in estimates for PPE

During the FYE 30 June 2024, our Group conducted an operational efficiency review of our Corporate Stores' PPE, which resulted in changes in the expected usage of certain items of plant and equipment. Certain plant and equipment, which management previously intend to replace after five (5) years of use, is now expected to remain in use for eight (8) years depending on the remaining tenure of the tenancy agreements.

See Note 2.1 of the Accountants' Report as set out in Section 13 of this Prospectus for further details.

(ii) Extension options and incremental borrowing rate in relation to leases

Our Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Our Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Our Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Our Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

See Note 3.2 of the Accountants' Report as set out in Section 13 of this Prospectus.

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

See Note 4.2 of the Accountants' Report as set out in Section 13 of this Prospectus.

(iv) Recognition and measurement of impairment loss

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our Group's exposure to credit risk arises principally from the individual characteristics of each customer and associates.

See Note 27.4 of the Accountants' Report as set out in Section 13 of this Prospectus.

(v) Provision for restoration costs

A provision for restoration costs is recognised when there is a present obligation as a result of operational activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the cost of removing the facilities and restoring the affected areas.

See Note 16.1 of the Accountants' Report as set out in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Measurement of contract liabilities**

The contract liabilities of our Group relates to unfulfilled performance obligations arising from franchise/licence fees charged to franchisees/licensees, for the granting of the right to utilise the franchise/licence for a period of five (5) or three (3) years, with an extension option of another five (5) or three (3) years, customers' loyalty points, sale of vouchers and prepaid top-up credits by customers.

Our Group's arrangement with franchisees and licensees allow for the renewal/extension option. Our Group assesses whether the option to renew/extend the franchise and licence arrangement provide a material right to the customer that needs to be accounted for as a separate performance obligation.

See Note 18.1 of the Accountants' Report as set out in Section 13 of this Prospectus.

12.2.4 Changes in material accounting policies

We have adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 July 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to our accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

12.2.5 Results of operations

The components of our results of operations are as follows:

12.2.5.1 Revenue

Our revenue primarily comprises F&B sales, supply of goods, franchise/licence fees and royalty from our Tealive and Bask Bear brands as well as management and marketing income.

The following table sets out the breakdown of our revenue by brands and nature of goods/services for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Revenue from Tealive						
F&B sales	273,084	64.6	325,044	63.5	369,422	62.4
Supply of goods	119,020	28.2	99,322	19.4	96,221	16.3
Franchise/Licence fees and royalty ⁽¹⁾	11,698	2.8	16,410	3.2	12,935	2.2
Management and marketing income	8,378	2.0	8,001	1.6	9,030	1.5
Total	412,180	97.6	448,777	87.7	487,608	82.4

12. FINANCIAL INFORMATION (Cont'd)

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Revenue from Bask Bear						
F&B sales	6,407	1.5	55,433	10.8	96,229	16.3
Supply of goods	1,234	0.3	2,139	0.4	2,265	0.4
Licence fees ⁽²⁾	623	0.1	2,416	0.5	1,202	0.2
Total	8,264	1.9	59,988	11.7	99,696	16.9
Revenue from SodaXpress						
Supply of goods	2,042	0.5	2,982	0.6	3,939	0.7
Total	422,486	100.0	511,747	100.0	591,243	100.0

Notes:

- (1) Includes (i) recurring fees such as franchise/licence fees (at initial term and every five (5) years upon renewal) and monthly royalty, (ii) non-recurring fees such as initial training and support fee, equipment fee and service fee.
- (2) Includes (i) recurring fees such as licence fees (at initial term and every three (3) years upon renewal) and monthly management fee and marketing fee, (ii) non-recurring fees such as equipment fee, service fee and first stock purchase.

(i) Revenue

We generate majority of our revenue from our Tealive and Bask Bear brands, in particular the F&B sales which includes the sales of our non-alcoholic beverages and food at our Corporate Stores. We also earn revenue from the supply of goods, including the supply of ingredients, packaging materials and consumables, as well as the supply of equipment subsequent to the initial setting up of a store, to all our franchisees/licensees for our Tealive and Bask Bear brands, as well as sparkling water machines and carbonating gas cylinders under our SodaXpress brand which we distribute to businesses and consumers. Our franchisees/licensees pay us franchise or licence fees, including initial and renewal fees as well as ongoing royalty, which contribute to our franchise/licence fees and royalty. We also receive management and marketing income from the facilitation of POS system(s), business, operation support and marketing support from our franchisees/licensees, as well as from the expiry of unredeemed cash/product vouchers and pre-paid top up credits.

We recognise revenue net of discount and applicable taxes at the following points:

- (a) in respect of the sale of F&B, when such F&B are served or delivered to customers;
- (b) in respect of the supply of goods, which comprise ingredients, packaging materials and consumables, as well as equipment such as sparkling water machines and carbonating gas cylinders, when such products are delivered to the franchisee/licensee/customers;
- (c) in respect of franchise/licence fees and royalty:
- (i) where the fee is attributable to the right to operate the Tealive Franchised/Licensed Stores and/or Bask Bear Licensed Stores, over the duration of the franchise/licence agreement;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) where the fee is attributable to the provision of support to a franchisee/licensee prior to the opening of a Tealive Franchised/Licenced Store or a Bask Bear Licenced Store, upon the rendering of such support services; and
- (iii) where royalty is payable, upon the franchisee's/licensee's commencement of business and on monthly basis, based on a percentage of such franchisee's/licensee's POS sales; and
- (d) in respect of management and marketing income, where such revenue is derive from:
 - (i) maintenance income charges to franchisee/licensee for the facilitation of POS system and management and marketing income charged to the franchisee for the business and operation support and on marketing support, upon rendering of such services; and
 - (ii) unredeemed cash/product vouchers and pre-paid top up credits, upon expiry of such vouchers and credits.

(ii) Breakdown of revenue by geographical selling locations and geographical markets

The following table sets out the breakdown of our revenue by geographical selling locations of our brands for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia⁽¹⁾						
Tealive	409,507	96.9	433,770	84.8	460,833	77.9
Bask Bear	8,264	2.0	59,988	11.7	99,696	16.9
SodaXpress	2,042	0.5	2,982	0.6	3,939	0.7
Total	419,813	99.4	496,740	97.1	564,468	95.5
International⁽²⁾						
Tealive	2,673	0.6	15,007	2.9	26,775	4.5
Total	422,486	100.0	511,747	100.0	591,243	100.0

Notes:

- (1) Malaysia refers to the revenue generated by our Malaysian-incorporated entities within our Group (comprising revenue generated from F&B sales, supply of goods, franchise/licence fees and royalty from our franchisees/licensees and management and marketing income).
- (2) International refers to the revenue generated by our foreign-incorporated entities within our Group which operate overseas during the Financial Years Under Review. This includes revenue generated by foreign-incorporated entities that were previously within our Group in countries such as Vietnam, the Philippines and Australia. In the FYE 30 June 2023, we ceased our operations in Australia.

12. FINANCIAL INFORMATION (Cont'd)

The following table sets out the revenue breakdown by geographical markets, which refer to markets where our Tealive and Bask Bear brands are present through our stores, both in Malaysia and internationally, for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	415,523	98.4	487,572	95.3	558,971	94.6
International						
Vietnam	1,089	0.3	1,325	0.2	385	(1)
Australia	965	0.2	490	0.1	-	-
Philippines	619	0.1	13,192	2.6	26,390	4.5
Others ⁽²⁾	4,290	1.0	9,168	1.8	5,497	0.9
	6,963	1.6	24,175	4.7	32,272	5.4
Total	422,486	100.0	511,747	100.0	591,243	100.0

Notes:

(1) Negligible.

(2) Comprise Myanmar, Brunei, Mauritius, Cambodia and Canada.

12.2.5.2 Cost of sales

Cost of sales relates to the (a) cost of inventory and equipment purchased from our suppliers; (b) storage and handling costs; (c) freight and duty cost; (d) inventory write off, damaged and expired stocks; and (e) others.

The following table sets out our total cost of sales for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Cost of sales for Tealive						
Cost of inventory and equipment	147,634	89.9	157,069	77.4	149,976	74.0
Storage and handling costs	8,229	5.0	14,026	6.9	14,386	7.1
Freight and duty cost	3,389	2.1	4,168	2.0	1,563	0.8
Inventory write off, damaged and expired stocks	360	0.2	993	0.5	1,609	0.8
Others ⁽¹⁾	361	0.3	⁽³⁾ 1,150	0.6	⁽³⁾ 532	0.2
Total	159,973	97.5	177,406	87.4	168,066	82.9
Cost of sales for Bask Bear						
Cost of inventory and equipment	2,974	1.8	23,853	11.8	32,407	16.0
Storage and handling costs	180	0.1	109	0.1	⁽⁴⁾ 102	0.1
Inventory write off, damaged and expired stocks	32	⁽²⁾	-	-	-	-
Cost of packaging ⁽³⁾	3	⁽²⁾	-	-	-	-
Total	3,189	1.9	23,962	11.9	32,509	16.1

12. FINANCIAL INFORMATION (Cont'd)

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Cost of sales for SodaXpress						
Cost of inventory and equipment	980	0.6	1,041	0.5	1,526	0.8
Storage and handling costs	22	(2)	32	(2)	37	(2)
Freight and duty cost	52	(2)	298	0.1	356	0.2
Inventory write off, damaged and expired stocks	41	(2)	172	0.1	82	(2)
Cost of packaging	4	(2)	12	(2)	32	(2)
Total	1,099	0.6	1,555	0.7	2,033	1.0
Total	164,261	100.0	202,923	100.0	202,608	100.0

Notes:

- (1) Comprising in-house maintenance cost, software maintenance cost and cost of packaging.
- (2) Negligible.
- (3) In the FYE 30 June 2023 and FYE 30 June 2024, our Company centralises the purchase of packaging materials through its wholly-owned subsidiary, LRTS Retail, hence the cost of packaging for Bask Bear is included under cost of packaging in Tealive brand.
- (4) Comprising cost of packaging of approximately RM35,000.

Cost of inventory and equipment was the major component of our cost of sales, which accounted for about 92.3%, 89.7% and 90.8% of our total cost of sales for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, respectively. Our cost of inventory and equipment mainly represent (i) the purchase cost for ingredients, packaging materials and consumables, such as pearls, tea, cocoa powder, syrup and frozen food etc., used for our Tealive and Bask Bear business from both local and overseas suppliers; and (ii) the purchase cost for sparkling water machines and carbonating gas cylinders from our local and overseas suppliers used for our SodaXpress business.

12.2.5.3 Gross profit and gross profit margin

The table below sets out our gross profit and gross profit margins for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Gross profit						
Tealive	252,207	97.6	271,371	87.9	319,542	82.2
Bask Bear	5,075	2.0	36,026	11.7	67,187	17.3
SodaXpress	943	0.4	1,427	0.5	1,906	0.5
Total	258,225	100.0	308,824	100.0	388,635	100.0
Gross profit margin						
Tealive		61.2		60.5		65.5
Bask Bear		61.4		60.1		67.4
SodaXpress		46.2		47.9		48.4
Overall gross profit margin		61.1		60.3		65.7

12. FINANCIAL INFORMATION (Cont'd)

For the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, our gross profit was RM258.2 million, RM308.8 million and RM388.6 million, while gross profit margins were about 61.1%, 60.3% and 65.7%, respectively.

Our Tealive brand was the main contributor to our gross profit, representing about 97.6%, 87.9% and 82.2% of our total gross profit for the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, respectively.

12.2.5.4 Other income

Other income primarily comprises (a) rental income; (b) gain on lease termination; (c) gain on foreign exchange – realised and unrealised; (d) government grant/subsidy; (e) sales of used oil; (f) waiver of debt; (g) rental rebate received; (h) gain on disposal of PPE and ROU; (i) overriding commission; (j) insurance claim; (k) reversal of impairment of PPE; and (l) others.

The following table sets out the breakdown of our other income for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Rental income	393	9.2	719	17.9	417	14.8
Gain on lease termination	988	23.1	351	8.7	130	4.6
Gain on foreign exchange – realised and unrealised	413	9.7	1,318	32.8	117	4.2
Government grant/subsidy	579	13.5	(1)	(1)	(1)	(1)
Sales of used oil	1	(1)	123	3.1	286	10.2
Waiver of debt	6	0.1	452	11.2	1,169	41.6
Rental rebate received	602	14.0	52	1.3	3	0.1
Gain on disposal of PPE	885	20.6	-	-	-	-
Overriding commission	103	2.4	131	3.3	177	6.3
Insurance claim	30	0.7	85	2.1	139	4.9
Reversal of impairment of PPE and ROU	-	-	538	13.4	-	-
Others	288	6.7	245	6.1	373	13.3
Total	4,288	100.0	4,014	100.0	2,811	100.0

Note:

(1) Negligible.

Rental income comprises income received for sub-renting of premise.

Gain on lease termination arises when the derecognition of carrying amount of lease liabilities exceed ROU assets, as a result of early termination of lease contract of our corporate stores.

Our gain on foreign exchange – realised and unrealised refers to exchange gains mainly arising from fluctuations in the foreign exchange rate related to our trade and other receivables as well as trade and other payables denominated in USD and/or JPY.

Government grant/subsidy is related to a wage subsidy programme introduced in Malaysia in response to the COVID-19 pandemic that was received during the FYE 30 June 2022.

Income from the waiver of debt is attributed to the write-off of payables of Loob Australia Pty Ltd (“**Loob Australia**”) which was in the process of deregistration.

12. FINANCIAL INFORMATION (Cont'd)

Rental rebate received refers to rental rebates on our rental expenses received from our landlords in respect of certain Corporate Stores.

Others include fair value gain on liquid investment and bad debts recovery.

12.2.5.5 Administrative expenses

Administrative expenses primarily comprise (a) employee benefits expenses; (b) delivery commission; (c) rental expenses; (d) depreciation of ROU assets; (e) depreciation of PPE; (f) utilities expenses; (g) collaboration fees; (h) marketing expenses; (i) upkeep and maintenance expenses; (j) professional fees; (k) directors' remuneration and benefits; (l) store other operating expenses; and (m) others.

The following table sets out the breakdown of our administrative expenses for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Employee benefits expenses	62,334	38.6	89,905	36.9	116,249	39.5
Delivery commission	22,579	14.0	27,931	11.5	31,065	10.5
Rental expenses	14,694	9.1	14,040	5.8	13,942	4.7
Depreciation of ROU assets	14,797	9.2	21,599	8.9	30,624	10.4
Depreciation of PPE	12,019	7.4	21,617	8.9	28,737	9.8
Utilities expenses	9,420	5.8	15,667	6.4	22,307	7.6
Collaboration fees	7,204	4.4	4,809	2.0	4,721	1.6
Marketing expenses	2,920	1.8	6,146	2.5	6,915	2.3
Upkeep and maintenance expenses	3,514	2.2	8,478	3.5	3,738	1.3
Professional fees	3,909	2.4	2,930	1.2	3,471	1.2
Directors' remuneration and benefits	2,115	1.3	2,448	1.0	2,292	0.8
Store other operating expenses	5,453	3.4	25,728	10.6	28,169	9.6
Others	732	0.5	2,073	0.9	2,297	0.8
Total	161,690	100.0	243,371	100.0	294,527	100.0

Employee benefits expenses are the largest contributor to our administrative expenses. Employee benefits expenses comprise salaries, bonuses, defined contribution plans, social security contribution and other costs relating to our staff at our Corporate Stores and corporate headquarters.

Delivery Commission refers to the commission fees charged by food delivery aggregators such as GrabFood, Shopee Food and foodpanda for the services they provide in facilitating the delivery of food and beverages from our stores to consumers.

Rental expenses relates to expenses in relation to short-term leases, leases of low-value assets and variable lease payments.

Depreciation of ROU assets is calculated over the shorter of the asset's useful life or the lease term, and it reflects the consumption of the economic benefits of the leased asset. The corresponding lease liability is amortised using the effective interest method.

Depreciation of PPE refers to the systematic allocation of the cost of PPE over their estimated useful lives. PPE includes equipment and electrical fittings, furniture and fittings, computers and software, motor vehicles and renovation.

12. FINANCIAL INFORMATION (Cont'd)

Collaboration fees refers to the equipment fee payable by our Group to MRCSB pursuant to the Operating Agreement. See Section 7.20.2 for salient terms of the Operating Agreement.

Marketing expenses include the cost of marketing materials such as banners, posters, shelf displays, standees, and promotional leaflets.

Upkeep and maintenance expenses are incurred by our Corporate Stores and corporate headquarters, such as cleaning and repair works, and maintenance of machinery and hardwares.

Professional fees relate to audit, tax, company secretary, legal and filing fees.

Store other operating expenses include consumables, cleaning and pest control, utensils, printing and stationary, and renewal fees for business licences.

Others include amortisation of intangible assets, bank charges and credit card charges, insurance, traveling and other miscellaneous expenses.

12.2.5.6 Selling and distribution expenses

Selling and distribution expenses primarily comprise (a) advertising and marketing; (b) events; (c) gift, sponsorship and design; and (d) others. These expenses are incurred for the purpose of building brand awareness through marketing campaigns or promotional efforts, including events and placement of advertisements, in order to promote our products and drive revenue growth.

The following table sets out the breakdown of our selling and distribution expenses for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Advertising and marketing	941	64.8	1,013	74.5	3,369	67.3
Events ⁽¹⁾	265	18.3	123	9.0	1,130	22.6
Gift, sponsorship and design	202	13.9	207	15.2	489	9.8
Others ⁽²⁾	43	3.0	18	1.3	16	0.3
Total	1,451	100.0	1,361	100.0	5,004	100.0

Notes:

(1) Events are usually held at mall concourses as part of our event marketing to promote our products and in particular, the promotion of our new product offerings. Events expenses comprise venue rental, venue setup (i.e. digital, counters and display set up), emcee, ingredients for complimentary drinks, props, flyers, banners, digital invites, goodie bags, payment and tokens for media and influencers, transportation and social media advertisements.

(2) Others comprise processing/administrative fees in relation to cash voucher issuance.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5.7 Other expenses**

Other expenses primarily comprise (a) loss on foreign exchange; (b) PPE written off; (c) loss on disposal of PPE; (d) loss on termination of lease; (e) impairment of ROU assets and PPE; (f) one-off adjustment arising from reconciliation of intercompany balances; and (g) others.

The following table sets out the breakdown of our other expenses for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Loss on foreign exchange – realised and unrealised	1	(1)	895	28.3	2,480	73.0
PPE written off	1,358	47.7	375	11.9	738	21.7
Loss on disposal of PPE	628	22.0	20	0.6	-	-
Loss on termination of lease	-	-	569	18.0	-	-
Impairment of ROU assets and PPE	539	18.9	-	-	-	-
One-off adjustment arising from reconciliation of intercompany balances	-	-	1,095	34.7	-	-
Others	325	11.4	206	6.5	179	5.3
Total	2,851	100.0	3,160	100.0	3,397	100.0

Note:

(1) Negligible.

Our loss on foreign exchange – realised and unrealised refers to exchange loss mainly arising from fluctuations in the foreign exchange rate related to our trade and other receivables as well as trade and other payables denominated in USD and/or JPY.

PPE written off comprise the write-off of PPE associated with the closure of our Corporate Stores, where the NBV of renovations and non-reusable PPE is written off as expenses.

Impairment of ROU assets and PPE refers to the impairment recognised for Loob Australia due to our Group's planned exit from the Australian market. In the FYE 30 June 2023, the impairment was reversed and recognised as other income, following the disposal and write-off of Loob Australia's operations, which rendered the impairment no longer necessary.

One-off adjustment arising from reconciliation of intercompany balances refers to a non-recurring correction made at year-end to align intercompany accounts following the migration of financial records to a new enterprise resource planning (ERP) system. This adjustment ensures accuracy by resolving discrepancies between entities within the group, ensuring that intercompany balances are properly recorded and reconciled.

Others comprise loss on theft arising from cash pocketed by store employees, which is subsequently recovered through insurance claims, and impairment of amount due from associate.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5.8 Net losses on impairment of financial instruments**

Net losses on impairment of financial instruments primarily comprise (a) bad debts written off; (b) deposits written off; and (c) reversal of impairment or impairment of amount due from related companies and trade receivables.

The following table sets out the breakdown of our net losses on impairment of financial instruments for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Bad debts written off	194	32.6	121	49.4	22	16.2
Deposits written off	143	24.0	77	31.5	132	97.0
(Reversal of impairment)/ Impairment of:						
- amount due from related companies	-	-	5	2.0	-	-
- trade receivables	258	43.4	42	17.1	(18)	(13.2)
Total	595	100.0	245	100.0	136	100.0

12.2.5.9 Finance income

Finance income primarily comes from (a) interest income of financial assets that are not at fair value through profit or loss from deposits placed with licenced banks and imputed interest income; (b) distribution from liquid investments; and (c) unwinding of discount for non-current deposits.

The following table sets out the breakdown of our finance income for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest income of financial assets that are not at fair value through profit or loss:						
- deposits placed with licenced banks	138	23.4	242	55.9	438	72.0
- imputed interest income	95	16.1	111	25.7	149	24.5
Distribution from liquid investments	333	56.4	69	15.9	21	3.5
Unwinding of discount for non-current deposits	24	4.1	11	2.5	(1)	(1)
Total	590	100.0	433	100.0	608	100.0

Note:

(1) Negligible.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5.10 Finance costs**

Finance costs primarily comprise (a) interest expenses on bank overdrafts, revolving credit facilities, trade facilities, hire purchase arrangements and term loans; (b) interest on lease liabilities on our ROU assets; and (c) unwinding of discount on franchise fees, refundable deposits and provision for restoration costs.

The following table sets out the breakdown of our finance costs for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest expense on loans and borrowings	413	8.2	1,954	19.9	4,110	29.1
Interest on lease liabilities	3,296	65.0	6,313	64.1	8,531	60.5
Unwinding of discount on franchise fees/refundable deposits/provision for restoration costs	1,357	26.8	1,569	16.0	1,473	10.4
Total	5,066	100.0	9,836	100.0	14,114	100.0

12.2.5.11 Share of results of associate/JV

We account for the share of results of our associate and JV, based on our effective shareholding in those companies. Our share of results of associate/JV comprise a 43.0% effective shareholding in Notable Paramount, a 35.0% effective shareholding in Wonder Group and a 35.0% effective shareholding in WonderBrew.

The following table sets out the breakdown of our share of results of associate/JV for the Financial Years Under Review:

	FYE 30 June					
	2022		2023		2024	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Associate	(588)	102.8	(468)	112.8	-(2)	-
JV ⁽¹⁾	16	(2.8)	53	(12.8)	107	100.0
Total	(572)	100.0	(415)	100.0	107	100.0

Notes:

- (1) Wonder Group and Wonderbrew are regarded as JV by virtue of an agreement with its other shareholders, which confer the right to jointly control the entities.
- (2) Our Group has not recognised losses relating to Notable Paramount totalling RM87,363 and RM463,120 for the FYE 30 June 2023 and FYE 30 June 2024, respectively, as our Group has no obligation in respect of these losses.

12. FINANCIAL INFORMATION (Cont'd)**12.2.5.12 Tax expense**

Tax expense comprises (a) current and deferred tax as well as (b) real property gain tax. We calculate current tax at the statutory tax rate of the estimated assessable profit for the year in the prevailing jurisdiction. Our deferred tax expenses primarily provide for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

The following table sets out our current tax expense and deferred tax expense as well as real property gain tax for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Current tax expense	23,191	16,594	23,701
Deferred tax expense	3,154	(343)	(314)
Real property gain tax	-	117	-
Total	26,345	16,368	23,387

The following table sets out a comparison between our effective and statutory tax rates for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
Effective tax rate (%)	29.0	29.8	31.2
Statutory tax rate (%)	24.0	24.0	24.0

Effective tax rates are derived by dividing total tax charge for the relevant financial year by PBT for that financial year. Our effective tax rate in a given year differs from the applicable statutory tax rates for the current year due to changes in our non-deductible expenses, which primarily arise from the depreciation of non-qualifying PPE, non-taxable income and over or under-provisions of current tax in the previous financial year.

For the FYE 30 June 2022, FYE 30 June 2023 and FYE 30 June 2024, our effective tax rates were approximately 29.0%, 29.8% and 31.2%, respectively, which were higher than the statutory tax rate of 24.0%, mainly due to non-deductible expenses in relation to, amongst others, depreciation in relation to our PPE and unrecognised deferred tax assets from Loob Philippines.

12. FINANCIAL INFORMATION (Cont'd)**12.2.6 Review of performance for the FYE 30 June 2022 compared to FYE 30 June 2023**

The following table presents selected financial information from our combined statement of profit or loss and other comprehensive income for the financial years indicated:

	Audited				% change
	FYE 30 June				
	2022		2023		
	(RM'000)	% of revenue	RM'000	% of revenue	
Revenue					
Tealive	412,180	97.6	448,777	87.7	8.9
Bask Bear	8,264	1.9	59,988	11.7	625.9
SodaXpress	2,042	0.5	2,982	0.6	46.0
	422,486	100.0	511,747	100.0	21.1
Cost of sales					
Tealive	(159,973)	38.8	(177,406)	39.5	10.9
Bask Bear	(3,189)	38.6	(23,962)	39.9	651.4
SodaXpress	(1,099)	53.9	(1,555)	52.1	41.5
	(164,261)	38.9	(202,923)	39.7	23.5
Gross profit					
Tealive	252,207	61.2	271,371	60.5	7.6
Bask Bear	5,075	61.4	36,026	60.1	609.9
SodaXpress	943	46.1	1,427	47.8	51.3
	258,225	61.1	308,824	60.3	19.6
Other income	4,288	1.0	4,014	0.8	(6.4)
Administrative expenses	(161,690)	38.3	(243,371)	47.6	50.5
Selling and distribution expenses	(1,451)	0.3	(1,361)	0.3	(6.2)
Other expenses	(2,851)	0.7	(3,160)	0.6	(10.8)
Net losses on impairment of financial instruments	(595)	0.1	(245)	(1)	(58.8)
Results from operating activities	95,926	22.7	64,701	12.6	(32.6)
Finance income	590	0.1	433	0.1	(26.6)
Finance costs	(5,066)	1.2	(9,836)	1.9	94.2
Share of results of associate/JV	(572)	0.1	(415)	0.1	(27.4)
PBT	90,878	21.5	54,883	10.7	(39.6)
Tax expense	(26,345)	6.2	(16,368)	3.2	(37.9)
Profit for the year	64,533	15.3	38,515	7.5	(40.3)

Note:

(1) Negligible.

12. FINANCIAL INFORMATION (Cont'd)**(i) Revenue**

The following tables set out our revenue by type and by geographical selling locations as well as their percentage change for the financial years indicated:

	FYE 30 June				
	2022		2023		% change
	RM'000	% of revenue	RM'000	% of revenue	
Tealive					
F&B sales	273,084	64.6	325,044	63.5	19.0
Supply of goods	119,020	28.2	99,322	19.4	(16.6)
Franchise/Licence fees and royalty ⁽¹⁾	11,698	2.8	16,410	3.2	40.3
Management and marketing income	8,378	2.0	8,001	1.6	(4.5)
Total	412,180	97.6	448,777	87.7	8.9
Bask Bear					
F&B sales	6,407	1.5	55,433	10.8	765.2
Supply of goods	1,234	0.3	2,139	0.4	73.3
Licence fees ⁽²⁾	623	0.1	2,416	0.5	287.8
Total	8,264	1.9	59,988	11.7	625.9
SodaXpress					
Supply of goods	2,042	0.5	2,982	0.6	46.0
Total	422,486	100.0	511,747	100.0	21.1

Notes:

- (1) Includes (i) recurring fees such as franchise/licence fees (at initial term and every five (5) years upon renewal) and monthly royalty, (ii) non-recurring fees such as initial training and support fee, equipment fee and service fee
- (2) Includes (i) recurring fees such as licence fees (at initial term and every three (3) years upon renewal) and monthly management fee and marketing fee, (ii) non-recurring fees such as equipment fee, service fee and first stock purchase.

	FYE 30 June				
	2022		2023		% change
	RM'000	% of total revenue	RM'000	% of total revenue	
Malaysia	419,813	99.4	496,740	97.1	18.3
International	2,673	0.6	15,007	2.9	461.4
Total	422,486	100.0	511,747	100.0	21.1

Our revenue increased by 21.1% from RM422.5 million for the FYE 30 June 2022 to RM511.7 million for the FYE 30 June 2023, mainly contributed by the expansion of Tealive and Bask Bear stores.

12. FINANCIAL INFORMATION (Cont'd)***Revenue from our Tealive brand***

Our revenue from our Tealive brand increased by 8.9% from RM412.2 million for the FYE 30 June 2022 to RM448.8 million for the FYE 30 June 2023, mainly driven by the increase in the F&B sales and franchise/licence fees and royalty.

Our revenue from the sales of F&B increased by 19.0% from RM273.1 million for the FYE 30 June 2022 to RM325.0 million for the FYE 30 June 2023. The increase was primarily due to the expansion of our Tealive Corporate Stores. The number of our Tealive Corporate Stores in Malaysia increased by 15.1%, from 431 stores as at 30 June 2022 to 496 stores as at 30 June 2023, while the number of our Tealive Corporate Stores in the Philippines increased more than six (6) fold from four (4) stores as at 30 June 2022 to 26 stores as at 30 June 2023.

We recorded a decrease of 16.6% in revenue from supply of goods from RM119.0 million for the FYE 30 June 2022 to RM99.3 million for the FYE 30 June 2023 mainly due to lower purchases coming from our franchisees as the POS sales of our franchised/licensed stores decreased by RM0.1 million or 33.3% to RM0.2 million for the FYE 30 June 2023 from RM0.3 million for the FYE 30 June 2022.

Franchise/Licence fees and royalty increased by 40.3% from RM11.7 million for the FYE 30 June 2022 to RM16.4 million for the FYE 30 June 2023, primarily due to higher initial fees with the increase in new Tealive Franchised Stores from 322 to 333.

Our average number of transactions per store per day decreased by 11.1% from 126 as at 30 June 2022 to 112 as at 30 June 2023, mainly due to a shift in consumer behaviour, leading to an adjustment in ADSS as economic activity normalised following the COVID-19 pandemic, which led to an adjustment in ADSS to RM1,852 for the FYE 30 June 2023 from RM2,110 for the FYE 30 June 2022. Our average spend per transaction decreased marginally by 0.9% from RM16.73 for the FYE 30 June 2022 to RM16.58 for the FYE 30 June 2023 due to the same reasons as explained above.

Management and marketing income decreased by 4.5% from RM8.4 million for the FYE 30 June 2022 to RM8.0 million for the FYE 30 June 2023. The decrease was mainly due to one-off income from partners such as online games marketing and events held at our stores during the FYE 30 June 2022.

Revenue from our Bask Bear brand

Our revenue from our Bask Bear brand increased by 625.9% from RM8.3 million for the FYE 30 June 2022 to RM60.0 million for the FYE 30 June 2023, mainly driven by the increase in the F&B sales and licence fees.

Our revenue from the sales of F&B increased by 765.2% from RM6.4 million for the FYE 30 June 2022 to RM55.4 million for the FYE 30 June 2023. The increase was primarily due to the expansion of our Bask Bear Corporate Stores which increased more than four (4) fold, from 20 stores as at 30 June 2022 to 91 stores as at 30 June 2023.

We recorded an increase of 73.3% in revenue from the supply of goods, from RM1.2 million for the FYE 30 June 2022 to RM2.1 million for the FYE 30 June 2023, due to higher purchases from licensees as their POS sales increased.

Licence fees increased by 287.8% from RM0.6 million for the FYE 30 June 2022 to RM2.4 million for the FYE 30 June 2023. This increase was mainly driven by the increase in licensees' POS sales.

12. FINANCIAL INFORMATION (Cont'd)

Our average number of transactions per store per day increased by 103.8% from 53 for the FYE 30 June 2022 to 108 for the FYE 30 June 2023 mainly due to the successful introduction of Toasties for the FYE 30 June 2023 which saw strong consumer interest supported by marketing efforts. Additionally, our Group ramped up our Bask Bear Corporate Store expansion amid rising demand and transitioned from a coffee-centric model to a dual-core focus on beverages and food, which contributed to the substantial increase in sales. These led to an increase in ADSS to RM2,931 for the FYE 30 June 2023 from RM1,263 for the FYE 30 June 2022. Our average spend per transaction increased by 13.5% from RM23.96 for the FYE 30 June 2022 to RM27.20 for the FYE 30 June 2023 due to the same reasons as explained above.

Revenue from our SodaXpress

Our revenue from supply of goods increased by 46.0% from RM2.0 million for the FYE 30 June 2022 to RM3.0 million for the FYE 30 June 2023, mainly due to expansion of sales in the hotel, restaurant, and café/catering industries for the FYE 30 June 2023, compared to revenue for the FYE 30 June 2022 which was mainly from e-commerce.

(ii) Cost of sales

The following tables set out our cost of sales by type as well as their percentage change for the financial years indicated:

	FYE 30 June		
	2022	2023	
	RM'000	RM'000	% change
Cost of sales for Tealive			
Cost of inventory and equipment	147,634	157,069	6.4
Storage and handling costs	8,229	14,026	70.4
Freight and duty cost	3,389	4,168	23.0
Inventory write off, damaged and expired stocks	360	993	175.8
Others ⁽¹⁾	361	⁽²⁾ 1,150	218.6
Total	159,973	177,406	10.9
Cost of sales for Bask Bear			
Cost of inventory and equipment	2,974	23,853	702.1
Storage and handling costs	180	109	(39.4)
Inventory write off, damaged and expired stocks	32	-	(100.0)
Cost of packaging ⁽²⁾	3	-	(100.0)
Total	3,189	23,962	651.4
Cost of sales for SodaXpress			
Cost of inventory and equipment	980	1,041	6.2
Storage and handling costs	22	32	45.5
Freight and duty cost	52	298	473.1
Inventory write off, damaged and expired stocks	41	172	319.5
Cost of packaging	4	12	200.0
Total	1,099	1,555	41.5
Total	164,261	202,923	23.5

Notes:

- (1) Comprising in-house maintenance cost, software maintenance cost and cost of packaging.

12. FINANCIAL INFORMATION (Cont'd)

- (2) *In the FYE 30 June 2023, our Company centralises the purchase of packaging materials through its wholly-owned subsidiary, LRTS Retail, hence the cost of packaging for Bask Bear is included under cost of packaging in Tealive brand.*

Our cost of sales increased by 23.5% from RM164.3 million for the FYE 30 June 2022 to RM202.9 million for the FYE 30 June 2023.

Cost of sales for our Tealive brand

Tealive cost of sales increased by 10.9% from RM160.0 million for the FYE 30 June 2022 to RM177.4 million for the FYE 30 June 2023 mainly due to the cost of inventory and equipment for the operations of our Tealive stores increased by 6.4% from RM147.6 million for the FYE 30 June 2022 to RM157.1 million for the FYE 30 June 2023, primarily due to the expansion of Tealive stores as mentioned above.

Storage and handling costs increased by 70.4% from RM8.2 million for the FYE 30 June 2022 to RM14.0 million for the FYE June 2023 due to increased inventory and equipment purchases.

Cost of sales for our Bask Bear brand

Bask Bear cost of sales increased by 651.4% from RM3.2 million for the FYE 30 June 2022 to RM24.0 million for the FYE 30 June 2023 mainly due to the increase in cost of inventory and equipment for the operations of our Bask Bear stores by 702.0% from RM3.0 million for the FYE 30 June 2022 to RM23.9 million for the FYE 30 June 2023, as a result of the expansion of Bask Bear stores as mentioned above.

Bask Bear storage and handling costs decreased by 39.4% from RM0.2 million for the FYE 30 June 2022 to RM0.1 million for the FYE 30 June 2023 as warehousing and distribution were shifted from Bask Bear cost centre to our Group's centralised cost centre in the FYE 30 June 2023, which is then captured under cost of sales for Tealive brand.

Cost of sales for our SodaXpress

The cost of sales for our SodaXpress increased by 41.5% from RM1.1 million for the FYE 30 June 2022 to RM1.6 million for the FYE 30 June 2023. This was mainly due to higher freight and duty cost as a result of increased inventory purchase from overseas suppliers as well as higher damaged carbonating gas cylinders written off.

(iii) Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin and their percentage change for the financial years indicated:

	FYE 30 June		% change
	2022	2023	
Gross profit (RM'000)			
Tealive	252,207	271,371	7.6
Bask Bear	5,075	36,026	609.9
SodaXpress	943	1,427	51.3
Total	258,225	308,824	19.6
Gross profit margin (%)			
Tealive	61.2	60.5	(0.7) ppt
Bask Bear	61.4	60.1	(1.3) ppt
SodaXpress	46.2	47.9	1.7 ppt

12. FINANCIAL INFORMATION (Cont'd)

	FYE 30 June		% change
	2022	2023	
Gross profit (RM'000)			
Overall gross profit margin	61.1	60.3	(0.8) ppt

Our Group's gross profit increased by 19.6% from RM258.2 million for the FYE 30 June 2022 to RM308.8 million for the FYE 30 June 2023, mainly driven by the higher revenue as mentioned above.

Gross profit for our Tealive brand

The gross profit for our Tealive brand increased by 7.6% from RM252.2 million for the FYE 30 June 2022 to RM271.4 million for the FYE 30 June 2023 mainly due to the increase in revenue driven by the increase in the F&B sales and franchise/licence fees and royalty as explained above. The gross profit margin recorded for our Tealive brand decreased by 0.7 ppt from 61.2% for the FYE 30 June 2022 to 60.5% for the FYE 30 June 2023, mainly due to higher storage and handling costs resulting from increased inventory purchase as mentioned above.

Gross profit for our Bask Bear brand

The gross profit for our Bask Bear brand increased by 609.9% from RM5.1 million for the FYE 30 June 2022 to RM36.0 million for the FYE 30 June 2023 mainly due to the increase in revenue from our Bask Bear brand driven by the increase in the F&B sales and licence fees as explained above. The gross profit margin recorded for our Bask Bear brand decreased by 1.3 ppt from 61.4% for the FYE 30 June 2022 to 60.1% for the FYE 30 June 2023, mainly due to the introduction of Bask Bear's toasties. Food sales typically have a lower margin compared to beverage sales, and this shift in F&B sales mix resulted in the marginal decrease in the gross profit margin.

Gross profit for our SodaXpress

The gross profit for our SodaXpress brand increased by 51.3% from RM0.9 million for the FYE 30 June 2022 to RM1.4 million for the FYE 30 June 2023 mainly due to the increase in revenue from our SodaXpress brand as our Group expanded sales in the hotel, restaurant and café/catering industries as explained above. The gross profit margin recorded for our Sodaxpress increased by 1.7 ppt from 46.2% for the FYE 30 June 2022 to 47.9% for the FYE 30 June 2023, primarily driven by a supplier discount on carbonating gas cylinders and sparkling water machines from our long-standing partner in China.

(iv) Other income

Our other income decreased by 6.4% from RM4.3 million for the FYE 30 June 2022 to RM4.0 million for the FYE 30 June 2023. This was primarily due to the absence of gain on disposal of PPE, lower gain on lease modification/termination and absence of one-off government subsidy for the FYE 30 June 2023, partially offset by the higher gain on foreign exchange – realised and unrealised, waiver of debts and reversal of impairment of PPE for the FYE 30 June 2023.

12. FINANCIAL INFORMATION (Cont'd)**(v) Administrative expenses**

Our administrative expenses increased by 50.5% from RM161.7 million for the FYE 30 June 2022 to RM243.4 million for the FYE 30 June 2023. This was primarily due to the increase in employee benefits expenses, depreciation on ROU assets and PPE, delivery commission, utilities expenses, marketing expenses and store other operating expenses as a result of the expansion of new Corporate Stores as well as higher upkeep and maintenance expenses on our existing Corporate Stores due to the increased number of Corporate Stores. For information, the store other operating expenses increased by 367.3% from RM5.5 million for the FYE 30 June 2022 to RM25.7 million for the FYE 30 June 2023 as a result of the expansion of Tealive Corporate Stores in Phillipines, which grew by 22 stores, from four (4) stores to 26 stores and in Malaysia, which grew by 65 stores, from 431 stores to 496 stores.

(vi) Selling and distribution expenses

Our selling and distribution expenses decreased by 6.2% from RM1.5 million for the FYE 30 June 2022 to RM1.4 million for the FYE 30 June 2023. The higher selling and distribution expenses recorded for the FYE 30 June 2022 was primarily due to increase in events expenses which was in turn due to (1) the launching of our Famous Amos LTO in December 2021; (2) the launching of our first premium concept store, Tealive Plus, at Pavilion Kuala Lumpur in April 2022; and (3) our concurrent collaboration with Nestle's KitKat to introduce the KitKat Coco Wafer Smoothies series.

(vii) Other expenses

Our other expenses increased by 10.8% from RM2.9 million for the FYE 30 June 2022 to RM3.2 million for the FYE 30 June 2023. This was primarily due to a one-off adjustment arising from reconciliation of intercompany balance and higher loss on foreign exchange, which was partially offset by lower PPE written off and loss on disposal of PPE for the FYE 30 June 2023.

(viii) Net losses on impairment of financial instruments

Net losses on impairment of financial instruments decreased by 58.8% from RM0.6 million for the FYE 30 June 2022 to RM0.2 million for the FYE 30 June 2023 mainly due to lower impairment on trade receivables, driven by a more efficient collection process, through regular internal review of accounts receivables and follow up on payments. Additionally, better credit control measures and client management have contributed to more timely payments from customers.

(ix) Finance income

Finance income decreased by 26.6% from RM0.6 million for the FYE 30 June 2022 to RM0.4 million for the FYE 30 June 2023 mainly due to lower income from distribution from liquid investments, partially offset by higher interest income from deposits placed with licenced banks.

(x) Finance costs

Our finance costs increased by 94.2% from RM5.1 million for the FYE 30 June 2022 to RM9.8 million for the FYE 30 June 2023. This was mainly due to higher interest on lease liabilities due to the increase of new stores leases, and higher interest expense due to higher drawdown of revolving credit facility to meet our working capital and capital expenditure requirements.

12. FINANCIAL INFORMATION (Cont'd)**(xi) Share of results of associate/JV**

Losses in share of results of associate/JV narrowed by 27.4% from RM0.6 million for the FYE 30 June 2022 to RM0.4 million for the FYE 30 June 2023 due to the lower losses recorded by our associate as well as the higher profitability of the JV.

(xii) PBT and PBT margin

Our Group's PBT decreased by 39.6% from RM90.9 million for the FYE 30 June 2022 to RM54.9 million for the FYE 30 June 2023, mainly due to higher administrative expenses arising from, among others, the increase in employee benefits expenses, depreciation on ROU assets and PPE, delivery commission, utilities expenses, marketing expenses and store other operating expenses as a result of the expansion of new Corporate Stores as well as higher upkeep and maintenance expenses on our existing Corporate Stores, partially offset by the higher gross profit as explained above.

Our Group's PBT margin decreased from 21.5% for the FYE 30 June 2022 to 10.7% for the FYE 30 June 2023 which was mainly due to higher administrative expenses as explained above.

(xiii) Tax expense

Our tax expense decreased by 37.9% from RM26.3 million for the FYE 30 June 2022 to RM16.4 million for the FYE 30 June 2023, and our effective tax rates were 29.0% and 29.8% for the FYE 30 June 2022 and FYE 30 June 2023 respectively. The decrease in our tax expenses was due to a decrease in our PBT and deferred income tax expenses.

(xiv) Net profit for the financial year

As a result of the foregoing, our net profit decreased by 40.3% from RM64.5 million for the FYE 30 June 2022 to RM38.5 million for the FYE 30 June 2023.

12.2.7 Review of performance for the FYE 30 June 2023 compared to the FYE 30 June 2024

The following table presents selected financial information from our combined statement of profit or loss and other comprehensive income for the financial years indicated:

	Audited				
	FYE 30 June				
	2023		2024		% change
	RM'000	% of revenue	RM'000	% of revenue	
Revenue					
Tealive	448,777	87.7	487,608	82.4	8.7
Bask Bear	59,988	11.7	99,696	16.9	66.2
SodaXpress	2,982	0.6	3,939	0.7	32.1
	511,747	100.0	591,243	100.0	15.5
Cost of sales					
Tealive	(177,406)	39.5	(168,066)	34.5	(5.3)
Bask Bear	(23,962)	39.9	(32,509)	32.6	35.7
SodaXpress	(1,555)	52.1	(2,033)	51.6	30.7
	(202,923)	39.7	(202,608)	34.3	(0.2)

12. FINANCIAL INFORMATION (Cont'd)

	Audited				
	FYE 30 June				
	2023		2024		% change
	RM'000	% of revenue	RM'000	% of revenue	
Gross profit					
Tealive	271,371	60.5	319,542	65.5	17.8
Bask Bear	36,026	60.1	67,187	67.4	86.5
SodaXpress	1,427	47.9	1,906	48.4	33.6
	308,824	60.3	388,635	65.7	25.8
Other income	4,014	0.8	2,811	0.5	(30.0)
Administrative expenses	(243,371)	47.6	(294,527)	49.8	21.0
Selling and distribution expenses	(1,361)	0.3	(5,004)	0.8	267.7
Other expenses	(3,160)	0.6	(3,397)	0.6	7.5
Net losses on impairment of financial instruments	(245)	(1)	(136)	(1)	(44.5)
Results from operating activities	64,701	12.6	88,382	14.9	36.6
Finance income	433	0.1	608	0.1	40.4
Finance costs	(9,836)	1.9	(14,114)	2.4	43.5
Share of results of associate/JV	(415)	0.1	107	(1)	(125.8)
PBT	54,883	10.7	74,983	12.7	36.6
Tax expense	(16,368)	3.2	(23,387)	4.0	42.9
Profit for the year	38,515	7.5	51,596	8.7	34.0

Note:

(1) Negligible.

(i) Revenue

The following tables set out our revenue by type and geographical selling location as well as their percentage change for the financial years indicated:

	FYE 30 June				
	2023		2024		% change
	RM'000	% of revenue	RM'000	% of revenue	
Tealive					
F&B sales	325,044	63.5	369,422	62.4	13.7
Supply of goods	99,322	19.4	96,221	16.3	(3.1)
Franchise/Licence fees and royalty ⁽¹⁾	16,410	3.2	12,935	2.2	(21.2)
Management and marketing income	8,001	1.6	9,030	1.5	12.9
Total	448,777	87.7	487,608	82.4	8.7
Bask Bear					
F&B sales	55,433	10.8	96,229	16.3	73.6
Supply of goods	2,139	0.4	2,265	0.4	5.9
Licence fees ⁽²⁾	2,416	0.5	1,202	0.2	(50.2)
Total	59,988	11.7	99,696	16.9	66.2

12. FINANCIAL INFORMATION (Cont'd)

	FYE 30 June				
	2023		2024		% change
	RM'000	% of revenue	RM'000	% of revenue	
SodaXpress					
Supply of goods	2,982	0.6	3,939	0.7	32.1
Total	511,747	100.0	591,243	100.0	15.5

Notes:

- (1) Includes (i) recurring fees such as franchise/licence fees (at initial term and every five (5) years upon renewal) and monthly royalty, (ii) non-recurring fees such as initial training and support fee, equipment fee and service fee.
- (2) Includes (i) recurring fees such as licence fees (at initial term and every three (3) years upon renewal) and monthly management fee and marketing fee, (ii) non-recurring fees such as equipment fee, service fee and first stock purchase.

	FYE 30 June				
	2023		2024		% change
	RM'000	% of total revenue	RM'000	% of total revenue	
Malaysia	496,740	97.1	564,468	95.5	13.6
International	15,007	2.9	26,775	4.5	78.4
Total	511,747	100.0	591,243	100.0	15.5

Our revenue increased by 15.5% from RM511.7 million for the FYE 30 June 2023 to RM591.2 million for the FYE 30 June 2024 mainly contributed by the expansion of Tealive and Bask Bear stores.

Revenue from our Tealive brand

Our revenue from our Tealive brand increased by 8.7% from RM448.8 million for the FYE 30 June 2023 to RM487.6 million for the FYE 30 June 2024, mainly driven by the increase in F&B sales and management and marketing income.

Our revenue from F&B sales increased by 13.7% from RM325.0 million for the FYE 30 June 2023 to RM369.4 million for the FYE 30 June 2024. The revenue increase was primarily due to:

- (i) a 134.6% increase in the number of our Tealive Corporate Stores in the Philippines, from 26 stores as at 30 June 2023 to 61 stores as at 30 June 2024;
- (ii) a 9.3% increase in the number of our Tealive Corporate Stores in Malaysia (excluding those stores that are operated by our JVs and stores that are established pursuant to a collaboration with PETRONAS), from 311 stores to 340 stores, and the opening of 19 net new stores, being the number of new stores after deducting stores that were closed, and the conversion from ten (10) Tealive Franchised Stores to Tealive Corporate Stores; and
- (iii) full-year revenue recognised for the FYE 30 June 2024 from 65 Tealive Corporate Stores opened during the FYE 30 June 2023 compared to partial-year revenue recorded from such stores for the FYE 30 June 2023.

12. FINANCIAL INFORMATION (Cont'd)

Revenue from supply of goods decreased by 3.1% from RM99.3 million for the FYE 30 June 2023 to RM96.2 million for the FYE 30 June 2024 in line with the decrease in Tealive Franchised Stores from 333 to 319.

Franchise/licence fees and royalty decreased by 21.2% from RM16.4 million for the FYE 30 June 2023 to RM12.9 million for the FYE 30 June 2024 due to the decrease in Tealive Franchised Stores from 333 to 319.

Our average number of transactions per store per day decreased marginally by 0.9% from 112 for the FYE 30 June 2023 to 111 for the FYE 30 June 2024, and our average spend per transaction increased marginally by 1.6% from RM16.58 for the FYE 30 June 2023 to RM16.84 for the FYE 30 June 2024, which led to the slight 1.0% increase in ADSS from RM1,852 for the FYE 30 June 2023 to RM1,871 for the FYE 30 June 2024. These reflect sales trends that have largely stabilised following post COVID-19 pandemic adjustments and a normalised business environment.

Management and marketing income increased by 12.9% from RM8.0 million for the FYE 30 June 2023 to RM9.0 million for the FYE 30 June 2024. This increase was primarily due to higher sales of product vouchers on the e-commerce platform and a greater value of expired unredeemed vouchers compared to the FYE 30 June 2023.

Revenue from our Bask Bear brand

Our revenue from our Bask Bear brand increased by 66.2% from RM60 million for the FYE 30 June 2023 to RM99.7 million for the FYE 30 June 2024, mainly driven by the increase in F&B sales.

Our revenue from F&B sales increased by 73.6% from RM55.4 million for the FYE 30 June 2023 to RM96.2 million for the FYE 30 June 2024. The increase was primarily due to:

- (i) a 35.2% increase in the number of our Bask Bear Corporate Stores from 91 stores as at 30 June 2023 to 123 stores as at 30 June 2024; and
- (ii) full-year revenue recognised for the FYE 30 June 2024 from 71 Bask Bear Corporate Stores opened during the FYE 30 June 2023 compared to partial-year revenue recorded from such stores for the FYE 30 June 2023.

Our revenue from supply of goods increased by 5.9% from RM2.1 million for the FYE 30 June 2023 to RM2.3 million for the FYE 30 June 2024 due to higher purchases from licensees as their POS sales increased.

Licence fees decreased by 50.2% from RM2.4 million for FYE 30 June 2023 to RM1.2 million for the FYE 30 June 2024. The decrease was mainly due to the lower initial fees with only one (1) new Bask Bear Licenced Store opened in the FYE 30 June 2024 compared to three (3) new Bask Bear Licenced Stores opened in FYE 30 June 2023.

Our average number of transactions per store per day decreased by 15.7% from 108 for the FYE 30 June 2023 to 91 for the FYE 30 June 2024 due to the normalisation following the initial surge from Toasties launch for the FYE 30 June 2023. Our average spend per transaction decreased by 2.2% from RM27.20 for the FYE 30 June 2023 to RM26.59 for the FYE 30 June 2024 due to the same reason as explained above.

12. FINANCIAL INFORMATION (Cont'd)**Revenue from our SodaXpress**

Our revenue from supply of goods increased by 32.1% from RM3.0 million for the FYE 30 June 2023 to RM3.9 million for the FYE 30 June 2024, mainly due to the introduction of our dealers incentive program since July 2023 which has driven the increase in our customer base in the hotel, restaurant, and café/catering industries. Our dealers incentive program is similar to a purchase volume rebate, where depending on the purchase volume tier that a dealer's quarterly purchases fall into, the dealer will receive a certain percentage of rebate in the form of a credit note.

(ii) Cost of sales

The following tables set out our cost of sales by type as well as their percentage change for the financial years indicated:

	FYE 30 June		
	2023	2024	
	RM'000	RM'000	% change
Cost of sales for Tealive			
Cost of inventory and equipment	157,069	149,976	(4.5)
Storage and handling costs	14,026	14,386	2.6
Freight and duty cost	4,168	1,563	(62.5)
Inventory write off, damaged and expired stocks	993	1,609	62.0
Others ⁽¹⁾	1,150	532	(53.7)
Total	177,406	168,066	(5.3)
Cost of sales for Bask Bear			
Cost of inventory and equipment	23,853	32,407	35.9
Storage and handling costs	109	⁽²⁾ 102	(6.4)
Total	23,962	32,509	35.7
Cost of sales for SodaXpress			
Cost of inventory and equipment	1,041	1,526	46.6
Storage and handling costs	32	37	15.6
Freight and duty cost	298	356	19.5
Inventory write off, damaged and expired stocks	172	82	(52.3)
Cost of packaging	12	32	166.7
Total	1,555	2,033	30.7
Total cost of sales	202,923	202,608	(0.2)

Notes:

(1) *Comprising in-house maintenance cost, software maintenance cost and cost of packaging for both Tealive and Bask Bear brands.*

(2) *Comprising cost of packaging of approximately RM35,000.*

Our cost of sales decreased by 0.2% from RM202.9 million for the FYE 30 June 2023 to RM202.6 million for the FYE 30 June 2024.

12. FINANCIAL INFORMATION (Cont'd)***Cost of sales for our Tealive brand***

Tealive cost of sales decreased by 5.3% from RM177.4 million for the FYE 30 June 2023 to RM168.1 million for the FYE 30 June 2024 mainly due to the cost of inventory and equipment for the operations of our Tealive stores decreasing by 4.5% from RM157.1 million for the FYE 30 June 2023 to RM150.0 million for the FYE 30 June 2024, resulting from economies of scale achieved through higher purchase volumes, which in turn enhanced our Group's bargaining power with our suppliers.

Storage and handling costs increased by 2.6% from RM14.0 million for the FYE 30 June 2023 to RM14.4 million for the FYE 30 June 2024. However, as a percentage of revenue under Tealive brand, it has reduced from 3.1% for the FYE 30 June 2023 to 3.0% for the FYE 30 June 2024, due to enhanced operational efficiency following our transition to a more cost-effective warehousing service provider.

Freight and duty cost decreased by 62.5% from RM4.2 million for FYE 30 June 2023 to RM1.6 million for FYE 30 June 2024 resulting from cost optimisation initiatives, including sourcing ingredients locally.

Cost of sales for our Bask Bear brand

Bask Bear cost of sales increased by 35.7% from RM24.0 million for the FYE 30 June 2023 to RM32.5 million for the FYE 30 June 2024 mainly due to the cost of inventory and equipment for the operations of our Bask Bear stores increasing by 35.9% from RM23.9 million for the FYE 30 June 2023 to RM32.4 million for the FYE 30 June 2024 due to the increase in revenue from Bask Bear brand as a result of the increase in the number of our Bask Bear new stores.

Cost of sales for our SodaXpress

The cost of sales for our Sodaxpress increased by 30.7% from RM1.6 million for the FYE 30 June 2023 to RM2.0 million for the FYE 30 June 2024 mainly due to the increase in revenue, which corresponded to the 46.6% increase in cost of inventory and equipment.

(iii) Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin and their percentage change for the financial years indicated:

	FYE 30 June		% change
	2023	2024	
Gross profit (RM'000)			
Tealive	271,371	319,542	17.8
Bask Bear	36,026	67,187	86.5
SodaXpress	1,427	1,906	33.6
Total	308,824	388,635	25.8
Gross profit margin (%)			
Tealive	60.5	65.5	5.0 ppt
Bask Bear	60.1	67.4	7.3 ppt
SodaXpress	47.9	48.4	0.5 ppt
Overall gross profit margin	60.3	65.7	5.4 ppt

Our Group's gross profit increased by 25.8% from RM308.8 million for the FYE 30 June 2023 to RM388.6 million for the FYE 30 June 2024.

12. FINANCIAL INFORMATION (Cont'd)***Gross profit for our Tealive brand***

The gross profit for our Tealive brand increased by 17.8% from RM271.4 million for the FYE 30 June 2023 to RM319.5 million for the FYE 30 June 2024 mainly due to the increase in revenue from our Tealive brand driven by the increase in F&B sales and management and marketing income, coupled with the decrease in cost of sales for our Tealive brand, as explained above. The gross profit margin recorded for our Tealive brand increased by 5.0 ppt from 60.5% for the FYE 30 June 2023 to 65.5% for the FYE 30 June 2024, primarily due to:

- (i) lower inventory and equipment costs, resulting from economies of scale achieved through higher purchase volumes, which in turn enhanced our Group's bargaining power with our suppliers; and
- (ii) lower freight and duty costs, resulting from cost optimisation initiatives, including sourcing ingredients locally.

Gross profit for our Bask Bear brand

The gross profit for our Bask Bear brand increased by 86.5% from RM36.0 million for the FYE 30 June 2023 to RM67.2 million for the FYE 30 June 2024 mainly due to the increase in revenue from our Bask Bear brand driven by the increase in F&B sales as explained above. The gross profit margin recorded for our Bask Bear brand increased by 7.3 ppt from 60.1% for the FYE 30 June 2023 to 67.4% for the FYE 30 June 2024, primarily due to lower inventory and equipment costs as a percentage of revenue, resulting from economies of scale achieved through higher purchase volumes, which in turn enhanced our Group's bargaining power with our suppliers.

Gross profit for our SodaXpress

The gross profit for our SodaXpress brand increased by 33.6% from RM1.4 million for the FYE 30 June 2023 to RM1.9 million for the FYE 30 June 2024 mainly due to the increase in revenue from our SodaXpress brand resulting from the introduction of our dealers incentive program in July 2023 as explained above. The gross profit margin recorded for our Sodaxpress increased by 0.5 ppt from 47.9% for the FYE 30 June 2023 to 48.4% for the FYE 30 June 2024, due to lower damaged carbonating gas cylinders written off .

(iv) Other income

Other income decreased by 30.0% from RM4.0 million for the FYE 30 June 2023 to RM2.8 million for the FYE 30 June 2024 primarily due to lower gain on foreign exchange.

(v) Administrative expenses

Our administrative expenses increased by 21.0% from RM243.4 million for the FYE 30 June 2023 to RM294.5 million for the FYE 30 June 2024. This was primarily due to the increase in employee benefits expenses, depreciation on ROU assets and PPE, delivery commission, utilities expenses and store other operating expenses as a result of expansion of new Corporate Stores.

(vi) Selling and distribution expenses

Our selling and distribution expenses increased by 267.7% from RM1.4 million for the FYE 30 June 2023 to RM5.0 million for the FYE 30 June 2024. This was primarily due to Tealive undergoing a brand refresh and introducing several new elements to enhance Tealive's identity in May 2024.

12. FINANCIAL INFORMATION (Cont'd)**(vii) Other expenses**

Our other expenses increased by 7.5% from RM3.2 million for the FYE 30 June 2023 to RM3.4 million for the FYE 30 June 2024, primarily due to higher loss on foreign exchange and PPE written-off, partially offset by the absence of the one-off adjustment arising from the reconciliation of intercompany balance performed and loss on termination of lease for the FYE 30 June 2023.

(xv) Net losses on impairment of financial instruments

Net losses on impairment of financial instruments decreased by 44.5% from RM0.2 million for the FYE 30 June 2023 to RM0.1 million for the FYE 30 June 2024 mainly due to lower bad debts written off from irrecoverable trade receivable from franchisee, driven by a more efficient collection process, through regular internal review of accounts receivables and follow up on payments.

(xvi) Finance income

Finance income increased by 40.4% from RM0.4 million for the FYE 30 June 2023 to RM0.6 million for the FYE 30 June 2024 mainly due to higher interest income on deposits placed with licenced banks.

(viii) Finance costs

Our finance costs increased by 43.5% from RM9.8 million for the FYE 30 June 2023 to RM14.1 million for the FYE 30 June 2024. This was mainly due to higher interest expenses on lease liabilities from new stores leases and higher interest expenses on bank borrowings due to additional revolving credit facilities drawdown for the FYE 30 June 2024 to meet our working capital requirements, which were settled towards the end of the FYE 30 June 2024. Although these facilities were settled towards the end of the FYE 30 June 2024, interest had already accumulated during the period they were utilised, resulting in higher overall finance cost despite a lower ending balance of borrowings.

(ix) Share of results of associate/JV

Our share of results of associate/JV improved from a loss of RM0.4 million recorded for the FYE 30 June 2023 to a profit of RM0.1 million for the FYE 30 June 2024. This was mainly due to our Group not recognising losses related to Notable Paramount for the FYE 30 June 2024 compared to RM463,120 recorded for the FYE 30 June 2023 as its accumulated losses had exceeded our initial investment, relieving our Group of further obligation. Additionally, the improvement was also supported by higher profitability achieved by our JV.

(x) PBT and PBT margin

Our Group's PBT increased by 36.6% from RM54.9 million for the FYE 30 June 2023 to RM75.0 million for the FYE 30 June 2024, mainly attributable to the increase in revenue and gross profit, which was partially offset by the increase in administrative expenses arising from, among others, the increase in employee benefits expenses, depreciation on ROU assets and PPE, delivery commission, utilities expenses and store other operating expenses, as a result of expansion of new Corporate Stores and, higher selling and distribution expenses as explained above.

As a result of the above, our Group's PBT margin increased from 10.7% for the FYE 30 June 2023 to 12.7% for the FYE 30 June 2024.

12. FINANCIAL INFORMATION (Cont'd)**(xi) Tax expense**

Our tax expense increased by 42.9% from RM16.4 million for the FYE 30 June 2023 to RM23.4 million for the FYE 30 June 2024, and our effective tax rates were 29.8% and 31.2% for the FYE 30 June 2023 and FYE 30 June 2024 respectively. The increase in our tax expenses was primarily due to the increase in our Group's PBT.

(xii) Net profit for the financial year

As a result of the foregoing, our net profit increased by 34.0% from RM38.5 million for the FYE 30 June 2023 to RM51.6 million for the FYE 30 June 2024.

12.2.8 Liquidity and capital resources**12.2.8.1 Working capital**

Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions. Following our Listing, we expect to use the same principal sources of liquidity to fund our working capital needs. Many factors, including our results of operations and financial position and the conditions in the Malaysian and international financial markets, could affect our ability to rely on these sources of funding.

Our Group has been in a net current liabilities position of RM3.4 million, RM38.1 million and RM46.6 million as at 30 June 2022, 30 June 2023 and 30 June 2024, respectively. This was mainly due to the utilisation of short-term borrowings to finance our capital expenditures and working capital requirements, supporting the expansion of new stores while maintaining financial flexibility. Given that our Group's business is primarily cash-generating, our Group has opted for short-term borrowing such as revolving credit facilities instead of long-term financing such as term loans, due to the following reasons:

- (i) revolving credit facilities typically offer lower interest rates compared to term loans, aligning with our Group's strategy to minimise interest expenses; and
- (ii) the flexibility of revolving credit allows for repayments whenever there is excess cash from store operations after deducting all operating expenses, to effectively manage debt levels.

While the SSSG of our Bask Bear brand had declined by 17.6% for the FYE 30 June 2024, our Tealive Stores which contributed 82.4% of our Group revenue for the same period recorded only a marginal decline in SSSG of 0.8%. Following from our continued store expansion strategy, our net cash from operating activities has been on an increasing trend registering RM74.6 million, RM84.3 million, and RM117.6 million for the FYE 30 June 2022, FYE 30 June 2023, and FYE 30 June 2024, respectively. Our strong operating cash flow enables us to service our debt and meet other financial commitments without adversely impacting our operations. We do not anticipate our strategy of opting for short term borrowings to have any negative implications on our existing and future operations.

Notwithstanding our net current liabilities position as at 30 June 2024 of RM46.6 million, our Board confirms that we have sufficient working capital for 12 months from the date of this Prospectus based on the following and taking into consideration our expected cash flows from operations:

- (a) our committed capital expenditure and contractual obligations of RM1.7 million mainly comprises of RM1.1 million for renovation and RM0.5 million for 10% retention sum held, further details of which are set out in Section 12.2.8.6 below;
- (b) cash and cash equivalents as at 30 June 2024 of RM47.0 million which include fixed deposits with licenced banks of RM3.2 million and liquid investment of RM1.1 million;

12. FINANCIAL INFORMATION (Cont'd)

- (c) revolving credit facilities of RM52.1 million, of which RM30.0 million has not been utilised as at the LPD; and
- (d) proceeds expected to be raised from our Public Issue amounting to RM[●] million.

12.2.8.2 Cash flows

The following table summarises our combined statements of cash flows for the financial years indicated:

	Audited		
	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Net cash from operating activities	74,601	84,299	117,585
Net cash used in investing activities	31,305	69,383	39,561
Net cash used in financing activities	109,773	756	70,837
Net (decrease)/increase in cash and cash equivalents	(66,477)	14,160	7,187
Cash and cash equivalents at beginning of the financial year/period	90,189	23,814	38,232
Effect of foreign currency translation differences	102	258	1,531
Cash and cash equivalents at end of the financial year/period	23,814	38,232	46,950

Our Board is of the opinion that there are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances to meet our cash obligations, subject to availability of distributable reserves and/or loans or advances and compliance with legal requirements and financial covenants.

Net cash from operating activities**FYE 30 June 2022**

For the FYE 30 June 2022, we recorded net cash from operating activities of RM74.6 million after taking into consideration our operating profit before changes in working capital of RM123.9 million and the following:

- (a) an increase in inventories of RM18.7 million in line with the expansion of new stores. When a new store is opened, higher stock levels are needed to ensure smooth operations, meet initial customer demand, and prevent stock shortages;
- (b) an increase in our trade and other receivables of RM13.2 million, mainly due to higher trade receivables and prepayment resulting from the expansion of new stores which led to, among others, higher advance payment for inventory;
- (c) an increase in our trade and other payables of RM14.2 million, primarily due to higher trade payables and accrued expenses resulting from among others, the expansion of new stores and higher initial inventory and store setup costs;
- (d) a decrease in contract liabilities of RM4.3 million due to franchise/licence fees received earlier which were subsequently recognised as revenue, as the franchise/licence fees received are amortised over a period of time; and
- (e) payment of income tax of RM24.4 million and interest expenses of RM3.5 million.

12. FINANCIAL INFORMATION (Cont'd)***FYE 30 June 2023***

For the FYE 30 June 2023, we recorded net cash from operating activities of RM84.3 million after taking into consideration our operating profit before changes in working capital of RM108.0 million and the following:

- (a) an increase in trade and other payables of RM21.3 million mainly due to higher accrued expenses and trade payable resulting from among others, and higher initial inventory and store setup costs due to expansion of new stores;
- (b) an increase in trade and other receivables of RM8.9 million due to increase deposits and prepayments due to expansion of new stores;
- (c) a decrease in contract liabilities of RM7.2 million due to franchise/licence fees received earlier which were subsequently recognised as revenue, as the franchise/licence fees received are amortised over a period of time;
- (d) interest paid of RM6.3 million; and
- (e) payment of income tax of RM23.9 million.

FYE 30 June 2024

For the FYE 30 June 2024, we recorded net cash from operating activities of RM117.6 million after taking into consideration our operating profit before changes in working capital of RM151.7 million and the following:

- (a) a decrease in trade and other payables of RM11.5 million primarily due to lower other payables resulting from reduced freight and duty costs as well as storages and handling costs;
- (b) interest paid of RM8.5 million; and
- (c) payment of income tax of RM18.9 million.

Net cash used in investing activities***FYE 30 June 2022***

Net cash used in investing activities was RM31.3 million for the FYE 30 June 2022, which primarily comprised:

- (a) purchase of PPE of RM45.5 million for the expansion of new Corporate Stores; and
- (b) acquisition of a subsidiary of RM0.5 million,

which was partially offset by proceeds from disposal of assets held for sale of RM11.0 million, comprising of a three (3) storey office cum factory building and disposal of PPE amounting to RM3.7 million.

FYE 30 June 2023

Net cash used in investing activities was RM69.4 million for the FYE 30 June 2023, which primarily comprised the purchase of PPE of RM69.1 million for the expansion of new Corporate Stores.

12. FINANCIAL INFORMATION (Cont'd)***FYE 30 June 2024***

Net cash used in investing activities was RM39.6 million for the FYE 30 June 2024, which primarily comprised the purchase of PPE of RM38.6 million for the expansion of new Corporate Stores.

Net cash used in financing activities***FYE 30 June 2022***

Net cash used in financing activities was RM109.8 million for the FYE 30 June 2022, which primarily comprised:

- (a) dividends paid to shareholders of RM107.7 million; and
- (b) payment of lease liabilities of RM12.4 million,

which was partially offset by drawdown of revolving credit facility of RM14.1 million for working capital and purchase of PPE for expansion of new Corporate Stores.

FYE 30 June 2023

Net cash used in financing activities was RM0.8 million for the FYE 30 June 2023 which primarily comprised:

- (a) dividends paid to shareholders of RM28.1 million;
- (b) payment of lease liabilities of RM19.1 million and repayment of revolving credit facilities of RM5.1 million; and
- (c) interest paid of RM1.9 million,

which was partially offset by drawdown of revolving credit facility and trade financing of RM53.6 million for working capital and purchase of PPE for expansion of new Corporate Stores.

FYE 30 June 2024

Net cash used in financing activities was RM70.8 million for the FYE 30 June 2024, which primarily comprised:

- (a) dividends paid to shareholders of RM30.0 million;
- (b) payment of lease liabilities of RM25.4 million and repayment of revolving credit facilities of RM17.9 million; and
- (c) interest paid of RM4.1 million,

which was partially offset by drawdown of revolving credit facility of RM10.0 million for working capital and purchase of PPE for expansion of new Corporate Stores.

12.2.8.3 Borrowings

As at 30 June 2024, we had total outstanding borrowings of RM52.1 million, all of which are denominated in RM and are secured. While we have multiple borrowings facilities (i.e. revolving credit, overdraft and trade financing), only revolving credit facilities have been utilised. We have an outstanding amount of RM52.1 million in revolving credit facilities, with an effective interest rate of 4.19%, which are maturing in the next one (1) year.

12. FINANCIAL INFORMATION (Cont'd)

Our secured bank borrowings are secured against the pledged fixed deposits of our Company and corporate guarantees provided by subsidiaries.

As at 30 June 2024, all our borrowings have floating interest rate terms. See Note 15 to the Accountants' Report in Section 13 of this Prospectus for more information on our borrowings.

We have not defaulted on interest or profit rate payments or principal amounts on any of our borrowings for the Financial Years Under Review and up to the LPD. As at the LPD, we are not in breach of any terms and conditions or covenants associated with our borrowings which could materially affect our financial position and results or business operations, or the investments in our Shares.

12.2.8.4 Key financial ratios

The following table sets out certain of our key financial ratios for the Financial Years Under Review:

	As at 30 June		
	2022	2023	2024
Average trade receivables turnover (days) ⁽¹⁾	11	11	9
Average trade payables turnover (days) ⁽²⁾	28	35	39
Average inventory turnover (days) ⁽³⁾	68	70	67
Current ratio (times) ⁽⁴⁾	1.0	0.8	0.7
Gearing ratio (times) ⁽⁵⁾	0.2	0.9	0.6
Net gearing ratio (times) ⁽⁶⁾	N/A ⁽⁷⁾	0.3	0.1

Notes:

- (1) Computed based on average trade receivables as at the beginning and end of the financial year divided by revenue for such financial year, multiplied by number of days in the financial year.
- (2) Computed based on average trade payables as at the beginning and end of the financial year divided by cost of goods sold for such financial year, multiplied by number of days in the financial year.
- (3) Computed based on average inventories as at the beginning and end of the financial year divided by cost of goods sold for such financial year, multiplied by number of days in the financial year.
- (4) Computed based on total current assets divided by total current liabilities as at the respective financial year end.
- (5) Computed based on total borrowings (excluding lease liabilities) divided by total equity as at the respective financial year end.
- (6) Computed based on total borrowings (excluding lease liabilities) less cash and cash equivalents divided by total equity as at the respective financial year end.
- (7) Net gearing ratio is not applicable as our Group was in a net cash position.

(i) Trade receivables

Due to the nature of our business which is primarily F&B retail store operations, most of our revenue is generated from our Corporate Stores where transactions with customers are settled immediately in cash, debit and/or credit card, or through e-wallets such as Touch 'n Go eWallet, Boost, GrabPay, MAE Pay, ShopeePay and Alipay etc ("**E-Wallets**"). Customers may also transact through platforms such as our Tealive App/Bask Bear App and food aggregators, for example Grab, foodpanda and ShopeeFood ("**Food Aggregator**").

12. FINANCIAL INFORMATION (Cont'd)

Payments made by our customers in our Corporate Stores using debit/credit cards or E-Wallets are collected by, and will be released to us in two (2) to three (3) business days from the sales transaction date, by GHL and Ambank for transactions conducted in our Tealive Corporate Stores and Bask Bear Corporate Stores respectively.

On the other hand, payments made by our customers via platforms such as our Tealive App/Bask Bear App and Food Aggregators are collected by, and will be released to us in two (2) to three (3) business days from the sales transaction date, by GHL and the relevant Food Aggregator for transactions conducted through our Tealive App/Bask Bear App and the relevant Food Aggregator respectively.

For our sales of vouchers to corporate customers, we typically extend a credit period of up to 30 days.

As for our franchisees/licensees, payment of the franchise/licence fees, initial training and support fee, equipment fee, service fee and first stock purchase are made to us immediately upon signing of the relevant agreement(s). The subsequent purchase of equipment and other raw materials are made to us immediately when the orders are made. We typically extend a credit period of up to 30 days in respect of the payment of fees relating to royalty and sales of ingredients for our LTO products.

Our average trade receivables turnover period for the Financial Years Under Review remained within the normal credit period that we extend to our customers.

Our Group's trade receivables turnover period remained the same at 11 days for the FYE 30 June 2022 and FYE 30 June 2023.

Our Group's trade receivables turnover period decreased from 11 days for the FYE 30 June 2023 to nine (9) days for the FYE 30 June 2024, driven by a more efficient collection process, for example through regular internal review of accounts receivables and follow up on payments, as well as a higher proportion of cash and digital payments, and improved invoicing and reconciliation practices. Additionally, better credit control measures and client management have contributed to more timely payments from customers.

The aging analysis for our trade receivables as at 30 June 2024 is as follows:

	Exceeding credit period				
		1 – 30 days	31 – 60 days	More than 60 days	
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross carrying amount	6,327	2,022	604	4,778	13,731
Loss allowance	-	-	-	(216)	(216)
Net balance	6,327	2,022	604	4,562	13,515
% of total trade receivables	46.8	15.0	4.5	33.7	100.0
Collection from 1 July 2024 to the LPD	6,327	1,870	604	3,231	12,032
Balance trade receivables as at the LPD	-	152	-	1,331	1,483

As at 30 June 2024, our total trade receivables was RM13.5 million, of which RM7.2 million or about 53.3% of our trade receivables exceeded the normal credit period. Of the RM7.2 million of trade receivables that exceeded the normal credit period, RM0.8 million was receivable from corporate customers, while the remaining RM6.4 million was receivable from franchisees.

12. FINANCIAL INFORMATION (Cont'd)

The delay in payments from corporate customers was due to extended credit term granted on a case-by-case basis for bulk voucher purchases, while the delay in payments from franchisees was mainly due to cash flow timing, as operating expenses often depleted their available funds shortly after receiving sales proceeds, resulting in insufficient cash to make payment to us within the credit term given to the franchisees.

However, the delay in collection from franchisees is mitigated by the F&B sales proceeds generated by them via Tealive App/Bask Bear App and aggregators. These proceeds are collected by our Group before being reimbursed to the franchisees following the review of the ageing analysis for our trade receivable. If the franchisees have not settled their overdue amount, our Group will withhold an equivalent amount from the sales proceeds they generated via Tealive App/Bask Bear App and aggregators, reimbursing only the remaining balance. Once the franchisees pay the amount due, the withheld sales proceeds are then reimbursed to them.

As at the LPD, we have collected RM12.0 million, representing about 89.0% of the net trade receivables as at 30 June 2024. The remaining balances of RM1.5 million was mainly past due amount from our franchisees.

Our Board is of the view that no additional provision is required for these past due uncollected trade receivables amount due to our Group's ability to withhold equivalent amount from sales proceeds generated by franchisees via Tealive App/Bask Bear App and aggregators if payment are not made on time. Additionally, the Group retains refundable security deposits paid by the franchisees, providing further assurance against potential losses.

We do not have any significant exposure to any customer which we believe is not recoverable.

(ii) Trade payables

During the Financial Years Under Review, our trade payables primarily relate to the purchases of ingredients, packaging materials and consumables and equipment. The normal credit period given by our suppliers generally are 30 days.

Our Group's trade payables turnover period increased from 28 days for the FYE 30 June 2022 to 35 days for the FYE 30 June 2023 and 39 days for the FYE 30 June 2024, mainly due to larger upfront expenses from the expansion of new stores, which requires higher initial inventory purchases and store setup costs. Once the operation of these new stores stabilise, the trade payable turnover period is expected to return to normal levels that are in line with standard procurement cycles (i.e. up to 30 days).

We endeavour to pay our suppliers within the credit periods granted to us to ensure our supplies are not disrupted. Despite our average trade payables turnover period exceeding the normal credit period granted by our suppliers for the FYE 30 June 2023 and FYE 30 June 2024, owing to our past payment records and good relationship with our suppliers, we have not experienced any material disruptions in supplies from our suppliers, nor faced any legal dispute or action initiated by our suppliers relating to outstanding payments for the FYE 30 June 2023 and FYE 30 June 2024.

12. FINANCIAL INFORMATION (Cont'd)

The aging analysis for our trade payables as at 30 June 2024 is as follows:

	Exceeding credit period				Total RM'000
	Current	1 – 30 days	31 – 60 days	61-90 days	
	RM'000	RM'000	RM'000	RM'000	
Trade payables as at 30 June 2024	7,253	7,563	3,320	1,775	19,911
% of total trade payables	36.4	38.0	16.7	8.9	100.0
Payment from 1 July 2024 to the LPD	6,011	7,563	3,320	1,775	18,669
Balance trade payables as at the LPD	1,242	-	-	-	1,242

As at 30 June 2024, our total trade payables was RM19.9 million of which RM12.7 million or about 63.6% of our trade payables exceeded the normal credit period. Our Group may negotiate extended payment cycles with suppliers as part of ongoing commercial arrangements to optimise cash flow and maintain liquidity.

As at the LPD, we have settled RM18.7 million or 94.0% of the trade payables which were outstanding as at 30 June 2024.

(iii) Inventories

Our inventories comprise mainly ingredients, packaging materials and consumables for the operations of our Tealive and Bask Bear brands, as well as equipment to be sold to our franchisees/licensees. In addition to Tealive and Bask Bear, our inventories also comprise sparkling water machines and carbonating gas cylinders under our SodaXpress brand which we distribute to businesses and consumers. The shelf life of our ingredients range between 60 days, for example for frozen products, to two (2) years, for example for canned products, and therefore require us to regularly monitor inventory levels at our various stores. In turn, the rate of depletion of such supplies is highly dependent on the sales performance of these respective stores.

Our Group's inventory turnover period increased from 68 days for the FYE 30 June 2022 to 70 days for the FYE 30 June 2023 due to the higher stock levels required for new store openings. Once the operations of these stores stabilise inventory levels will be gradually adjusted to align with actual sales and improve supply chain efficiency.

Our Group's inventory turnover period decreased from 70 days for the FYE 30 June 2023 to 67 days for the FYE 30 June 2024, primarily due to the ongoing efforts to optimise supply chain efficiency, through improved demand forecasting, streamlined procurement processes, and better inventory management while ensuring product availability.

(iv) Current ratio

The analysis of our current ratio for the Financial Years Under Review is set out below:

	As at 30 June		
	2022	2023	2024
Current assets (RM'000)	100,096	124,811	120,197
Current liabilities (RM'000)	103,518	162,898	166,751
Current ratio (times) ⁽¹⁾	1.0	0.8	0.7

12. FINANCIAL INFORMATION (Cont'd)**Note:**

- (1) *Computed based on total current assets divided by total current liabilities as at the respective financial year end.*

Our current ratio decreased from 1.0 times as at 30 June 2022 to 0.8 times as at 30 June 2023. This was primarily due to higher bank borrowing for the FYE 30 June 2023 to meet the working capital requirements and purchase of PPE for the expansion of new Corporate Stores.

Our current ratio decreased from 0.8 times as at 30 June 2023 to 0.7 times as at 30 June 2024. This was primarily due to higher lease liabilities coupled with lower trade receivables for the FYE 30 June 2024. Higher lease liabilities was a result of extended lease terms of the lease renewals for existing Corporate Stores.

(v) Gearing and net gearing ratio

The analysis of our gearing and net gearing ratio for the Financial Years Under Review is set out below:

	As at 30 June		
	2022	2023	2024
Total borrowings (excluding lease liabilities) (RM'000)	14,139	62,657	52,073
Total equity ('000)	61,227	71,565	93,023
Cash and cash equivalents ('000)	23,814	38,232	46,950
Gearing ratio (times) ⁽¹⁾	0.2	0.9	0.6
Net gearing ratio (times) ⁽²⁾	N/A ⁽³⁾	0.3	0.1

Notes:

- (1) *Computed based on total borrowings (excluding lease liabilities) divided by total equity as at the respective financial year end.*
- (2) *Computed based on net borrowings (total borrowings (excluding lease liabilities) less cash and cash equivalents) divided by total equity as at the respective financial year end.*
- (3) *Net gearing ratio is not applicable as our Group was in a net cash position.*

Our Group's total borrowings (excluding lease liabilities) increased by RM48.6 million from RM14.1 million as at 30 June 2022 to RM62.7 million as at 30 June 2023. The increase in total borrowings was mainly due to the drawdown of the revolving credit and trade financing facilities to meet the working capital and capital expenditure requirements for the expansion of new Corporate Stores. Accordingly, our Group's gearing ratio increased from 0.2 times as at 30 June 2022 to 0.9 times as at 30 June 2023. Our net gearing ratio increased from a net cash position to 0.3 times over the same period due to the increase in the borrowings.

Our Group's total borrowings (excluding lease liabilities) decreased by RM10.6 million or 16.9% from RM62.7 million as at 30 June 2023 to RM52.1 million as at 30 June 2024 primarily due to the repayment of borrowings as part of our Group's strategic initiative to lower financing costs. Our Group's gearing ratio decreased from 0.9 times as at 30 June 2023 to 0.6 times as at 30 June 2024, which was mainly attributable to the increase in total equity resulting from the PAT achieved for the FYE 30 June 2024, coupled with a decrease in total borrowings as explained above.

12. FINANCIAL INFORMATION (Cont'd)

As our cash and cash equivalents had also increased from RM38.2 million as at 30 June 2023 to RM47.0 million as at 30 June 2024, our net gearing ratio decreased from 0.3 times to 0.1 times over the same period, due to the improved profitability and cash flow from operations.

12.2.8.5 Capital expenditure

The following table sets out our capital expenditure for the Financial Years Under Review:

	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Capital expenditures			
Equipment and electrical fittings	18,899	17,554	8,651
Furniture and fittings	5,329	6,701	6,018
Computer and software	246	287	268
Motor vehicles	497	149	112
Renovation	17,567	9,057	11,818
Construction work in progress	3,952	35,361	11,690
Intangible assets	1,035	340	1,008
Total	47,525	69,449	39,565

The majority of our capital expenditures were incurred in connection with the setting up or renovation of our Corporate Stores, including the purchase of equipment, furniture, fittings, IT equipment and signboards for such stores.

Our capital expenditure increased by 46.1% from RM47.5 million for the FYE 30 June 2022 to RM69.4 million for the FYE 30 June 2023 primarily due to the expansion of 65 new Corporate Stores in the FYE 30 June 2023 to 496 stores as at 30 June 2023. Our construction work in progress increased by 794.8% from RM4.0 million for the FYE 30 June 2022 to RM35.4 million for the FYE 30 June 2023, mainly due to on-going construction on our new Corporate Stores openings towards the financial year end.

Our capital expenditure decreased by 43.0% from RM69.4 million for the FYE 30 June 2023 to RM39.6 million for the FYE 30 June 2024, mainly due to fewer new Corporate Stores openings in the FYE 30 June 2024 of 23 compared to 65 opened in the FYE 30 June 2023. Our construction work in progress decreased by 66.9% from RM35.4 million for the FYE 30 June 2023 to RM11.7 million for the FYE 30 June 2024 following the completion of the construction of our new Corporate Stores.

12.2.8.6 Capital commitments and contractual obligations

Our capital expenditure commitments as at the LPD is RM1.7 million, which comprise the following:

Capital expenditure commitments in relation to:

	RM'000
Renovation	1,052
Equipment	54
Furniture and fittings	22
Signages	81
10% retention sum	464
Total	1,673

12. FINANCIAL INFORMATION (Cont'd)

We expect to meet our capital expenditure commitments through our cash and cash equivalents, cash generated from our operations and financing activities.

Save as disclosed above, as at the LPD, there are no material capital expenditure commitments incurred or known to be incurred by us that may have a material adverse effect on our results of operations or financial position.

Other contractual obligations

Our contractual cash obligations (excluding capital expenditure commitments) as at 30 June 2024 comprise primarily of repayment obligations for our borrowings and in respect of our lease liabilities. The maturity profile of our undiscounted contractual cash repayment obligations for our borrowings and lease liabilities as at 30 June 2024 are as follows:

	Within 1 year	1 to 5 years	Over 5 years	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Payments due by period				
Borrowings	54,249	-	-	54,249
Lease liabilities	35,847	94,837	37,438	168,122
Total	90,096	94,837	37,438	222,371

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities (if required) and in respect of our borrowings, from the gross proceeds of our Public Issue as described in Section 4.6 of this Prospectus.

12.2.8.7 Contingent liabilities and off-balance sheet arrangements

As at the LPD, there are no contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position, and we do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our business, financial performance and financial position.

12.2.8.8 Material investments and material divestitures

On 20 January 2025, Loob Holding entered into a deed of assignment of shares of stock to transfer all 250,049 common shares of stock of Loob Philippines owned by Loob Holding, representing approximately 100.0% equity interest in Loob Philippines to TrueScale Ventures. The purchase consideration of PHP25,004,900, equivalent to approximately RM1,893,821.12, representing the total par value of common shares of stock of Loob Philippines for the Transfer of Loob Philippines was entirely satisfied in cash. The Transfer of Loob Philippines was completed on 20 January 2025. Following the completion of the Transfer of Loob Philippines, Loob Philippines is no longer part of the Loob Group. See Section 6.1.2 of this Prospectus for further details on the Transfer of Loob Philippines.

Save as disclosed above, we have not undertaken any material investments or divestitures during the Financial Years Under Review and up to the LPD.

12.2.9 Financial risk management

We are exposed to certain financial risk arising from our operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange rates. As at the LPD, we do not have any derivative or hedging transactions to manage any of our market risk.

12. FINANCIAL INFORMATION (Cont'd)**12.2.9.1 Credit risk**

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Our exposure to credit risk arises principally from the individual characteristics of each customer and associates. There are no significant changes as compared to prior periods.

As disclosed in Section 7.5.8 of this Prospectus, due to the nature of our business, we are not dependent on any single individual customer and our customer base comprises walk-in customers at our physical stores, customers who purchase products on delivery websites or applications, our franchisees/licensees and B2B customers comprising external retailers and distributors.

Our management has established a credit policy under which each new customer being a franchisee/licensee, corporate or B2B customer, is analysed individually for creditworthiness before our Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each such customer and reviewed quarterly. Any credit exceeding those limits require approval from our management.

In respect of trade receivables, as at 30 June 2024, our Group is not subjected to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics.

In respect of other receivables, our Group is not exposed to any significant credit risk exposure to any single counterparty or a group of counterparties having similar characteristics. As at 30 June 2024, we do not expect to incur material credit losses on our financial assets or other financial instruments.

12.2.9.2 Liquidity risk

Liquidity risk is the risk that our Group will not be able to meet our financial obligations as and when they fall due, due to shortage of funds. Our exposure to liquidity risk arises primarily from our Group's various payables, loan and borrowings and lease liabilities.

We maintain a level of cash and cash equivalents and bank facilities deemed adequate by our management to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities as and when they fall due. We aim to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

As at 30 June 2024, we had RM157.6 million in undiscounted contractual cash repayment obligations due on demand or within one (1) year.

As at 30 June 2024, there are undrawn borrowing facilities available and expected positive cash flow from our ongoing operations that can be used to meet the abovementioned undiscounted contractual cash repayment obligations as and when they fall due.

12.2.9.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Our variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

12. FINANCIAL INFORMATION (Cont'd)

Our interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, we target a mix of fixed and floating debt based on assessment of our existing exposure and desired interest rate profile.

As at 30 June 2024, our exposure to interest rate risk arose primarily from floating rate instruments which stood at RM52.1 million, or 100.0% of our total borrowings. The table below sets out the sensitivity of our post-tax profit or loss to a 100 basis points increase or decrease in interest rates, assuming all other variables remained constant.

	Increase/(decrease)		
	FYE 30 June		
	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)
Interest rates increase by 100 basis points	(107)	(476)	(396)
Interest rates decrease by 100 basis points	107	476	396

Our Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and our Group does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

12.2.9.4 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. We are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the RM. The currency giving rise to the risk is USD and JPY.

We do not hedge such currency risk because the amounts are short-term in nature.

The sensitivity of our net profit for the financial year to a reasonably possible fluctuation in the RM against the respective currencies are set out in Note 27.6.1 of the Accountants' Report in Section 13 of this Prospectus.

12.2.10 Seasonality

As an owner of stores in the F&B services industry, we experience seasonality in our business for all the brands under our portfolio. We generally experience increased customer traffic and sales during public holidays, festive periods and school holidays.

12.2.11 Inflation

Inflation has not had a material impact on our business, financial condition or results of operations for the Financial Years Under Review. However, inflation may in the future, affect our financial performance by increasing the cost of our operating expenses, including expenses relating to employee benefit expenses, selling and distribution expenses as well as administrative expenses and other operating expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenues.

12.2.12 Order book

Due to the nature of our business, we do not maintain an order book. See Section 7 of this Prospectus for further information on the nature of our business.

12. FINANCIAL INFORMATION (Cont'd)**12.2.13 Prospects and trend analysis**

We have observed various factors that are and will likely affect our Group's operations and financial condition for the FYE 30 June 2025. One of the key factors affecting our Group's operations and financial performance condition is the intensifying competition in the tea shop segment, particularly from new entrants who are looking to capture market share, which has rapidly gained market traction by offering products at significantly lower price points. According to the IMR Report:

- (i) the tea shop segment is undergoing a re-adjustment phase after reaching a peak in the number of market participants;
- (ii) while aggressive pricing strategies may initially attract consumers, sustaining such models presents operational and financial challenges over time; and
- (iii) moving forward, the industry is expected to consolidate, favouring brands with strong fundamentals, established brand equity, and the ability to innovate.

Despite these headwinds, our Group remains proactive in navigating the evolving competitive landscape where we intend to implement several strategic initiatives to strengthen our market position, including:

- (i) introducing new FMCG range across large retail stores and small grocery or convenience stores within the next 12 months;
- (ii) expanding the Tealive and Bask Bear member base beyond approximately 3 million at present and increase purchase frequency through loyalty program, member exclusive promotion and offering convenience at customers' fingertips through our Apps;
- (iii) accelerating our international expansion through franchising. As at the LPD, we have subsisting MFAs in the Philippines (excluding Illocos region), Myanmar, Mauritius, Cambodia and Canada, subsisting ARDAs in the Philippines (Illocos region) and Brunei, as well as three (3) newly secured MFAs in India, Thailand and the UAE respectively, and one (1) franchise agreement secured in the areas of Dhaka and Chittagong in Bangladesh. While no stores have been opened in these markets, there is a target to open over 400 stores across all countries and regions based on a development schedule of five (5) to ten (10) years depending on the territory as part of our future plans; and
- (iv) increasing Tealive's penetration in Malaysia. In line with this growth strategy, we have opened 41 new Tealive stores across Malaysia during the FYE 30 June 2025 and we are committed to opening an additional 55 Tealive stores annually over the next three (3) financial years. To achieve the Tealive store rollout plan, we plan to adopt a cost-efficient "asset-lite" kiosk store format (approximately 100 sq. ft.) which is expected to reduce our Group's capital expenditure. We have opened five (5) "asset-lite" kiosk Tealive stores during the FYE 30 June 2025, located across Selangor and Negeri Sembilan, with one (1) store each in Klang, Selayang and Puncak Alam and two (2) stores in Nilai. We aim to open five (5) "asset-lite" kiosk stores in the FYE 30 June 2025, followed by 40 "asset-lite" kiosk stores annually over the next three (3) financial years.

However, these initiatives are not expected to contribute significantly to our revenue and profitability in the immediate term in view that the implementation of these initiatives will be undertaken over a period of time.

Save as disclosed in this Section and in Sections 5, 7 and 8 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events and factors that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12. FINANCIAL INFORMATION (Cont'd)**12.2.14 Significant changes**

Save as disclosed below, no significant changes have occurred which may have a material effect on our financial position and results of operations since 30 June 2024 up to the date of this Prospectus:

- (i) the Pre-IPO Dividends;
- (ii) the Transfer of Loob Philippines; and
- (iii) drawdown of borrowings.

See Note 1.1 of the Reporting Accountants' Letter on the Pro Forma Combined Statements Of Financial Information as set out in Section 12.5 of this Prospectus.

12.2.15 Impact of government, economics, fiscal and monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects. For the Financial Years Under Review and up to the LPD, our results were not materially adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

For information on any government, economic, fiscal or monetary policies or factors which could materially affect our operations, see Section 5 of this Prospectus.

12.2.16 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Note 1(a) to the Accountants' Report included in Section 13 of this Prospectus.

12.2.17 Financial instrument, treasury policies and objectives

As at the LPD, save as disclosed in Section 12.2.8.3 of this Prospectus, we do not have nor utilise any other financial instruments.

One of the main treasury responsibilities is to ensure that we have the liquidity and cash to meet our obligations as they fall due. Our principal sources of liquidity are our cash and bank balances, cash generated from our operations and borrowings from financial institutions. Using appropriate governance and policies, it is the responsibility of treasury to identify, quantify, monitor and control the risks (liquidity, interest, currency, credit, legal and regulatory) associated with these activities, using appropriate mitigation and hedging techniques.

We are exposed to currency exchange risk on sales and purchases that are denominated in a currency other than RM. The currencies giving rise to this risk are primarily USD and JPY.

12. FINANCIAL INFORMATION (Cont'd)**12.3 CAPITALISATION AND INDEBTEDNESS**

The table below presents our capitalisation and indebtedness as at 31 January 2025 and on the assumption that our IPO, Listing and the use of proceeds from our Public Issue as set out in Section 4.6 of this Prospectus had occurred on 31 January 2025.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 January 2025 and is provided for illustrative purposes only.

		Pro Forma I
	As at 31 January 2025	After our IPO and use of proceeds
	(RM'000)	(RM'000)
Capitalisation		
Equity attributable to owners of the Company	45,721	⁽⁴⁾ [•]
Non-controlling interest	1,599	1,599
Total capitalisation	47,320	[•]
Indebtedness		
Current		
Revolving credit ⁽¹⁾	65,456	[•]
Bank overdraft	10,042	10,042
Lease liabilities ⁽²⁾	23,681	23,681
	99,179	[•]
Non-current		
Lease liabilities ⁽²⁾	112,505	112,505
Total indebtedness	211,684	[•]
Total capitalisation and indebtedness	259,004	[•]
Gearing ratio (times)⁽³⁾	1.6	[•]

Notes:

- (1) Secured over fixed deposits pledged with licenced banks and corporate guarantee by our subsidiaries.
- (2) The lease liabilities arose from our Group's recognition of ROU assets in accordance with MFRS 16 – Leases.
- (3) Calculated based on total indebtedness (excluding lease liabilities) divided by total capitalisation.
- (4) Calculated after taking into account, among others, the gross proceeds raised from the Public Issue based on the IPO Price and the estimated listing expenses.

12. FINANCIAL INFORMATION (Cont'd)**12.4 DIVIDEND POLICY**

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our projected levels of capital expenditure and other growth/investment plans;
- (iv) applicable restrictive covenants under our financing documents;
- (v) our working capital requirements; and
- (vi) other factors deemed relevant by the Board.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

From the FYE 30 June 2026 onward, we target a payout ratio of approximately 40.0% to 60.0% of our PATAMI for each financial year on a consolidated basis after taking into account the working capital, maintenance capital and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants (including the financial institutions' consent for declaration of dividends) which our Company and our subsidiaries are or may be subject to, there are no dividend restrictions imposed on us or our subsidiaries.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

The following table sets out our dividends declared and paid for the Financial Years Under Review and up to the LPD:

	FYE 30 June			From 1 July 2024 up to the LPD
	2022 (RM'000)	2023 (RM'000)	2024 (RM'000)	
Total dividends declared in respect of the financial year	58,120	40,000	28,000	42,025
Total dividends paid	107,666	28,120	30,000	60,025
PATAMI	66,026	38,696	50,797	-
Dividend payout ratio (%) ⁽¹⁾	88.0	103.4	55.1	-

12. FINANCIAL INFORMATION (Cont'd)**Note:**

- (1) *Computed based on dividends declared divided by the PATAMI of our Group for the financial year.*

In respect of the FYE 30 June 2025, save for RM22.8 million out of the total dividend of RM42.0 million declared and paid on 31 December 2024, the balance of RM19.2 million dividend was paid out of the accumulated cash and bank balances of our Group, not exceeding the retained earnings of our Group during the said period.

For information, the RM27.8 million dividend declared on 31 December 2024, which was due to Bryan Loo, Loo Chuu Lin, Loo Chee Leng, Singli Aerovest and Zhejiang Boduo, was assigned to TrueScale Ventures:

- (a) towards the settlement of (i) total purchase consideration of RM1.9 million payable by TrueScale Ventures to Loob Holding in relation to the Transfer of Loob Philippines and the Transfer of LV Holdings VN; and (ii) the novation of the shareholders' advances and/or other receivables of RM20.9 million from Loob Holding to TrueScale Ventures; and
- (b) as the subscription amount payable by Bryan Loo, Loo Chuu Lin, Loo Chee Leng, Singli Aerovest and Zhejiang Boduo for subscription of new ordinary shares in TrueScale Ventures of RM1.0 million and shareholders' advances by Bryan Loo, Loo Chuu Lin, Loo Chee Leng, Singli Aerovest and Zhejiang Boduo to TrueScale Ventures of RM4.0 million.

The declaration and payment of these dividends did not and will not affect the execution and implementation of our Group's plans or strategies after taking into consideration the following:

- (a) our Company had unutilised credit facilities to fund our Group's working capital requirements; and
- (b) our Group's net cash from operating activities for the said period.

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12. FINANCIAL INFORMATION (Cont'd)**12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA COMBINED STATEMENT OF FINANCIAL INFORMATION**

KPMG PLT
 (LLP0010081-LCA & AF 0758)
 Chartered Accountants
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Telephone +60 (3) 7721 3388
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 Website www.kpmg.com.my

The Board of Directors
Loob Berhad
 No. 14 (Block C), Jalan Teknologi
 Taman Sains Selangor 1
 Kota Damansara
 47810 Petaling Jaya
 Selangor Darul Ehsan

**DRAFT FOR PURPOSE OF INCLUSION
 IN THE PROSPECTUS EXPOSURE**

[] 2025

Dear Sirs/Madam,

Loob Berhad ("Loob" or the "Company") and its combining entity (collectively, the "Group")

Report on the compilation of pro forma combined statements of financial information of Loob for inclusion in the Company's draft prospectus in connection with the proposed initial public offering of up to 350,756,900 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing") ("Draft Prospectus")

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial information of Loob, comprising:

- (i) the pro forma combined statement of financial position of Loob as at 30 June 2024;
- (ii) the pro forma combined statement of profit or loss and other comprehensive income of Loob for the financial year ended 30 June 2024, including pro forma combined earnings per share; and
- (iii) the pro forma combined statement of cash flows of Loob for the financial year ended 30 June 2024.

(Collectively (i) to (iii) above are referred to as the "Pro Forma Combined Statements of Financial Information").

12. FINANCIAL INFORMATION (Cont'd)

Loob Berhad ("Loob" or the "Company")
*Report on the compilation of Pro Forma Combined Statements of
 Financial information of Loob for inclusion in the Draft Prospectus
 in connection with the Proposed Listing*
 [] 2025

The Pro Forma Combined Statements of Financial Information and the related notes as set out in Attachment A, have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company (the "Directors") have compiled the Pro Forma Combined Statements of Financial Information are described in the notes to the Pro Forma Combined Statements of Financial Information. The Pro Forma Combined Statements of Financial Information is prepared in accordance with the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Information, together with the related notes as set out in Attachment A, have been compiled by the Directors for inclusion in the Draft Prospectus solely to illustrate on how:

- (i) the pro forma combined statement of financial position of Loob as at 30 June 2024 would have been if the Proposed Listing had taken place as at 30 June 2024;
- (ii) the pro forma combined statement of profit or loss and other comprehensive income of Loob for the financial year ended 30 June 2024, including pro forma combined earnings per share, would have been if the transactions as described in Note 1.1.2 had taken place on 1 July 2023; and
- (iii) the pro forma combined statement of cash flows of Loob for the financial year ended 30 June 2024, would have been if the transactions as described in Note 1.1.2 had taken place on 1 July 2023.

As part of this process, information about the Pro Forma Combined Statements of Financial Information have been extracted by the Directors from the accountants' report on the combined financial statements of Loob for the financial year ended 30 June 2024, on which auditors' report dated 26 March 2025 has been issued.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Information

The Directors are responsible for compiling the Pro Forma Combined Statements of Financial Information on the basis described in the notes of Attachment A as required by the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

Reporting Accountants' Quality Management and Independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

12. FINANCIAL INFORMATION (Cont'd)

Loob Berhad ("Loob" or the "Company")
*Report on the compilation of Pro Forma Combined Statements of
 Financial information of Loob for inclusion in the Draft Prospectus
 in connection with the Proposed Listing*
 [] 2025

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines about whether the Pro Forma Combined Statements of Financial Information have been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with Malaysian Approved Standard on Assurance Engagement, ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we 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 Information on the basis described in the notes of Attachment A.

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 Information, 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 Information.

The purpose of the Pro Forma Combined Statements of Financial Information included in the Draft Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Information has 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 Information 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 Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Information have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Information.

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 Information have been compiled, in all material respects, on the basis described in the notes of Attachment A.

12. FINANCIAL INFORMATION (Cont'd)




Loob Berhad ("Loob" or the "Company")
*Report on the compilation of Pro Forma Combined Statements of
 Financial information of Loob for inclusion in the Draft Prospectus
 in connection with the Proposed Listing*
 [] 2025

Other Matter

Our report on the Pro Forma Combined Statements of Financial Information have been prepared in connection with the Proposed IPO and in conjunction with the Proposed Listing and should not be relied upon for any other purposes.


KPMG PLT
 (LLP0010081-LCA & AF 0758)
 Chartered Accountants


Ooi Eng Siong
 Approval Number: 03240/02/2026J
 Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**1. Introduction**

The pro forma combined statements of financial information of Loob as at 30 June 2024 ("Pro Forma Combined Statements of Financial Information") together with the related notes, have been compiled by the Board of Directors of Loob (the "Directors") for illustrative purposes for inclusion in the Company's draft prospectus in connection with the proposed initial public offering of up to 350,756,900 ordinary shares in the Company ("Shares") ("Proposed IPO") in conjunction with the proposed listing of and quotation for the entire enlarged issued shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing") ("Draft Prospectus").

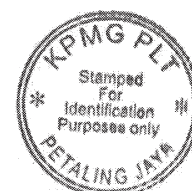
The Pro Forma Combined Statements of Financial Information comprises the following:

- Section 2: Pro forma combined statement of financial position of Loob as at 30 June 2024 ("Pro Forma SOFP") which have been prepared based on the assumption that the transactions set out in Note 1 were effected on 30 June 2024;
- Section 3: Pro forma combined statement of profit or loss and other comprehensive income of Loob for the financial year ended 30 June 2024 ("Pro Forma SOCI"), including pro forma combined earnings per share which have been prepared based on the assumption that the Transfer of Loob Philippines, Inc. ("Loob Philippines") (as described in Note 1.1.2) had occurred on 1 July 2023; and
- Section 4: Pro forma combined statement of cash flows of Loob for the financial year ended 30 June 2024 ("Pro Forma SOCF") which have been prepared based on the assumption that the Transfer of Loob Philippines (as described in Note 1.1.2) had occurred on 1 July 2023.

The Pro Forma SOFP is to be read separately from the Pro Forma SOCI and Pro Forma SOCF as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

1.1 Completed Material Transactions

Paragraphs 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") ("Prospectus Guidelines"), require the effects of the following material transactions to be illustrated in the Pro Forma Combined Financial Information. Other acquisition and disposal completed since 1 July 2023 were not illustrated in the Pro Forma Combined Financial Information as these were deemed not to be material pursuant to paragraph 9.21 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**1.1 Completed Material Transactions (continued)****1.1.1 Pre-IPO dividends**

Since 1 July 2024 and up to 28 February 2025, being the latest practicable date ("LPD"), Loob Holding Sdn Bhd ("Loob Holding"), declared the following interim dividends ("Pre-IPO Dividends") :

In respect of financial year ended 2024:

- (i) RM14.0 million declared on 26 July 2024 and paid on 29 July 2024; and
- (ii) RM4.0 million declared on 27 August 2024 and paid on 30 August 2024.

In respect of financial year ending 2025:

- (iii) RM42.0 million declared on 31 December 2024 of which RM19.2 million was paid on 31 December 2024. The remaining RM22.7 million was assigned to TrueScale Ventures Sdn Bhd ("TrueScale Ventures") by the shareholders of Loob Holding.

Out of the total dividend of RM60.0 million declared, subsequent to the financial year ended 30 June 2024, RM37.2 million dividend was paid out of the cash and bank balances of the Group.

The effect of the Pre-IPO Dividends is only illustrated in the Pro Forma SOFP in accordance with paragraph 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

1.1.2 Transfer of Loob Philippines

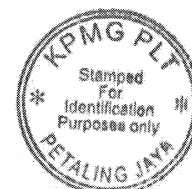
On 20 January 2025, Loob Holding, the combining entity of Loob Berhad, entered into a Deed of Assignment of Shares of Stock to transfer all 250,049 common shares of stock of Loob Philippines, Inc. ("Loob Philippines") owned by Loob Holding, representing 99.98% equity interest in Loob Philippines to TrueScale Ventures, a company owned by Loo Woi Lip ("Bryan Loo"), Loo Chuu Lin, Loo Chee Leng, Singli Aerovest Sdn. Bhd. ("Singli Aerovest") and Zhejiang Boduo International Trade Co, Ltd ("Zhejiang Boduo") ("Transfer of Loob Philippines").

The consideration of the transfer of common shares of stock of Loob Philippines was PHP25,004,900, equivalent to approximately RM1,893,821.12, and was entirely satisfied via set off against assignment of dividend payable to TrueScale Ventures as explained in Note 1.1.1. The transfer resulted in a gain on disposal of RM21.0 million to the Group.

Upon the Transfer of Loob Philippines, the total amounts owing (at the completion of the Transfer of Loob Philippines) by Loob Philippines to Loob Holding and LRTS Retail Sdn. Bhd. ("LRTS Retail"), a subsidiary of Loob Holding, would be novated from Loob Philippines to TrueScale Ventures.

For the purpose of preparation of the Pro Forma SOFP, the amount novated from Loob Philippines to TrueScale Ventures is assumed to be RM39.8 million which is the balance as at 30 June 2024. RM20.8 million was settled by TrueScale Ventures via the assignment of dividend payable to TrueScale Ventures as explained in Note 1.1.1. Loob Holding then impaired the remaining amount owed by TrueScale Ventures to Loob Holding of RM19.0 million.

Following the completion of the Transfer of Loob Philippines on 20 January 2025, Loob Philippines is no longer part of the Group.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**1.1 Completed Material Transactions (continued)****1.1.3 Drawdown of borrowings**

BB Coffee Sdn. Bhd., a subsidiary of Loob Holdings had drawn down RM14.0 million on 25 December 2024 and RM10.0 million on 10 January 2025 respectively from revolving credit facilities granted by OCBC Al-Amin Bank.

1.2 Proposed Pre-IPO Restructuring

The Company will acquire the entire equity interest of Loob Holding comprising 526,017 ordinary shares in Loob Holding ("Loob Holding Sale Shares") from the existing shareholders of Loob Holding, namely Uttama Ltd, Bryan Loo, Loo Chuu Lin, Loo Chee Leng, Singli Aerovest Sdn. Bhd., Zhejiang Boduo International Trade Co., Ltd, Loo Lian Hiyok, Loo Kheng Sing, Loo Ay Lian, Quah Chin Voo, Lim Li Zhi, Wong Shu Yan, Tan Jie Yi, Tan Boon Keng, Woon Tai How, Loo Huei Ju, Wong Kok Yee, Lau Chun Foo, Lo Yu Foh, Tang Mei Ling, Ooi Tiat Huay, Choo Lee Sze, Lim Ai Yen, Jeremy Tai Kim Hui, Tan Hon Phang, Kuan, Shu-Ching and Chook Pui Man for a total purchase consideration of RM28,767,873.33.

The purchase consideration will be satisfied entirely by the issuance of 1,110,728,700 new ordinary shares in Loob ("Share(s)") at the issue price of approximately RM0.0259 per Share ("Proposed Pre-IPO Restructuring").

The Proposed Pre-IPO Restructuring will be accounted for using book value accounting. Under book value accounting, the difference between the consideration paid and the share capital of the acquiree is accounted for as merger reserve.

1.3 Proposed IPO

After the completion of the Proposed Pre-IPO Restructuring, the Company proposes to undertake an initial public offering of up to 350,756,900 Shares ("IPO Shares").

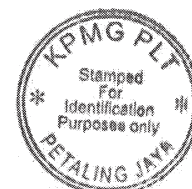
(i) Proposed Public Issue

Proposed public issue of 58,459,500 new Shares ("Issue Shares") at the indicative price of RM [●] per Issue Share.

(ii) Proposed Offer for Sale

Proposed offer for sale of up to 292,297,400 existing Shares ("Offer Shares") by Uttama Ltd, Loo Chu Lin, Bryan Loo, Loo Chee Leng and Singli Aerovest Sdn. Bhd. (collectively, the "Selling Shareholders") at the indicative price of RM [●] per Offer Share.

The Company will not receive any proceeds from the Proposed Offer for Sale. The gross proceeds of RM [●] million from the Proposed Offer for Sale will accrue entirely to the Selling Shareholders.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**1.3 Proposed IPO (continued)****(iii) Proposed use of proceeds**

The proposed gross proceeds from the Proposed Public Issue amounting to approximately RM [●] million will be used in the following manner:

Description of use of proceeds	Estimated timeframe for use from the date of the Proposed Listing	RM'000
Repayment of existing bank borrowings	Within 6 months	[●]
Capital expenditures for new Tealive corporate stores and Bask Bear corporate stores in Malaysia ⁽¹⁾	Within 24 months	[●]
Defray fees and expenses relating to the Proposed IPO and Proposed Listing ⁽²⁾	Within 3 months	[●]
Total		[●]

Notes:

- (1) To part finance the capital expenditure required to open up to 12 new Tealive corporate stores and up to 13 new Bask Bear corporate stores throughout Malaysia.

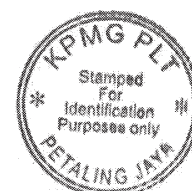
As at the latest practicable date, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the use of proceeds earmarked for capital expenditure is not reflected in the Pro Forma SOFP.

- (2) The estimated fees and expenses comprise the following:

	RM'000
Professional fees	[●]
Fees payable to authorities	[●]
Brokerage, underwriting and placement fees	[●]
Other fees and expenses	[●]
	[●]

The total fees and expenses to be borne by the Company is estimated to be approximately RM [●] million. As at 30 June 2024, RM [●] million has been charged to the profit or loss of the Group.

Upon completion of the IPO, the estimated listing fees and expenses of approximately RM [●] million directly attributable to the Proposed Public Issue will be debited against the share capital and the remaining estimated fees and expenses of approximately RM [●] million will be charged out to the profit or loss of the Group.



12. FINANCIAL INFORMATION (Cont'd)

Attachment A

Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")
Pro Forma Combined Statements of Financial Information and the notes thereon

2. Pro Forma Combined Statements of Financial Position

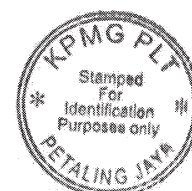
The pro forma combined statements of financial position of Loob as at 30 June 2024 ("Pro Forma SOFP") as set out below has been prepared for illustrative purposes only to show the effects of the transactions referred to in Note 1 had these transactions been effected on 30 June 2024, and should be read in conjunction with the said notes in this section.

		As at 30 June 2024 ⁽¹⁾ RM'000	Pro Forma I After adjustment for the Completed Material Transactions RM'000	Pro Forma II After Pro Forma I and the Proposed Pre-IPO Restructuring RM'000	Pro Forma III After Pro Forma II and the Proposed IPO RM'000
	Notes				
Assets					
Property, plant and equipment	2.3(a)	115,564	100,275	100,275	100,275
Right-of-use assets	2.3(b)	135,759	129,986	129,986	129,986
Intangible assets		1,110	1,110	1,110	1,110
Goodwill		1,534	1,534	1,534	1,534
Investment in joint ventures		576	576	576	576
Deferred tax assets		5,665	5,665	5,665	5,665
Trade and other receivables	2.3(c)	11,667	8,923	8,923	8,923
Total non-current assets		271,875	248,069	248,069	248,069
Inventories	2.3(d)	36,134	34,580	34,580	34,580
Current tax assets		4,629	4,629	4,629	4,629
Trade and other receivables	2.3(c)	32,485	29,964	29,964	29,964
Cash and cash equivalents	2.3(e)	46,950	31,130	31,130	[●]
Total current assets		120,198	100,303	100,303	[●]
Total assets		392,073	348,372	348,372	[●]
Equity					
Share capital	2.3(f)	*	*	28,768	[●]
Invested equity	2.3(g)	15,300	15,300	-	-
Merger reserve	2.3(h)	696	696	(12,772)	(12,772)
Other reserve	2.3(i)	73,428	15,376	15,376	[●]
Total equity attributable to owners of the Company		89,424	31,372	31,372	[●]
Non-controlling interests		3,599	3,599	3,599	3,599
Total equity		93,023	34,971	34,971	[●]

Notes:

⁽¹⁾ Extracted from the accountants' report on the combined financial statements of Loob for the financial year ended 30 June 2024 ("Accountants' Report").

* Denotes RM2.00



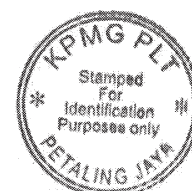
12. FINANCIAL INFORMATION (Cont'd)

Attachment A

Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")
 Pro Forma Combined Statements of Financial Information and the notes thereon

2. Pro Forma Combined Statement of Financial Position (continued)

		As at 30 June 2024 ⁽¹⁾ RM'000	Pro Forma I After adjustment for the Completed Material Transactions RM'000	Pro Forma II After Pro Forma I and the Proposed Pre-IPO Restructuring RM'000	Pro Forma III After Pro Forma II and the Proposed IPO RM'000
	Notes				
Liabilities					
Lease liabilities	2.3(j)	113,173	110,014	110,014	110,014
Provision for restoration costs	2.3(k)	8,034	7,532	7,532	7,532
Trade and other payables		433	433	433	433
Contract liabilities		8,447	8,447	8,447	8,447
Deferred tax liabilities		2,212	2,212	2,212	2,212
Total non-current liabilities		<u>132,299</u>	<u>128,638</u>	<u>128,638</u>	<u>128,638</u>
Loans and borrowings	2.3(l)	52,073	76,073	76,073	[•]
Lease liabilities	2.3(j)	26,785	23,860	23,860	23,860
Trade and other payables	2.3(m)	72,987	69,924	69,924	[•]
Contract liabilities		9,965	9,965	9,965	9,965
Current tax liabilities		4,941	4,941	4,941	4,941
Total current liabilities		<u>166,751</u>	<u>184,763</u>	<u>184,763</u>	<u>[•]</u>
Total liabilities		<u>299,050</u>	<u>313,401</u>	<u>313,401</u>	<u>[•]</u>
Total equity and liabilities		<u>392,073</u>	<u>348,372</u>	<u>348,372</u>	<u>[•]</u>

Note:⁽¹⁾ Extracted from the Accountants' Report.

12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2. Pro Forma Combined Statement of Financial Position (continued)****2.1 Basis of preparation**

The applicable criteria on the basis of which the Directors have compiled the Pro Forma SOFP are as described below. The Pro Forma SOFP is prepared in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma SOFP has been prepared based on:

- (i) the accountants' report on the combined financial statements of Loob for the financial year ended 30 June 2024 which were prepared in accordance with MFRS Accounting Standards as issued by the Malaysian Accounting Standards Board ("MFRS Accounting Standards") and IFRS Accounting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards"), on which an auditors' report dated 26 March 2025 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion; and
- (ii) the audited financial statements of Loob Philippines for the financial year ended 30 June 2024 which were prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities ("PFRS for SME"), on which an auditors' report dated 4 October 2024 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion. For the preparation of the Pro Forma SOFP, adjustments have been made to align to the accounting standards of the Group (MFRS Accounting Standards and IFRS Accounting Standards).

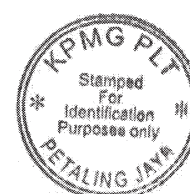
The Pro Forma SOFP have been prepared in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group and adjusted for the events and transactions detailed in Note 1. The Pro Forma SOFP does not include the effects of the adoption of MFRS Accounting Standards which are effective for the annual period beginning on 1 July 2024.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma SOFP.

The Pro Forma SOFP is not necessarily indicative of the financial position that would have been attained had the events and transactions detailed in Note 1 actually occurred at the respective dates. The Pro Forma SOFP has been prepared for illustrative purposes only.

2.2 Pro forma adjustments to the Pro Forma SOFP

The Pro Forma SOFP illustrates the effects of the following events or transactions:



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2. Pro Forma Combined Statement of Financial Position (continued)****2.2.1 Pro Forma I – Completed Material Transactions**

Pro Forma I incorporates the effects of the Completed Material Transactions comprising the Pre-IPO dividends as described in Note 1.1.1, Transfer of Loob Philippines as described in Note 1.1.2 and drawdown of borrowings as described in 1.1.3.

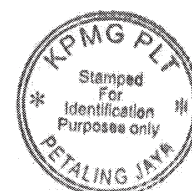
2.2.2 Pro Forma II – Proposed Pre-IPO Restructuring

Pro Forma II incorporates the effects of Pro Forma I and the Proposed Pre-IPO Restructuring as described in Note 1.2.

2.2.3 Pro Forma III – Proposed IPO

Pro Forma III incorporates the effects of Pro Forma II and the Proposed IPO (including the proposed use of proceeds) as described in Note 1.3.

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12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2.3 Effects on the Pro Forma SOFP****(a) Movement in property, plant and equipment**

	RM'000
Balance as at 30 June 2024	115,564
Effects of Pro Forma I:	
- Transfer of Loob Philippines	(15,289)
Pro Forma I, II and III	100,275

(b) Movement in right-of-use assets

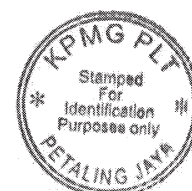
	RM'000
Balance as at 30 June 2024	135,759
Effects of Pro Forma I:	
- Transfer of Loob Philippines	(5,773)
Pro Forma I, II and III	129,986

(c) Movement in trade and other receivables

	Non-current RM'000	Current RM'000	Total RM'000
Balance as at 30 June 2024	11,667	32,485	44,152
Effects of Pro Forma I:			
- Transfer of Loob Philippines	(2,744)	(2,521)	(5,265)
- Amounts owing by Loob Philippines novated to TrueScale Ventures	39,842	-	-
- Set off against assignment of dividend payable to shareholders of TrueScale Ventures	(20,833)	-	-
- Impairment of amounts owing by TrueScale Ventures	(19,009)	-	-
Pro Forma I, II and III	8,923	29,964	38,887

(d) Movement in inventories

	RM'000
Balance as at 30 June 2024	36,134
Effects of Pro Forma I:	
- Transfer of Loob Philippines	(1,554)
Pro Forma I, II and III	34,580



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2.3 Effects on the Pro Forma SOFP (continued)****(e) Movement in cash and cash equivalents**

	RM'000
Balance as at 30 June 2024	46,950
Effects of Pro Forma I:	
- Transfer of Loob Philippines	(2,524)
- Payment of Pre-IPO Dividends	(37,296)
- Drawdown of borrowings	24,000
Pro Forma I and II	31,130
Effects of Pro Forma III:	
- Proceeds from the Proposed Public Issue	[•]
- Estimated listing expenses	[•]
- Repayment of borrowings using proceeds from the Proposed Public Issue	[•]
Pro Forma III	[•]

(f) Movement in share capital

	RM'000
Balance as at 30 June 2024/Pro Forma I	*
Effects of Pro Forma II:	
- Issuance of Shares for the Proposed Pre-IPO Restructuring	28,768
Pro Forma II	28,768
Effects of Pro Forma III:	
- Issuance of Issue Shares pursuant to Proposed Public Issue	[•]
- Estimated listing expenses directly attributable to the Proposed Public Issue	[•]
Pro Forma III	[•]

* Refers to two (2) issued share at RM2.

(g) Movement in invested equity

	RM'000
Balance as at 30 June 2024/Pro Forma I	15,300
Effects of Pro Forma II:	
- Share swap pursuant to the Proposed Pre-IPO Restructuring	(15,300)
Pro Forma II and III	-

(h) Movement in merger reserve

	RM'000
Balance as at 30 June 2024/Pro Forma I	696
Effects of Pro Forma II:	
- Difference arising from share swap pursuant to the Proposed Pre-IPO Restructuring accounted for as merger reserve	(13,468)
Pro Forma II and III	(12,772)



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2.3 Effects on the Pro Forma SOFP (continued)****(i) Movement in other reserve**

	RM'000
Balance as at 30 June 2024	73,428
Effects of Pro Forma I:	
- Transfer of Loob Philippines	1,973
- Declaration of Pre-IPO Dividends	(60,025)
Pro Forma I and II	15,376
Effects of Pro Forma III:	
- Estimated listing expenses charged to profit or loss of the Group	[•]
Pro Forma III	[•]

(j) Movement in lease liabilities

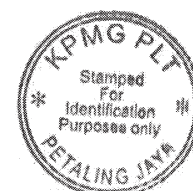
	Non-current RM'000	Current RM'000	Total RM'000
Balance as at 30 June 2024	113,173	26,785	139,958
Effects of Pro Forma I:			
- Transfer of Loob Philippines	(3,159)	(2,925)	(6,084)
Pro Forma I, II and III	110,014	23,860	133,874

(k) Movement in provision for restoration costs

	RM'000
Balance as at 30 June 2024	8,034
Effects of Pro Forma I:	
- Transfer of Loob Philippines	(502)
Pro Forma I, II and III	7,532

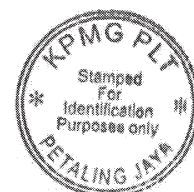
(l) Movement in loans and borrowings – non-current

	RM'000
Balance as at 30 June 2024	52,073
Effects of Pro Forma I:	
- Drawdown of borrowings	24,000
Pro Forma I and II	76,073
Effects of Pro Forma III:	
- Repayment of borrowings using proceeds from the Proposed Public Issue	[•]
Pro Forma III	[•]



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**2.3 Effects on the Pro Forma SOFP (continued)****(m) Movement in trade and other payables – current**

	RM'000
Balance as at 30 June 2024	72,987
Effects of Pro Forma I:	
- Amounts owing by Loob Philippines novated to TrueScale Ventures	39,842
- Transfer of Loob Philippines	(42,905)
Pro Forma I and II	69,924
Effects of Pro Forma III:	
- Reversal of accrued estimated listing expenses upon payment using proceeds from the Proposed Public Issue	[•]
Pro Forma III	[•]

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12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**3. Pro Forma Combined Statement of Profit or Loss and Other Comprehensive Income**

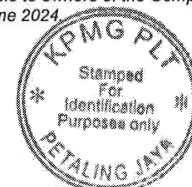
The pro forma combined statement of profit or loss and other comprehensive income of Loob for the financial year ended 30 June 2024, including pro forma combined earnings per share ("Pro Forma SOCI") as set out below have been prepared for illustrative purposes only to show the effects of the transaction referred to in Note 1.1.2 had this transaction been effected on 1 July 2023, and should be read in conjunction with the said notes in this section.

	Financial year ended 30 June 2024 ⁽¹⁾ RM'000	Pro Forma I After adjustment for the Transfer of Loob Philippines RM'000
Revenue	591,243	568,732
Cost of sales	(202,608)	(197,835)
Gross profit	388,635	370,897
Other income	2,811	2,911
Administrative expenses	(294,527)	(268,352)
Selling and distribution expenses	(5,004)	(5,004)
Other expenses	(3,397)	(1,691)
Net losses on impairment of financial instruments	(136)	(136)
Finance income	608	1,639
Finance costs	(14,114)	(12,556)
Share of results of associates / joint ventures	107	107
Profit before tax	74,983	87,815
Tax expense	(23,387)	(23,436)
Profit for the year	51,596	64,379
<i>Item that are or may be reclassified subsequently to profit or loss</i>		
Other comprehensive income for the year	631	71
Total comprehensive income for the year	52,227	64,450
Profit attributable to:		
Owners of the Company	50,797	63,580
Non-controlling interests	799	799
	51,596	64,379
Total comprehensive income attributable to:		
Owners of the Company	51,416	63,639
Non-controlling interests	811	811
	52,227	64,450
Weighted average number of ordinary shares (including invested equity):		
- Basic / Diluted ('000)	526	526
Earnings per share attributable to owners of the Company		
- Basic/Diluted (RM)	96.57	120.87

Notes:

⁽¹⁾ Extracted from the Accountants' Report.

⁽²⁾ The pro forma basic and diluted earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year ended 30 June 2024.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**3. Pro Forma Combined Statement of Profit or Loss and Other Comprehensive Income (continued)****3.1 Basis of preparation**

The applicable criteria on the basis of which the Directors have compiled the Pro Forma SOCI are as described below. The Pro Forma SOCI is prepared in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma SOCI has been prepared based on:

- (iii) the accountants' report on the combined financial statements of Loob for the financial year ended 30 June 2024 which were prepared in accordance with MFRS Accounting Standards and IFRS Accounting Standards, on which an auditors' report dated 26 March 2025 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion; and
- (iv) the audited financial statements of Loob Philippines for the financial year ended 30 June 2024 which were prepared in accordance with PFRS for SME, on which an auditors' report dated 4 October 2024 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion. For the preparation of the Pro Forma SOFP, adjustments have been made to align to the accounting standards of the Group (MFRS Accounting Standards and IFRS Accounting Standards).

The Pro Forma SOCI have been prepared in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group and adjusted for the events and transactions detailed in Note 1.1.2. The Pro Forma SOCI does not include the effects of the adoption of MFRS Accounting Standards which are effective for the annual period beginning on 1 July 2024.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma SOCI.

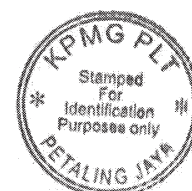
The Pro Forma SOCI is not necessarily indicative of the results of operations that would have been attained had the events and transactions detailed in Note 1.1.2 actually occurred at the respective dates. The Pro Forma SOCI has been prepared for illustrative purposes only.

3.2 Pro forma adjustments to the Pro Forma SOCI

The Pro Forma SOCI illustrates the effects of the following events or transactions:

3.2.1 Pro Forma I – Transfer of Loob Philippines

Pro Forma I incorporates the effects of the Transfer of Loob Philippines as described in Note 1.1.2.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**4. Pro Forma Combined Statement of Cash Flows**

The pro forma combined statement of cash flows of Loob for the financial year ended 30 June 2024 ("Pro Forma SOCF") as set out below have been prepared for illustrative purposes only to show the effects of the transaction referred to in Note 1.1.2 had this transaction been effected on 1 July 2023, and should be read in conjunction with the said notes in this section.

	Financial year ended 30 June 2024⁽¹⁾ RM'000	Pro Forma I After adjustment for the Transfer of Loob Philippines RM'000
Cash flows from operating activities		
Profit before tax	74,983	87,815
<i>Adjustments for:</i>		
Amortisation on intangible assets	212	212
Bad debts written off	22	22
Deposits written off	133	133
Depreciation on:		
- property, plant and equipment	28,737	25,403
- right-of-use assets	30,624	27,495
Gain on termination of leases contracts	(130)	(124)
Finance costs	14,114	12,556
Finance income	(609)	(1,639)
Inventories written off	1,691	1,691
Property, plant and equipment written off	739	739
Reversal of impairment of trade receivables	(18)	(18)
Reversal of provision for restoration costs	(640)	(640)
Share of results of associates/joint ventures	(107)	(107)
Unrealised gain on foreign exchange	1,970	(1,918)
Operating profit before working capital changes	151,721	151,620
<i>Changes in working capital:</i>		
Contract liabilities	1,735	1,735
Inventories	(200)	(1,591)
Trade and other receivables	2,798	3,447
Trade and other payables	(11,525)	(5,072)
Cash generated from operations	144,529	150,139
Interest paid	(8,531)	(6,894)
Interest received	459	458
Tax paid	(18,872)	(18,872)
Net cash from operating activities	117,585	124,831

Note:

⁽¹⁾ Extracted from the Accountants' Report.



12. FINANCIAL INFORMATION (Cont'd)

Attachment A

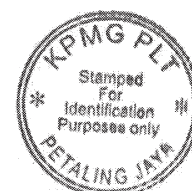
Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")
 Pro Forma Combined Statements of Financial Information and the notes thereon

4. Pro Forma Combined Statement of Cash Flows (continued)

	Financial year ended 30 June 2024 ⁽¹⁾ RM'000	Pro Forma I After adjustment for the Transfer of Loob Philippines RM'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	4	4
Purchase of property, plant and equipment	(38,557)	(28,772)
Purchase of intangible assets	(1,008)	(1,008)
Advances to a related party	-	(21,021)
Net cash used in investing activities	(39,561)	(50,797)
Cash flows from financing activities		
Dividends paid to:		
- shareholders	(30,000)	(30,000)
- NCI	(769)	(769)
Drawdown of facility	10,000	10,000
Interest paid	(4,110)	(4,110)
Payments of:		
- lease liabilities	(25,374)	(22,361)
- revolving credit	(17,942)	(17,942)
- trade facilities	(2,642)	(2,642)
Net cash used in financing activities	(70,837)	(67,825)
Net increase in cash and cash equivalents	7,187	6,209
Effect of foreign currency translation differences	1,531	1,640
Cash and cash equivalents at 1 July 2023	38,232	36,576
Cash and cash equivalents at 30 June 2024	46,950	44,425

Note:

⁽¹⁾ Extracted from the Accountants' Report.



12. FINANCIAL INFORMATION (Cont'd)**Attachment A****Loob Berhad ("Loob" or the "Company") and its combining entity (the "Group")**
Pro Forma Combined Statements of Financial Information and the notes thereon**4. Pro Forma Combined Statement of Cash Flows (continued)****4.1 Basis of preparation**

The applicable criteria on the basis of which the Directors have compiled the Pro Forma SOCF are as described below. The Pro Forma SOCF is prepared in accordance with the requirements of the Prospectus Guidelines and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma SOCF has been prepared based on:

- (v) the accountants' report on the combined financial statements of Loob for the financial year ended 30 June 2024 which were prepared in accordance with MFRS Accounting Standards and IFRS Accounting Standards, on which an auditors' report dated 26 March 2025 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion; and
- (vi) the audited financial statements of Loob Philippines for the financial year ended 30 June 2024 which were prepared in accordance with PFRS for SME, on which an auditors' report dated 4 October 2024 has been issued. The auditors' report was not subject to any qualification, modification or disclaimer of opinion. For the preparation of the Pro Forma SOCF, adjustments have been made to align to the accounting standards of the Group (MFRS Accounting Standards and IFRS Accounting Standards).

The Pro Forma SOCF have been prepared in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group and adjusted for the events and transactions detailed in Note 1.1.2. The Pro Forma SOCF does not include the effects of the adoption of MFRS Accounting Standards which are effective for the annual period beginning on 1 July 2024.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma SOCF.

The Pro Forma SOCF is not necessarily indicative of the results of operations that would have been attained had the events and transactions detailed in Note 1.1.2 actually occurred at the respective dates. The Pro Forma SOCF has been prepared for illustrative purposes only.

4.2 Pro forma adjustments to the Pro Forma SOCF

The Pro Forma SOCF illustrates the effects of the following events or transactions:

4.2.1 Pro Forma I –Transfer of Loob Philippines

Pro Forma I incorporates the effects of the Transfer of Loob Philippines as described in Note 1.1.2.

